



The Consumer Voice in Europe

Looking for guidance

Consumer needs –
expectations-attitudes
towards financial advice

Monique Goyens

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Consumer needs and attitudes (I)

- Most consumers do not ask for financial advice when it comes to simple financial products:
- Consumers do not ask for financial advice for budget management debt
- Consumers turn to advice for mortgage, pensions, savings
- Consumer attitudes depend on personal circumstances (age, family situation, affluence)
- Behavioural biases (hidden vs transparent cost of advice, acknowledgement of need of advice)

Consumer needs and attitudes (II)

Special need for independent advice for complex products :

- Complexity and uncertainties linked by nature to retail investment services
- Lack of knowledge of financial concepts and terminology
- No learning by doing, as for most consumers, major investment purchases only happen a few times in life
- Feedback on quality of choice is not often available, and can be mixed with external factors, such as market conditions
- No independent shopping conditions available: consumers quickly tied in by their “advisors”

Consumer expectations

- Answers to concrete questions = solutions
- Tailor made approach (guidance rather than advice)
 - Mechanism of the product
 - Goal
 - Risk linked to the product
 - Fees related to the product as well as global cost
 - Duration of the contract and consequences of early closure
 - Tax implications of the product

Who advises consumers ?

French study:

- 69% consumers rely on their banker
- 53% on family
- 22% on internet
- 19% on media
- 36% admitted that they did not understand the impact of their decision
- 25% considered to have received bad advice

Poor quality of existing advice

- Advice delivered by financial service providers or intermediaries is biased and of poor quality:
 - Biased by fees, incentives: investment is sold, not bought
 - Poor quality, lack of expertise (which? 2011 study)
 - Misrepresentation: consumers believe it is for free, but it is most often not, but hidden
- Lack of availability of independent advice in most EU countries:
 - based on a fee paid by the consumer, not the financial service provider

The way forward

- Engage into provision of independent financial advice
- A challenge: consumer attitudes towards paying fees for receiving advice
- By alternative providers



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www.beuc.eu – consumers@beuc.eu

Bureau Européen des Unions de Consommateurs AISBL | Der Europäische Verbraucherverband
Rue d'Arlon 80, B-1040 Brussels • Tel. +32 (0)2 743 15 90

