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WHY REBATING COMMISSION TO CUSTOMERS IS AN UNACCEPTABLE COMPROMISE

In advance of the vote on MiFID tomorrow, I would like to highlight the Financial Services Consumer Panel's concerns about the dangers of rebating commission back to customers. We understand that this will be put forward as a compromise between banning commission across all channels and requiring only that advisers disclose the remuneration they receive. The Panel understands that such a compromise amendment to Article 24 of the draft Directive is currently on the table.

The Panel believes that the UK experience clearly shows this approach does not work, for several reasons:

- The ability to rebate commissions did not prevent commission bias, and in fact resulted in advisers seeking the highest commissions and promoting the rebates as a marketing tool. Therefore it does not ensure advisers are the true agents of their customers.
- This proposal would still allow bias to remain, particularly where advisers have flexibility to vary their fee. It will not work because advisers would still be incentivised to sell products from firms offering high commissions. In addition, to tackle product-type bias, there would need to be a requirement to prevent advisers being allowed to charge more for recommending one particular type of product than for recommending a comparable product, and this is not being proposed.
- It increases complexity. It becomes harder for consumers to work out whether they are getting a good deal and compare products - they will still be very much in the dark about the true cost of advice.

We therefore urge you not to support such an amendment as the solution to the problems MiFID and the Parliament is seeking to address, and to support a ban on payment of commission to all advisers, in all member states.

Yours sincerely,

Kay Blair
Vice Chair, Financial Services Consumer Panel