

PRESS RELEASE

## Potential ban on inducements reduced to false choice between “advice gap” and “biased advice”

12 January 2023 - In response to warnings about an “advice gap” if inducements – or rather sales commissions – were to be banned, BETTER FINANCE stresses that there can be no “advice gap” if there’s no “advice”: biased advice is not really advice.

The discussion in Brussels between advocates and opponents of bias-free advice (the stated objective of the EC) for retail investment products is coming to a head in 2023. On the eve of 2022, in reply to a letter from the former European Parliament’s Rapporteur on MiFID II, Commissioner McGuinness outlined her reasoning for a ban on sales commissions paid to retail distributors (surprisingly and mistakenly labelled as “investment advisors”), stressing that under an inducement-based model, retail investors will often be sold products which are more costly than other cheaper alternatives available on the market and not be advised on the best or most suitable products.

Indeed, the current situation effectively leaves EU consumers without independent advice. BaFin (the German Federal Financial Supervisory Authority), for example, lists just 17 independent advisors registered in Germany, so real financial advice is virtually unavailable to the majority of consumers there.<sup>1</sup> Establishing a system of independent advice would only reduce this gap by making genuine advice available in the first place.

It is unfortunate to see the debate around a potential ban on inducements being reduced to a false dichotomy between an advice gap on the one hand, and biased, costly and unsuitable investment advice on the other.

Besides the fact that there is no evidence for an “advice gap” in those countries that implemented a ban, and where retail investors now enjoy lower investment costs and better value for money<sup>2</sup>, BETTER FINANCE underlines that there can be no such thing as an “advice gap” if there is no “advice” in the first place, but (too often) merely product marketing and promotion.

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Contact: Chief Communications Officer | Arnaud Houdmont | +32 (0)2 514 37 77 | [houdmont@betterfinance.eu](mailto:houdmont@betterfinance.eu)

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<sup>1</sup> [https://portal.mvp.bafin.de/database/HABInfo/?locale=en\\_GB](https://portal.mvp.bafin.de/database/HABInfo/?locale=en_GB)

<sup>2</sup> European Commission (2022), ‘[Disclosure, inducements, and suitability rules for retail investors](#)’, P. 294