

PRESS RELEASE

It is time to address the negative impacts of the conflicts of interest generated by sales commissions in the distribution of investment products to European savers

3 March 2023 - On 2 March 2023, BETTER FINANCE was one of the two organisations representing individual investors and financial users invited by the European Commission (together with 5 financial industry representatives) to address representatives of EU Member States at a “Government Expert Group on Retail Financial Services” meeting in Brussels on the Commission’s initiative of a “Retail Investor Strategy” (RIS).

During the meeting, BETTER FINANCE pointed out that it is unfortunate that discussions on the RIS over the last two and half years have focussed solely on one possible EC proposal related to just one of the Commission’s RIS priorities, namely “*ensuring bias-free advice*”. Other key priorities for retail investors, such as a more coherent EU legal framework across all categories of retail investment products and clear, relevant and comparable key product information, have simply been ignored.

Proposals and studies put forward by BETTER FINANCE over the last years have largely been ignored as well by EU financial industry lobbyists, who are essentially demanding that the EC renounces any idea of a ban on “inducements” (i.e., sales commissions paid by providers to distributors of retail investment products), without providing concrete alternative proposals to address the issues stemming from those.

BETTER FINANCE also pointed out that EU industry lobbyists and some Member States will not even acknowledge that there is a problem generated by conflicts of interests in the distribution of retail investment products, although there is clear independent evidence for this. “*When a retail distributor is compensated by sales commissions, calling him an investment advisor is like calling a car dealer a transportation advisor*”, Guillaume Prache, Managing Director of BETTER FINANCE said.

Lastly BETTER FINANCE regrets that some Member States who have recently become vocal against “*ensuring bias-free advice*” have not yet consulted their own consumer representatives.

Therefore, BETTER FINANCE calls for an urgent open debate on the main issues and priorities of the RIS involving all key stakeholders, such as consumers and individual investors, academics and the European Parliament.

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