



## Financial Services Consumer Panel

AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES



Member of the European Parliament  
Bât. Altiero Spinelli  
60, rue Wiertz  
B-1047 Brussels  
Belgium

28 June, 2012

Dear Member of the European Parliament

**Re: the Markets in Financial Instruments Directive**

As you and your colleagues finalise the compromise amendments to the proposed Markets in Financial Instruments Directive (MiFID), BEUC on behalf of its 42 members and in very close cooperation with its members Which?, VZBV, the Financial Services Consumer Panel, the Danish Consumer Council and the Norwegian Consumer Council strongly urge you to protect European consumers by ensuring that the Directive bans commission and inducements for all types of investment advice.

Commission creates a clear conflict of interest between consumers and advisers. Adviser remuneration based on sales targets and commission creates a bias towards the products paying the highest levels of commission and a bias away from courses of action that are right for the consumer. This has already been recognised by policy-makers in the Netherlands, Australia and the United Kingdom where bans on commission are about to be introduced.

By removing this conflict of interest you will ensure that all European consumers receive financial advice which allows them to take on products that match their risk appetite and financial circumstances. A ban on commission across all distribution channels reduces the risk of regulatory arbitrage and will give more consistent protection to consumers however they choose to receive financial advice. This will not only benefit individual consumers, but the European economy as a whole.

We know from experience that merely disclosing commission to consumers does not solve the problem. Two years after a disclosure document was introduced in the UK, an independent report<sup>1</sup> commissioned by the Financial Services Authority describing the maximum amount an adviser of packaged products is paid for intermediation, concluded that "there is no compelling evidence that it [the disclosure document] has brought significant benefits through a reduction in the average level of commission, the dispersion of commissions, provider bias or a change in the use of fees". DG SANCO's work on behavioural economics<sup>2</sup>

<sup>1</sup> [http://www.fsa.gov.uk/pubs/other/CRAreport\\_menu.pdf](http://www.fsa.gov.uk/pubs/other/CRAreport_menu.pdf), p.41.

<sup>2</sup> [http://ec.europa.eu/consumers/strategy/docs/final\\_report\\_en.pdf](http://ec.europa.eu/consumers/strategy/docs/final_report_en.pdf), p. 20. The Synovate study on investment advice for DG SANCO also suggests difficulties with conflict of interest disclosures in the advice process: [http://ec.europa.eu/consumers/rights/docs/investment\\_advice\\_study\\_en.pdf](http://ec.europa.eu/consumers/rights/docs/investment_advice_study_en.pdf)

also points to “circumstances when the disclosure of incentives would be insufficient to make advisees sufficiently wary of conflicts of interest, which in practice may be caused by commission payments and sales incentives”.

In the current low interest rate environment a rising number of European consumers have little choice but to explore new ways of growing their savings to e.g. afford retirement or higher education for their children. As such the need for impartial advice on how to invest individual savings is perhaps greater than ever so while we welcome the Commission’s proposed ban on commission for independent advice, we strongly urge you to extend the ban to cover all advice by supporting amendments 762, 763, 765, 769, 771, 773, 774 and 775.

Yours sincerely

**Peter Vicary-Smith**  
Chief Executive  
Which? (UK)

**Gerd Billen**  
Executive Director  
VZBV (DE)

**Monique Goyens**  
Director General  
BEUC (EU)

**Rasmus Kjeldahl**  
Executive Director  
Danish Consumer Council (DK)

**Adam Phillips**  
Chair  
Financial Services Consumer Panel (UK)

**Randi R.S. Flesland**  
Director  
Norwegian Consumer Council (NO)