



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Consumer Understanding of Commission Payments

November 2017

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FOREWORD

In the Consumer Protection Outlook Report 2016, the Central Bank of Ireland (Central Bank) highlighted a priority theme to examine the risks and benefits of commission payments to intermediaries. The purpose was to determine what additional measures, if any, are needed to be put in place to strengthen the protection for consumers in this area.

In addition to this examination, a commitment was also made to publish a Discussion Paper on the topic in order to seek input from interested parties and ascertain next steps to ensure consumers' best interests are being protected. Previous research was conducted (and collated from firms) on the types of commissions being charged to consumers. This information was considered and included as part of the Discussion Paper, published in July 2016. However, as responses to that Discussion Paper primarily came from an industry perspective, further targeted consumer research has now been undertaken in order to obtain an evidence-base of the consumer understanding and perception of commission payments.

The main objective of this research was to gain an insight into consumers' understanding of how commission payments work in practice, to further inform the Central Bank's policy consideration of commission payments (a Consultation Paper in this regard is being simultaneously published alongside this research and is available at www.centralbank.ie). The research focused on key relevant themes including; value placed on adviser/broker independence, perceptions of advisers/brokers (and their perceived motivations), and overall consumer understanding of commission arrangements.

Behaviour & Attitudes conducted fieldwork on behalf of the Central Bank for the purposes of this research. This consisted of a quantitative face-to-face in-home survey of 506 consumers in April 2017 who sought financial advice and/or purchased a financial product through a financial adviser/broker. The key findings of this research are summarised on the following pages.

KEY FINDINGS

Most respondents placed a value on the title 'independent' when dealing with advisers/brokers

- 73% of respondents stated that it was important for a financial adviser/broker to describe himself as *independent*.
- 63% of respondents stated a preference for choosing a financial adviser who described himself as *independent*.

Over half of respondents believed an independent adviser was fee-based

- 54% of respondents said that they believed that an *independent* financial adviser was paid by means of a fee-based structure (39% of these believed an independent adviser allowed you to pay by means of a fee and a further 15% believed that the adviser *only* allowed you to pay by fee).
- 29% of respondents did not know how an independent adviser/broker is paid.

Respondents had just a *slight* preference for a once-off/upfront fee generally, but preference declined with the prospect of paying more than once for financial advice

- Given a choice scenario between a (slightly cheaper) up-front fee and a (slightly dearer) commission structure, 47% of respondents said they preferred a once off upfront fee, while 36% said they preferred an ongoing commission payment and 18% did not know (47% of respondents said they based this choice on the option chosen being cheaper/more affordable, while 30% based it on knowing how much they would pay).
- When asked, 68%¹ of respondents said they would pay for financial advice through a financial adviser by means of an upfront fee, if this was the only way of obtaining financial advice.
- However, just 24%¹ of respondents said they would be prepared to pay a fee to each financial adviser each time when shopping around specifically for financial advice.

Respondents perceived that financial advisers/brokers were paid by commission but were unclear about the level & types of commissions used

- 55% of respondents said they understood that financial advisers/brokers were remunerated by means of a commission payment.
- When responses to this question were broken down by product, the majority of respondents, (across all product areas), said they were not aware of any *ongoing* commission payments from the product producer to the financial adviser/broker.

¹ These findings relate to additional questions that were asked as part of a follow on survey, using the same sample, but a smaller base line size (based on response rates) – see section 1.2

- In a separate question, 57% of respondents agreed with the statement that financial advisers/brokers were often paid an additional level of commission by financial service providers for reaching specific sales targets.
- 39% of respondents agreed that financial services law requires financial advisers to be paid the same level of commission for the sale of all products (this is not a requirement of financial services law).
- However, a majority of 52% also responded that high risk investment products paid *more* commission (to a financial adviser/broker).
- 52% of respondents said that they received no information on how their financial adviser/broker was paid (either verbally 30% or written 22%). 47% could not remember if they received any information on how they were paid (either written 24% or verbally 23%).

Most respondents agreed that financial advisers/brokers may be motivated by which product earns them the most commission

- 61% of respondents agreed that financial advisers/brokers primarily advise based on what products will earn them the most commission.
- 43% of respondents agreed that a financial adviser/broker may receive non-monetary benefits such as gifts, trips etc. for transacting business with a financial service provider.

Most respondents agreed that they trust their adviser/broker and that they act in their best interests

- 63% of respondents stated that they trust their financial adviser/broker to understand their needs and to advise on a product that best suits their needs.
- 55% of respondents said that they thought that financial advisers/brokers had their customers' best interest in mind when they give financial advice.

1. INTRODUCTION

1.1 Background to the research

The purpose of undertaking this research was to gather evidence on consumer understanding and perception of commission payments in order to support, inform and drive our consumer protection work in this area. In particular, the objectives of the research were to determine:

- awareness and understanding of how financial advisers were paid and how commissions work;
- consumer preferences for an upfront fee or a commission structure;
- consumer understanding of and preference for dealing with independent advisers/brokers; and
- consumer attitudes/opinions towards financial brokers/advisers e.g. levels of trust, having customers' best interests in mind etc.

1.2 Methodology

Figure 1.2. shows the demographic breakdown of the sample used for this research. The research was conducted amongst 506 consumers who have:

- sought financial advice about buying one of a number of products; and/or
- actually purchased one of these products *through a financial adviser or broker* in the past five years.

Interviewing was undertaken face-to-face and in-home between 10th and 25th April 2017. A quota sampling approach was used and interviews were undertaken at 63 randomly selected sampling locations. Target quotas were set based on existing data² about the characteristics of people who use or consult brokers, and those who own the types of financial products covered in the survey. Data provided throughout this report may not sum up to 100% exactly due to rounding or use of multi-response questions.

Having considered the initial findings of the research, a number of additional questions were posed to all respondents of the original survey (by telephone survey between 26th and 31st May). 198 of the 506 original respondents participated in the telephone survey. It was felt that further probing was warranted in relation to use of the independent advisor, willingness to pay and preference for paying an upfront fee to an advisor (for advice only) and preparedness to pay a fee when shopping around for financial advice. The findings from these additional questions have also been included in this report.

² Previous waves of barometer research carried out by Behaviour & Attitudes.

Figure 1.2.1

Profile of sample

All who sought financial advice and/or purchased a financial product through a broker - 506

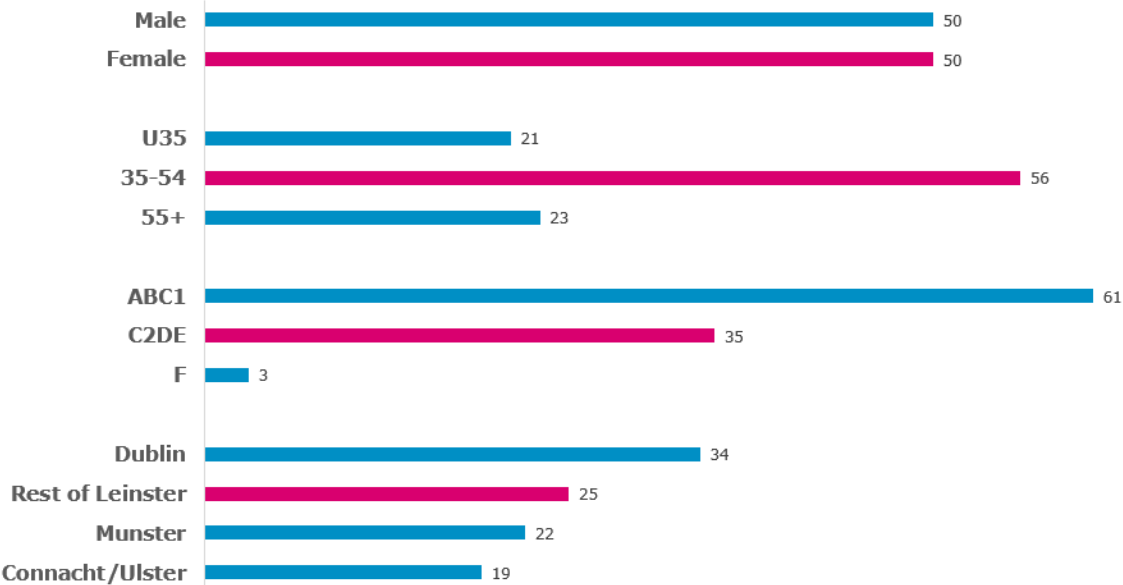
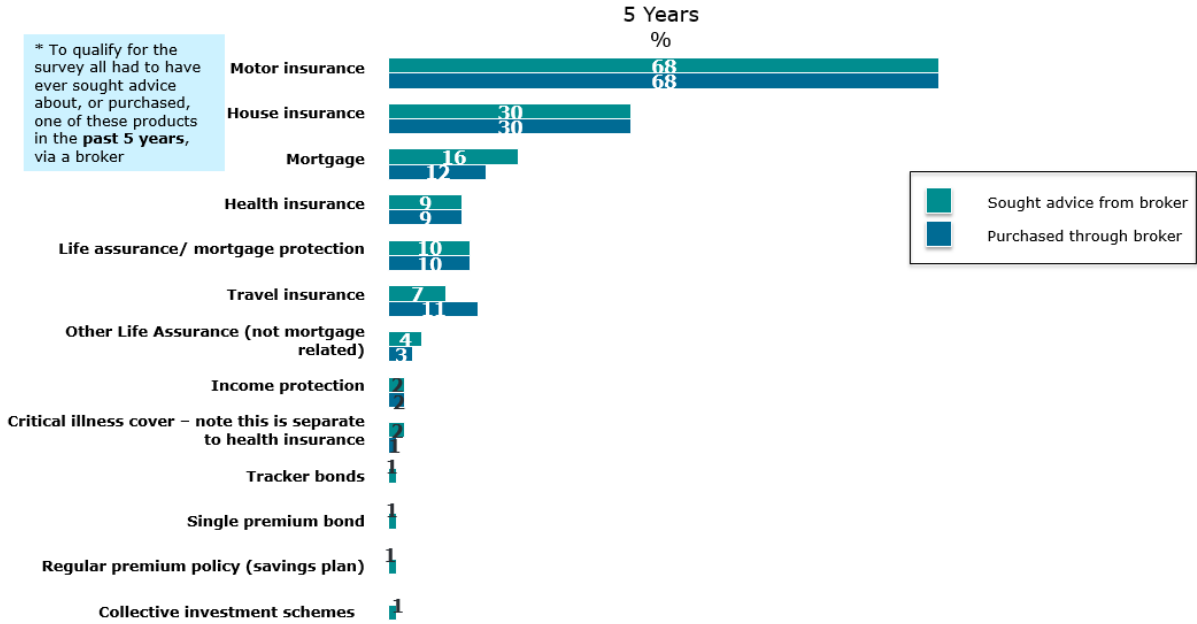


Figure 1.2.2 outlines the product distribution of the sample used. The vast majority of respondents reported that they had, at some stage, sought advice about and/or purchased motor insurance from a financial broker and the proportions who reported that they held other more complex products (e.g. 'other' life assurance/income protection, critical illness cover, tracker bonds, single premium bonds, regular premium policies or UCITS), were very low.

Figure 1.2.2

Financial products – past 5 years

Base: All who sought financial advice and/or purchased a financial product through a broker - 506



Q.2a And in the past 5 years, have you sought financial advice through a financial broker on any of the following?
 Q.2b And in the past 5 years, have you purchased any of the following products through a broker?

Looking at the product ownership demographic breakdown (from figure 1.2.3), with the exception of motor insurance, most categories had substantially lower incidence among under 35s. The likelihood of dealing with an intermediary, whether to seek advice or to make a purchase, increases with age for motor and home insurance.

Figure 1.2.3

Purchased through broker in past 5 years by demographics
Base: All who sought financial advice and/or purchased a financial product - 506

| | Total | Gender | | Age | | | Region | | | |
|--|-------|--------|--------|----------|-------|-----|--------|-----|---------|----------|
| | | Male | Female | Under 34 | 35-54 | 55+ | Dublin | RoL | Munster | Conn/Uls |
| Base: | 506 | 251 | 255 | 107 | 281 | 118 | 171 | 126 | 113 | 95 |
| | % | % | % | % | % | % | % | % | % | % |
| Motor insurance | 68 | 70 | 67 | 70 | 64 | 77 | 53 | 83 | 69 | 77 |
| House insurance | 30 | 29 | 31 | 15 | 30 | 44 | 22 | 33 | 34 | 36 |
| Mortgage | 12 | 12 | 11 | 11 | 16 | 1 | 21 | 11 | 5 | 3 |
| Travel insurance | 11 | 11 | 10 | 11 | 10 | 11 | 6 | 17 | 11 | 11 |
| Life assurance/ mortgage protection | 10 | 11 | 9 | 9 | 12 | 7 | 8 | 12 | 13 | 8 |
| Health insurance | 9 | 10 | 8 | 6 | 10 | 8 | 9 | 13 | 6 | 5 |
| Other Life Assurance (not mortgage related) | 3 | 2 | 3 | 1 | 4 | 2 | 4 | 6 | 1 | - |
| Income protection | 2 | 2 | 1 | 1 | 2 | 1 | 1 | 2 | 2 | 2 |
| Critical illness cover – note this is separate to health insurance | 1 | 1 | 1 | 2 | 1 | - | 1 | 3 | 1 | - |
| Tracker bonds | * | - | 1 | - | * | 1 | 1 | - | - | - |
| Single premium bond | * | * | * | - | - | 2 | 1 | - | 1 | - |
| Regular premium policy (savings plan) | * | * | * | 1 | * | - | - | - | 1 | 1 |
| Collective investment schemes | * | * | * | - | * | 1 | 1 | 1 | - | - |
| None | 13 | 12 | 14 | 13 | 13 | 13 | 15 | 10 | 15 | 12 |

* = less than 0.5%

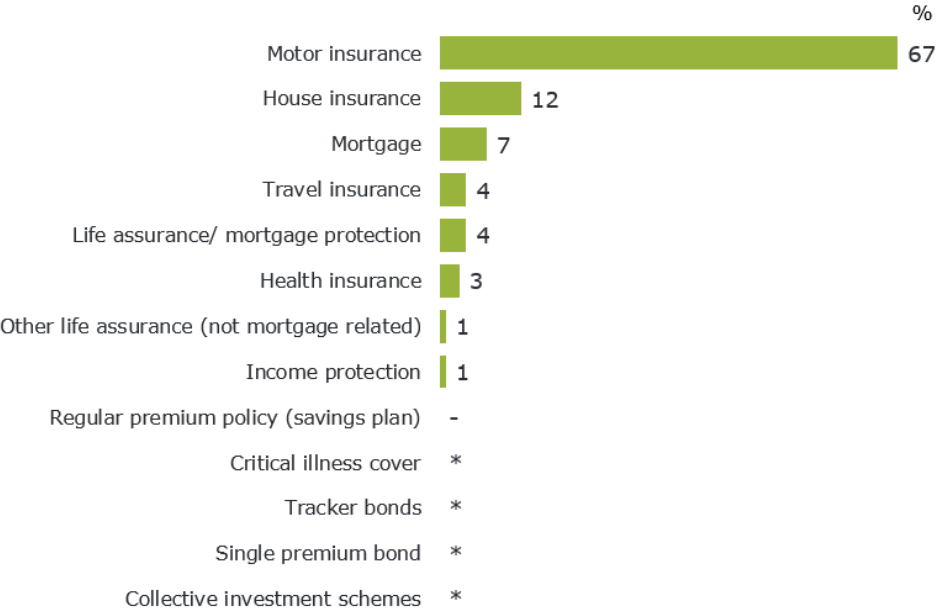
Q.2b And in the past 5 years, have you purchased any of the following products through a broker?

Respondents were also asked to focus on the product that they had *bought* most recently through a broker. From figure 1.2.4, 67% of respondents say that it was motor insurance, 12% home insurance, 7% a mortgage and 4% each for travel insurance and life assurance/ mortgage protection. Just 3% say that they last bought their health cover through a broker.

Figure 1.2.4

Product purchased last (via broker)

Base: All who purchased a financial product through a broker - 441



Q.2c And of these products, which was purchased most recently?

2. MAIN FINDINGS

2.1 Preference & Understanding of Adviser/Broker Independence

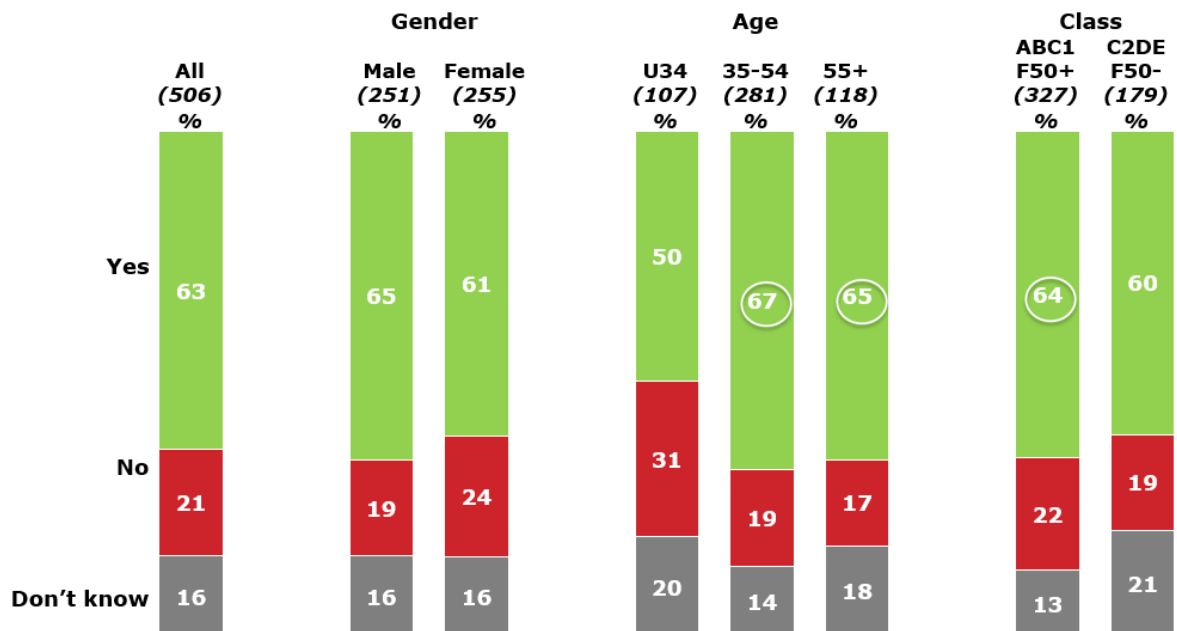
A variety of questions were posed to respondents in the context of financial adviser/broker independence and requiring respondents to indicate how an independent financial adviser/broker might operate.

When asked whether they would prefer to transact with an independent broker or not, 63% of respondents reported that they would prefer an independent broker, whereas 21% said that they would not.

Figure 2.1.1

Preference for an independent adviser

Base: All who sought financial advice and/or purchased a financial product through a financial adviser - 506



Q.14 If you were to select a financial adviser, would you have a preference to choose one who describes himself as independent?

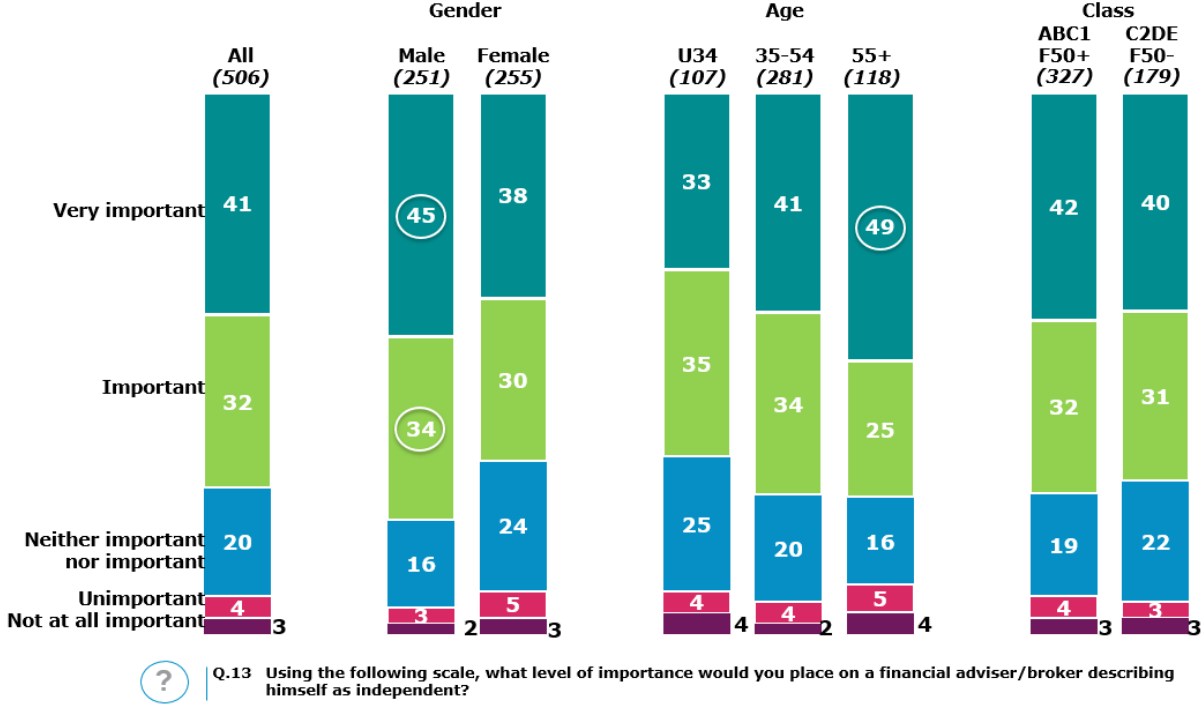
Preference for an independent adviser/broker was greater amongst middle-aged (67%) and older respondents (65%) in comparison to younger respondents (50%), and amongst those from an ABC1 background (64%) in comparison to those from a C2DE background (60%).

When asked whether it was important that a financial adviser or broker would be independent or not, 73% reported that they felt this was important or very important.

Figure 2.1.2

Importance of financial adviser/broker independence

Base: All who sought financial advice and/or purchased a financial product through a broker - 506



As shown in figure 2.1.2, the prioritisation of independence was greater amongst men (79%) in comparison to women (68%).

At the outset, respondents were asked to describe what service they felt an independent adviser might provide. For example, would they (1) review all products in the market, (2) review a limited number of products from those financial services providers with whom they have an arrangement or (3) just review products from a single financial services provider with whom they have an arrangement.

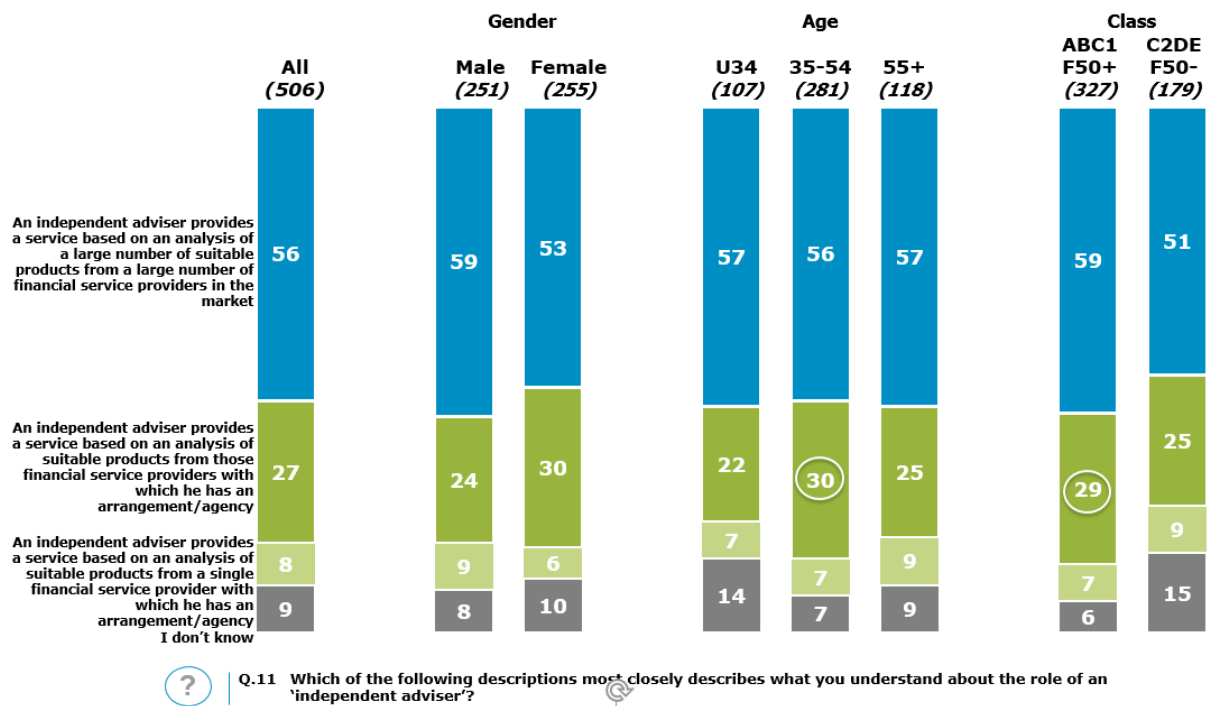
The greater majority (56%) reported that they understood that an independent adviser would conduct a thorough, full market review, studying a large number of suitable products from a broad range of financial services providers.

27% reported that an independent adviser would be likely to limit their review to those providers with whom they have an arrangement, and such a viewpoint was more common among middle-aged groups (30%) in comparison to younger age groups and those from ABC1 backgrounds (29%) in comparison those from C2DE backgrounds.

Figure 2.1.3

Understanding of an 'independent adviser' by demographics

Base: All who sought financial advice and/or purchased a financial product through a broker - 506

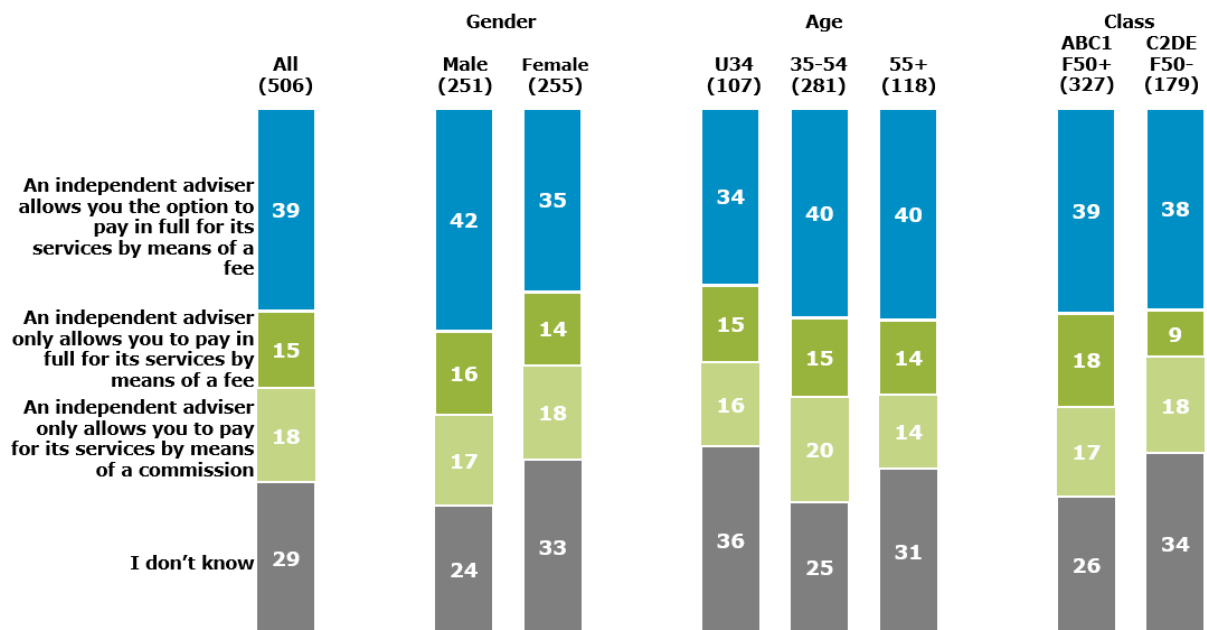


However, while preference and understanding of an independent adviser was strong, 29% of respondents did not know how an independent adviser might be paid. The greatest proportion (39%) believed that an independent adviser would allow the option to pay in full for its services by means of a fee. Additionally, a further 15% believed that an independent adviser would *only* enable a client to pay by means of a fee. Conversely, 18% believed that an independent adviser would only allow payment by means of a commission payment.

Figure 2.1.4

How an 'independent' adviser is remunerated by demographics

Base: All who sought financial advice and/or purchased a financial product through a broker - 506



Q.12 And which of the following best describes how you believe an "independent" adviser is paid?

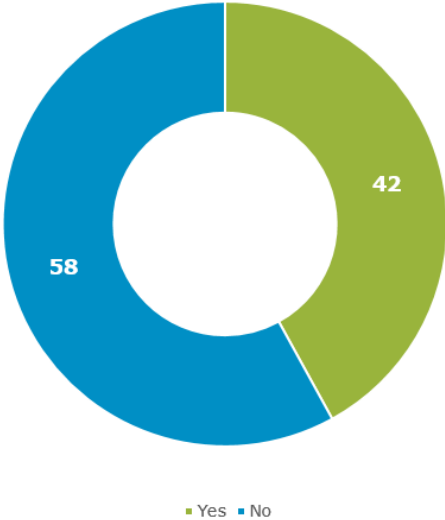
Younger adults (36%), women (33%) and those from C2DE backgrounds (34%) were more uncertain about how an independent adviser might be paid.

Finally, when looking at how many respondents actually engage the services of an independent financial adviser - 42% of respondents from the re-contacted sample³ reported that they engaged the services of an independent financial adviser (in the past 5 years).

Figure 2.1.5

Engaged the services of an independent financial adviser

Base: All who sought financial advice and/or purchased a financial product through a broker and were re-contacted - 198



| | Engaged Independent Adviser | Did Not Engage Independent Adviser |
|-------------------------------------|-----------------------------|------------------------------------|
| | % | % |
| All | 42 | 58 |
| Male | 46 | 54 |
| Female | 37 | 63 |
| U34 | 38 | 62 |
| 35-54 | 50 | 50 |
| 55+ | 26 | 74 |
| ABC1F50+ | 47 | 53 |
| C2DEF50- | 35 | 65 |
| Life Insurance/Mortgages/Investment | 62 | 38 |
| Motor Insurance | 39 | 61 |

Q.A Have you engaged the services of an independent financial adviser?

Use of an independent financial adviser was greater amongst men (46%), middle-aged respondents (50%) and those from an ABC1 social background (47%). Those who purchased life insurance/mortgage protection/mortgages/investment products (62%) were more likely to have engaged the services of an independent adviser in comparison to those who purchased motor insurance (39%).

³ These findings relate to additional questions that were asked as part of a follow up survey, using the same sample, but a smaller base line size (based on response rates) – see section 1.2

2.2 Preference for Fees or Commissions

To test out whether respondents had a preference for a fee-based payment option, or alternatively a recurring commission payment (when purchasing a financial product from a broker), respondents were asked some questions on two hypothetical remuneration scenarios.

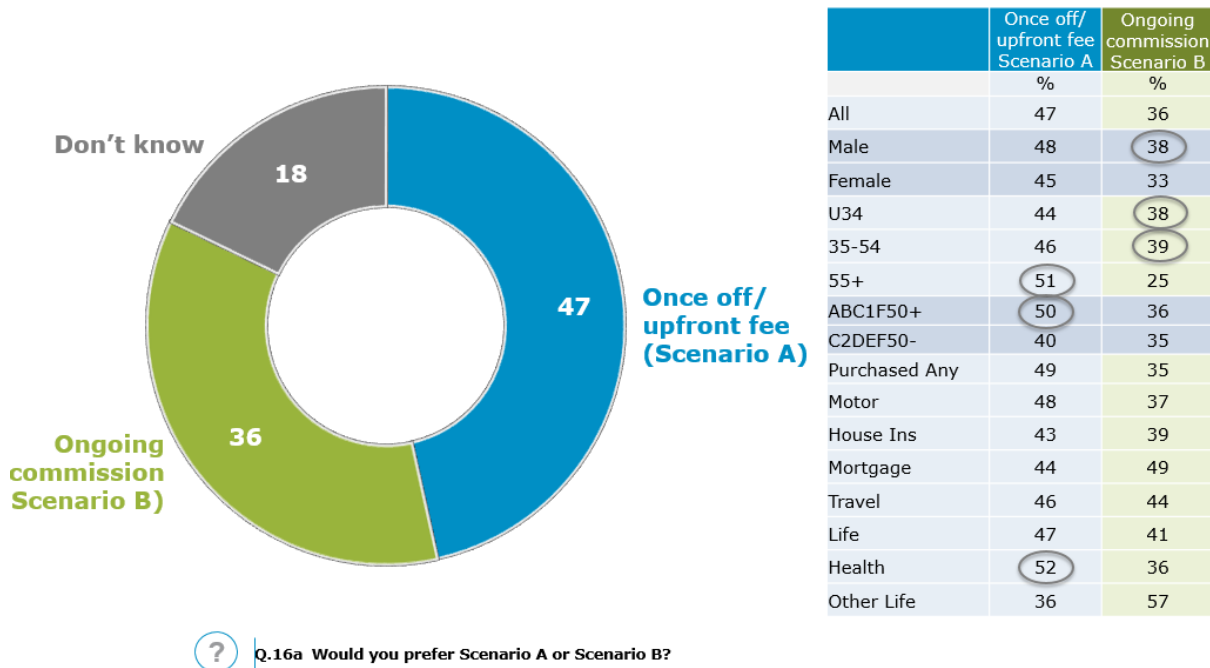
The fee-based scenario used involved marginally less financial outlay overall, whereas the commission-based scenario, with a re-occurring monthly premium, comes out slightly more expensive overall.

When asked to choose between these two scenario-based alternatives, a preference for the fee-based option (47%), rather than the commission-based scenario (36%) emerged. Excluding the undecided, the margin of preference of fee over commission was 57%/43%.

Figure 2.2.1

Preference for fee or commission

Base: All who sought advice and/or purchased a financial product through a broker - 506



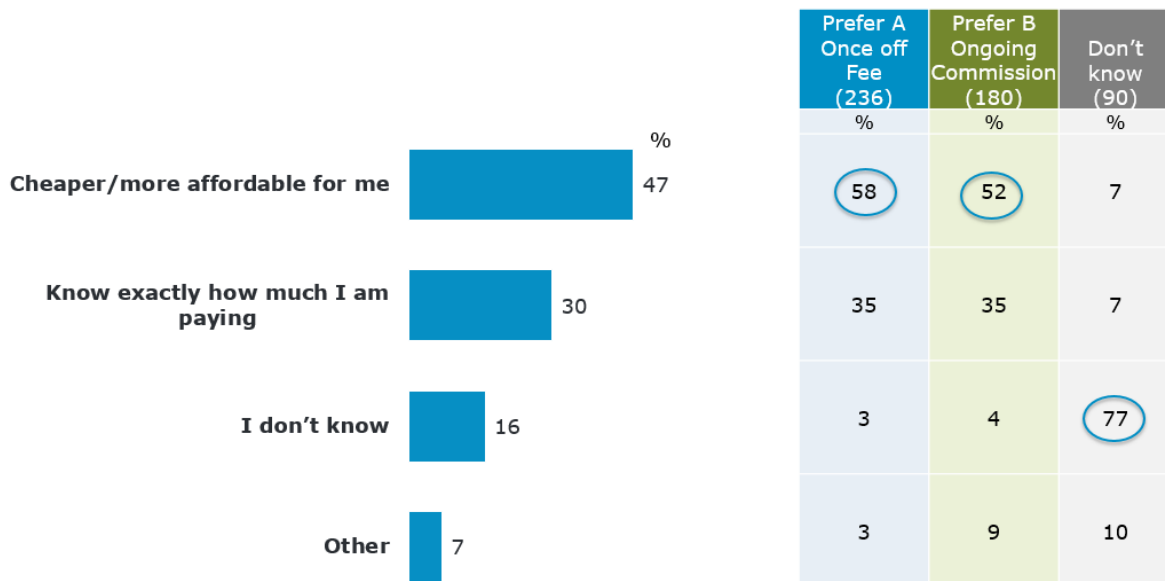
Preference of a fee was much more apparent amongst older respondents (51%) and those of ABC1 backgrounds (50%), and those who purchase health insurance (52%).

Having made their choice between a once-off fee or an ongoing commission payment, respondents were then asked to explain the basis on which they made their decision. Both groups, (whether they preferred the fee-based or the commission based scenario), reported that their preferred option was cheaper or more affordable for them. The certainty of knowing how much they would be paying was a secondary reason overall.

Figure 2.2.2

Basis of choice

Base: All who sought financial advice and/or purchased a financial product through a broker - 506



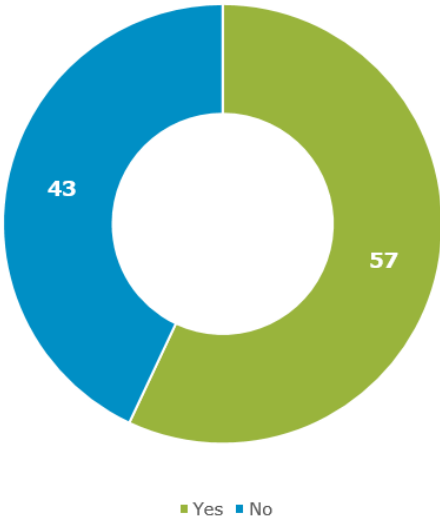
Q.16b And could you please tell me, on what basis did you make this choice?

To probe this issue (of a preference to pay an upfront fee for advice), a further research question was asked to clarify respondents willingness to pay an upfront fee for financial advice more generally - i.e. outside the scenarios provided.

Over half (57%) of respondents who were re-contacted, reported that they would be willing to pay an upfront fee to a financial adviser when only seeking financial advice.

Figure 2.2.3

Willing to pay an upfront fee to financial adviser for advice
 Base: All who sought financial advice and/or purchased a financial product through a broker and were re-contacted - 198



| | Yes | No |
|-------------------------------------|-----|----|
| | % | % |
| All | 57 | 43 |
| Male | 60 | 40 |
| Female | 53 | 47 |
| U34 | 68 | 32 |
| 35-54 | 59 | 41 |
| 55+ | 45 | 55 |
| ABC1F50+ | 61 | 39 |
| C2DEF50- | 51 | 49 |
| Used Independent Adviser | 69 | 31 |
| Did Not Use Independent Adviser | 49 | 51 |
| Life Insurance/Mortgages/Investment | 70 | 30 |
| Motor Insurance | 56 | 44 |

Q.B When only seeking financial advice, would you be willing to pay an upfront fee to your financial adviser for such advice?

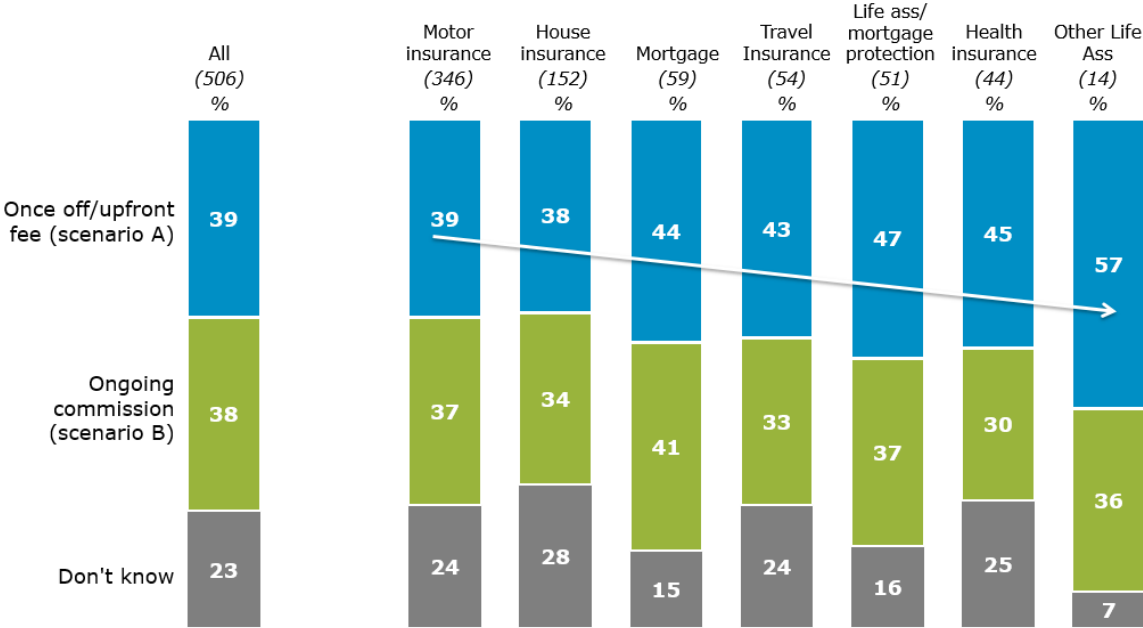
Willingness to pay for such advice was higher amongst males (60%), the younger respondents (68%), those from an ABC1 social background (61%) and those who reported that they had used an independent financial adviser (69%). Those who purchased life insurance/mortgage protection/mortgages/investment products (70%) were more likely to report that they would be willing to pay an upfront fee to a financial adviser in comparison to those who purchased motor insurance (56%).

Using the scenarios referred to above, respondents were then also asked whether they would pay for financial advice *if they could only pay* by means of an upfront fee. In this context, 39% reported that the upfront fee scenario was preferable, while almost the same number (38%) reported that they would choose an ongoing commission. The preference for a fee-based structure increased in line with the complexity of the products purchased.

Figure 2.2.4

Would you pay for financial advice if could only pay by means of upfront fee (Scenario A) by products bought

Base: All who sought financial advice and/or purchased a financial product through a broker- 506



Q.17 Would you pay for financial advice if you could only pay by means of an upfront fee (scenario A)?

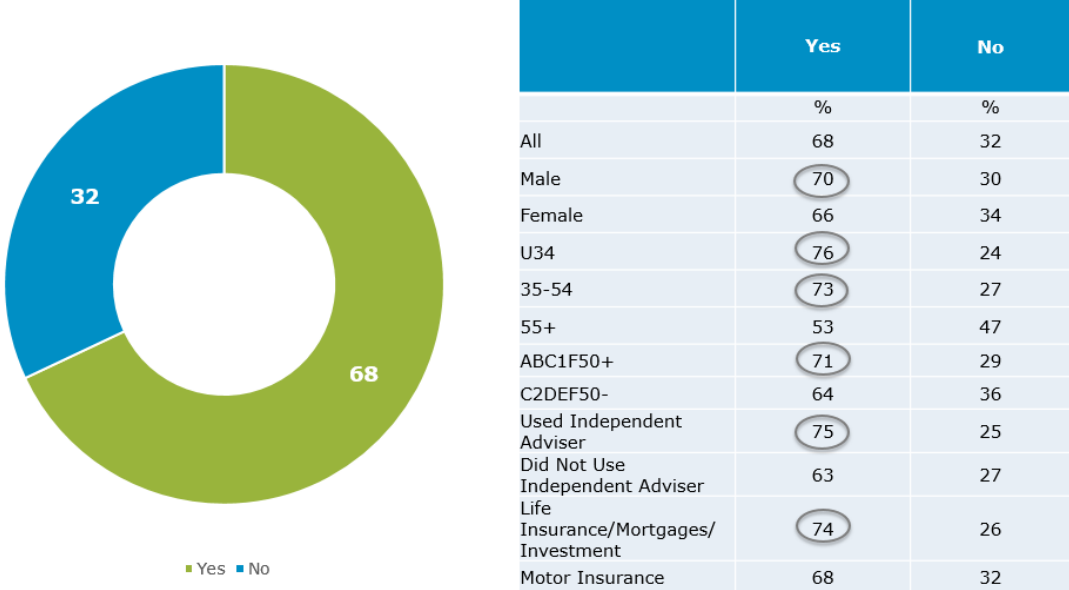
Again, and to probe this issue further outside the scenario-based line of questioning, respondents were asked if they would obtain financial advice, if the only means of payment was through an upfront fee.

The majority (68%) of those who were re-contacted reported that they would obtain financial advice if the only payment option available was by means of an upfront fee. This was more commonly expressed by men (70%), the younger respondents (76%) and middle-aged (73%), middle class respondents (71%) and those who reported that they had used an independent financial adviser (75%).

Those who purchased life insurance/mortgage protection/mortgages/investment products (74%) were more likely to have reported that they would obtain financial advice where the only payment option available would be an upfront fee, in comparison to those who purchased motor insurance (68%).

Figure 2.2.5
Would Obtain Financial Advice Where Only Payment Option is an Upfront Fee

Base: All who sought financial advice and/or purchased a financial product through a broker and were re-contacted - 198



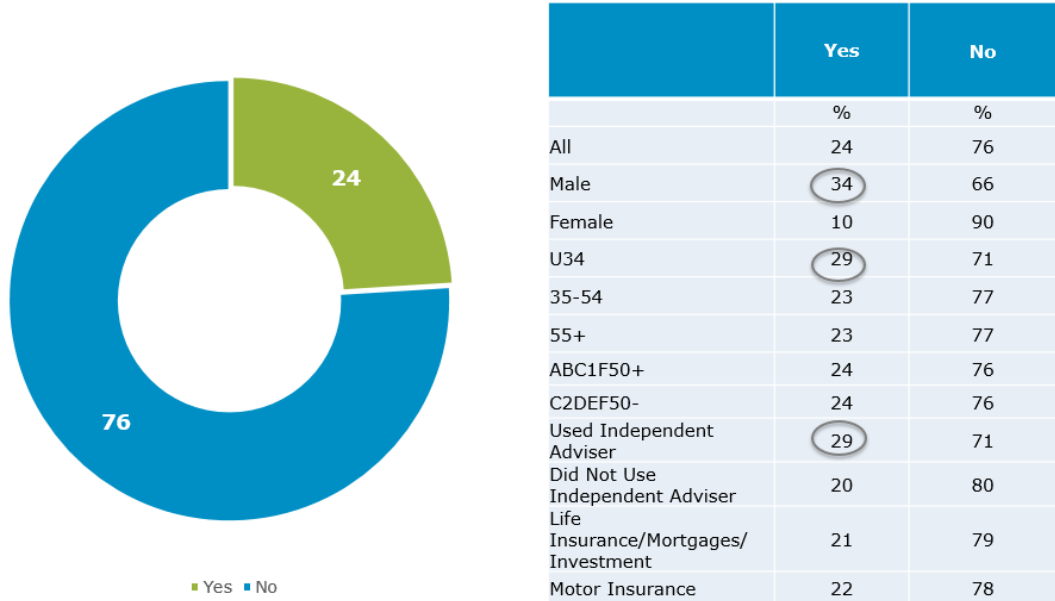
Q.C If the only way of obtaining financial advice is through a financial adviser by means of an upfront fee, would you obtain financial advice?

However, the preference for a fee option declined when respondents were asked if they would be prepared to pay a fee each time they seek advice. Just 24% of those who were re-contacted reported that they would be prepared to pay a fee to each financial adviser each time when shopping around for financial advice.

Figure 2.2.6

Would be prepared to pay a fee to financial adviser each time, when shopping around for financial advice

Base: All who sought financial advice and/or purchased a financial product through a broker and were re-contacted - 198



Q.D When shopping around, would you be prepared to pay a fee to each financial adviser each time you sought financial advice?

Preparedness to pay a fee each time was greater amongst men (34%), the younger respondents (29%) and those who reported that they had used an independent financial adviser (29%).

2.3 Understanding of Pay & Remuneration

The research examined perceptions of how financial advisers or brokers were paid or remunerated.

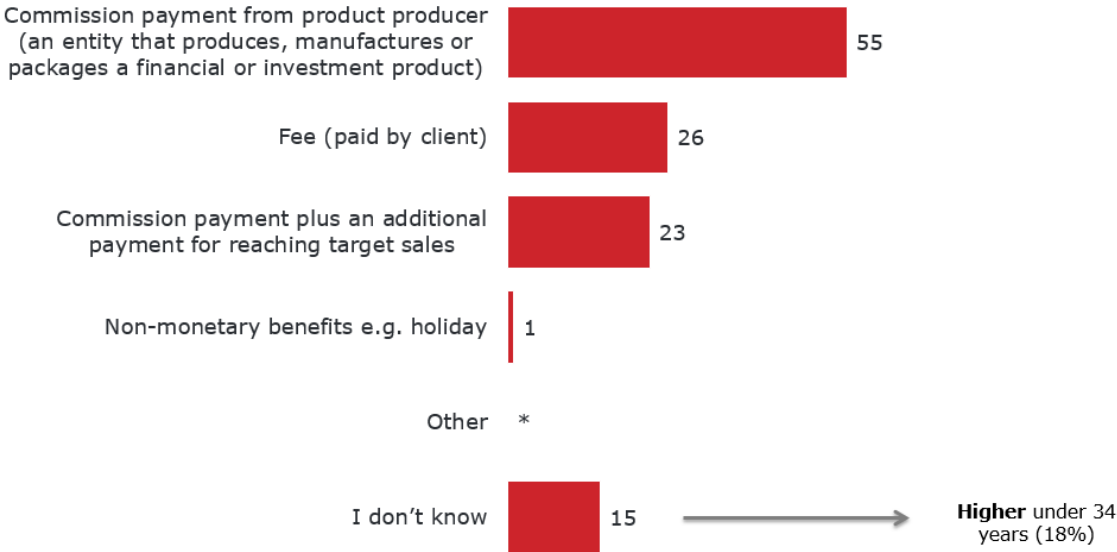
Respondents were asked to identify all the ways they understood advisers/brokers were paid. In response, as highlighted in figure 2.3.1:

- more than half of respondents (55%) understood that advisers or brokers were paid by means of commission; and/or
- 23% understood that advisers or brokers may receive commission plus an additional payment for reaching sales targets; and/or
- 26% understood that brokers were paid by means of a fee, which would be paid by the client themselves.

Figure 2.3.1

Understanding of how brokers/financial advisers paid

Base: All who sought financial advice and/or purchased a financial product through a broker - 506



Q.3a Based on your experience of using a broker, could you please tell us your understanding of how you think financial advisers/brokers are paid?

Owners of some of the less widely held financial products covered by the survey, (e.g. life assurance, mortgage protection, health or travel insurance), were considerably more likely to think that brokers were remunerated by means of a commission payment, as outlined in figure 2.3.2.

Figure 2.3.2

Understanding of how brokers/financial advisers paid by product bought

Base: All who sought financial advice and/or purchased a financial product through a broker - 506

| | Total | Product Bought | | | | | | | |
|--|-------|----------------|-----------------|-----------------|----------|------------------|-------------------------------|------------------|----------------|
| | | Any Product | Motor Insurance | House Insurance | Mortgage | Travel Insurance | Life ass/ mortgage protection | Health Insurance | Other Life Ass |
| <i>Base:</i> | 506 | 441 | 346 | 152 | 59 | 54 | 51 | 44 | 14 |
| | % | % | % | % | % | % | % | % | % |
| Commission payment from product producer (an entity that produces, manufactures or packages a financial or investment product) | 55 | 56 | 54 | 63 | 68 | 69 | 80 | 80 | 57 |
| Fee (paid by client) | 26 | 24 | 25 | 22 | 25 | 17 | 12 | 14 | - |
| Commission payment plus an additional payment for reaching target sales | 23 | 23 | 24 | 27 | 22 | 28 | 22 | 25 | 14 |
| Non-monetary benefits e.g. holiday | 1 | 1 | 0 | 1 | - | 2 | - | 2 | - |
| Other | * | 0 | - | - | - | - | 2 | - | - |
| I don't know | 15 | 15 | 16 | 12 | 3 | 9 | 4 | 7 | 29 |



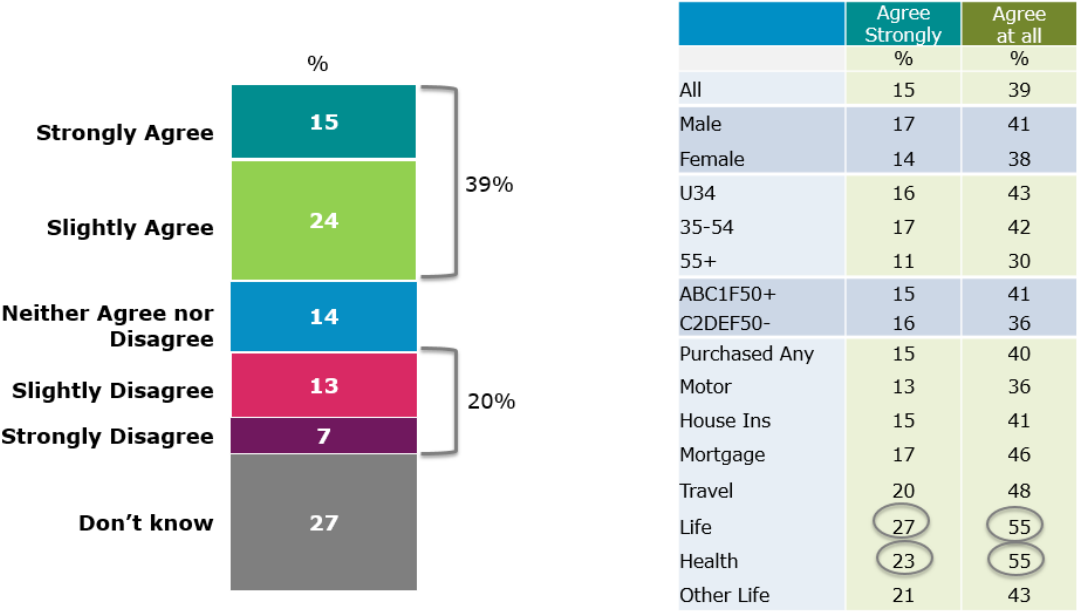
Q.3a Based on your experience of using a broker, could you please tell us your understanding of how you think financial advisers/brokers are paid?

When looking at the *level* of commissions, some contradictory findings arise. Figure 2.3.3 shows that 39% of respondents agreed with the statement ‘financial services law requires that financial advisers must be paid the same level of commission for the sale of all products⁴’.

Figure 2.3.3

“Financial services law requires that financial advisers must be paid the same level of commission for the sale of all products”

Base: All who sought financial advice and/or purchased a financial product through a broker - 506



Q.15 I will now read a list of statements relating to financial advisers/brokers. For each statement, could you please tell me how strongly or otherwise you agree or disagree using the scale provided.

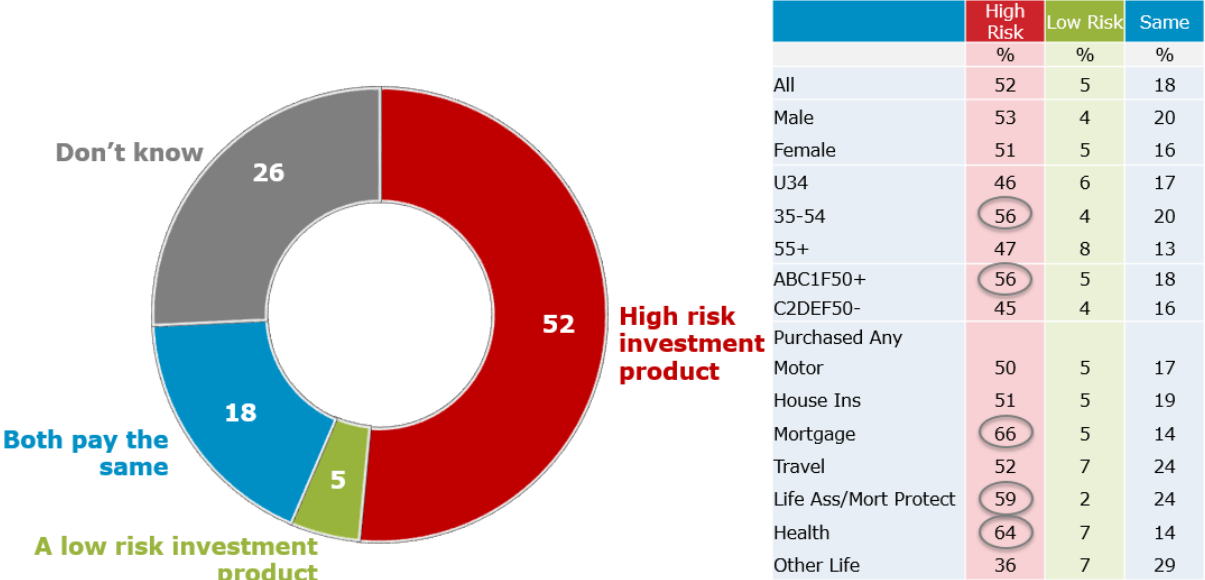
⁴ This is not a requirement of financial services law.

However, the research also highlights how the greater majority (52%) reported that a higher risk investment would pay a higher amount of commission to the financial adviser or broker.

Figure 2.3.4

Which pays greater commission, low or high risk

Base: All who sought financial advice and/or purchased a financial product through a broker - 506



Q.8 In your view, which of the following pays more commission to a financial adviser/broker?

These respondents were more likely to be middle-aged (56%) and middle class adults (56%) and those who purchased a mortgage (66%), life cover (59%) or a health policy (64%) from a broker.

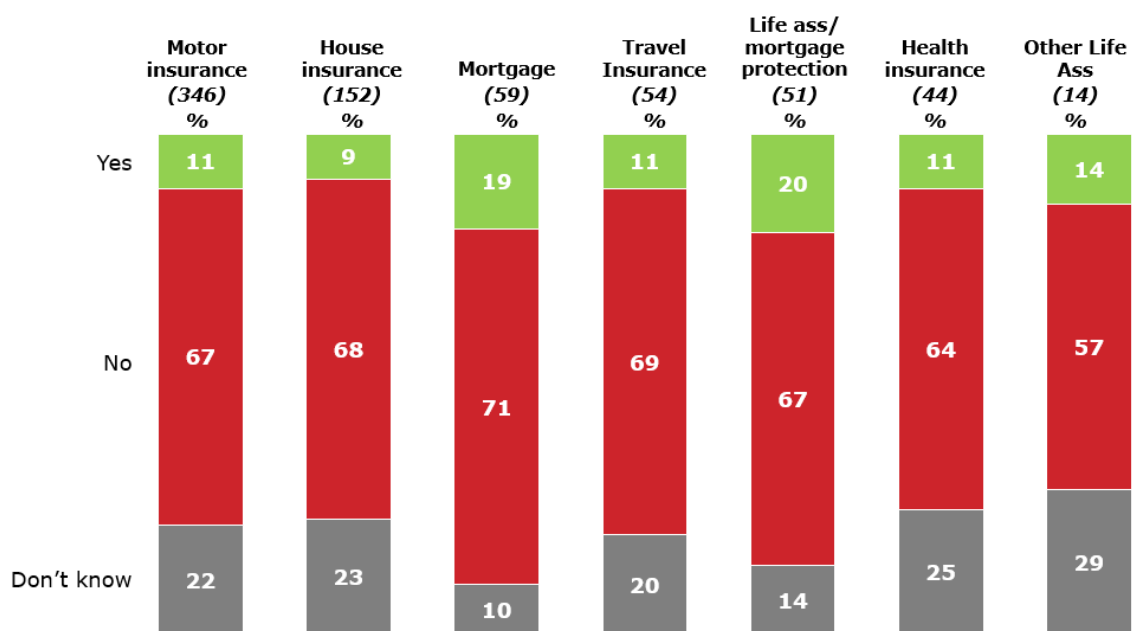
Respondents were also asked if they were aware of any *ongoing* commission that may be paid by the product producer to their financial adviser/broker.

A small proportion, and no higher than 20% in any one product area, reported that they were aware that there was a recurring commissions being paid to their financial adviser/broker. An awareness that ongoing commissions may exist was highest in the context of life assurance and mortgage protection (20%) and in relation to mortgages themselves (19%) rather than health insurance (11%) or house insurance (9%).

Figure 2.3.5

Awareness of ongoing commission from product producer to financial adviser/broker

Base: All who purchased a financial product through a broker - 346



Q.9a Thinking of your purchase of _____ are you aware of any ongoing commission that the product producer is (may be) paying to your financial adviser/broker?

2.4 Recollection of Payment Options

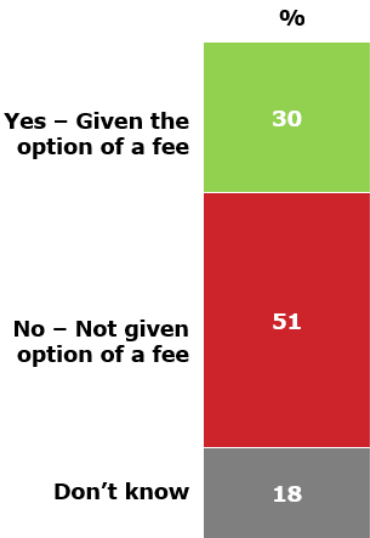
Having looked at preference for and understanding of payment, the research then analysed what was happening in practice. Respondents were asked what options they were given to pay their adviser/broker.

30% of respondents reported that they were given the option to avail of a once-off upfront fee as opposed to a commission. Slightly more than half (51%) reported that they were not given the option of a fee, and the balance, 18%, could not recall.

Figure 2.4.1

Whether given option of once-off fee rather than a commission

Base: All who sought financial advice and/or purchased a financial product through a broker - 506



Q.5 Were you given the option of paying a once-off upfront fee as opposed to a commission?

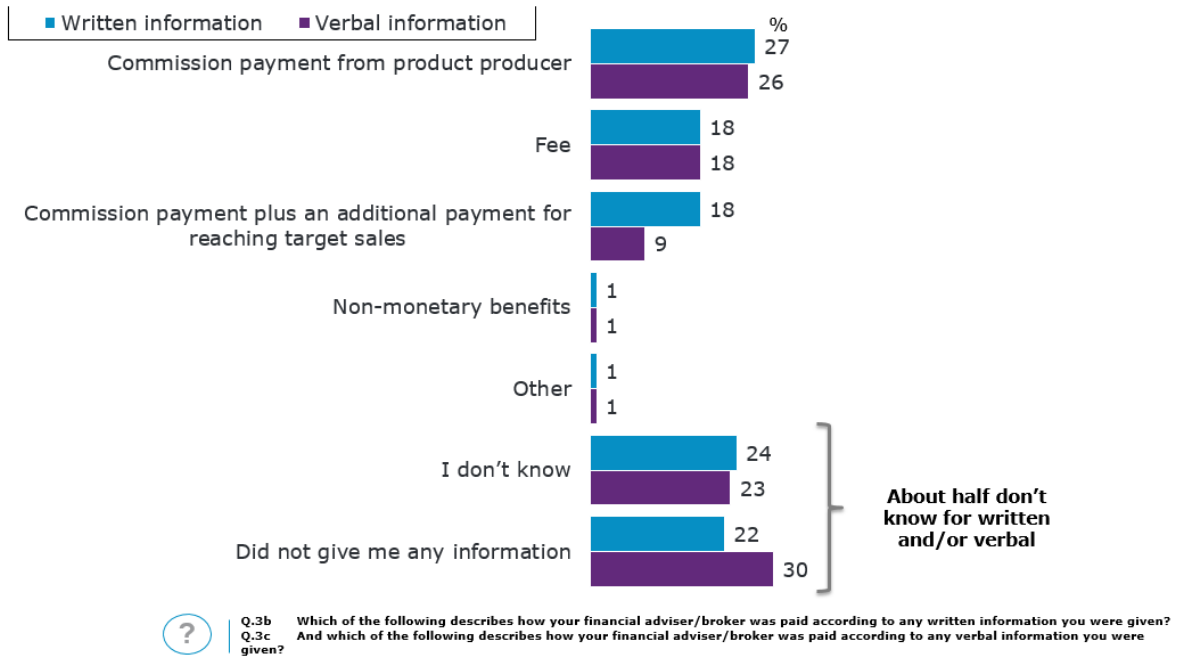
Respondents with a mortgage (39%), house insurance (37%), or travel insurance (35%) were more likely to recall the option of a fee being mentioned.

However, responses to the above had to be caveated in light of other findings; for example, when respondents were asked to describe how their own adviser or broker was paid, 46% reported that they either 'don't know' or that they were not given any written information about payment, as seen in Figure 2.4.2.

Figure 2.4.2

Recall of how financial adviser/broker paid

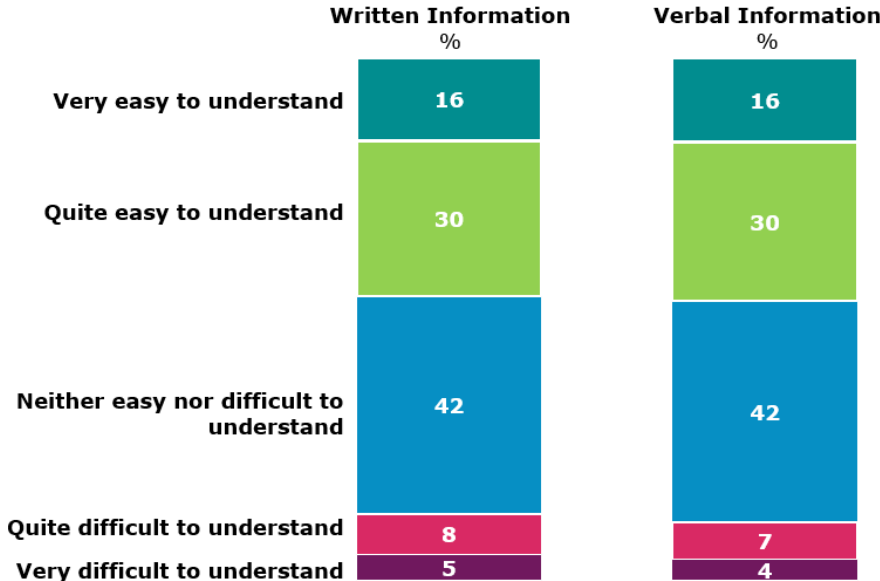
Base: All who sought financial advice and/or purchased a financial product through a broker - 506



While 46% reported that the information they had received on how the broker was paid was easy to understand (quite easy 30%/very easy 16%), this finding needed to be considered in the context of previous findings (i.e. not knowing how their adviser/broker was paid or stating that they did not get related information).

Figure 2.4.3

Ease of understanding information received on broker remuneration
 Base: All who sought financial advice and/or purchased a financial product through a broker - 506



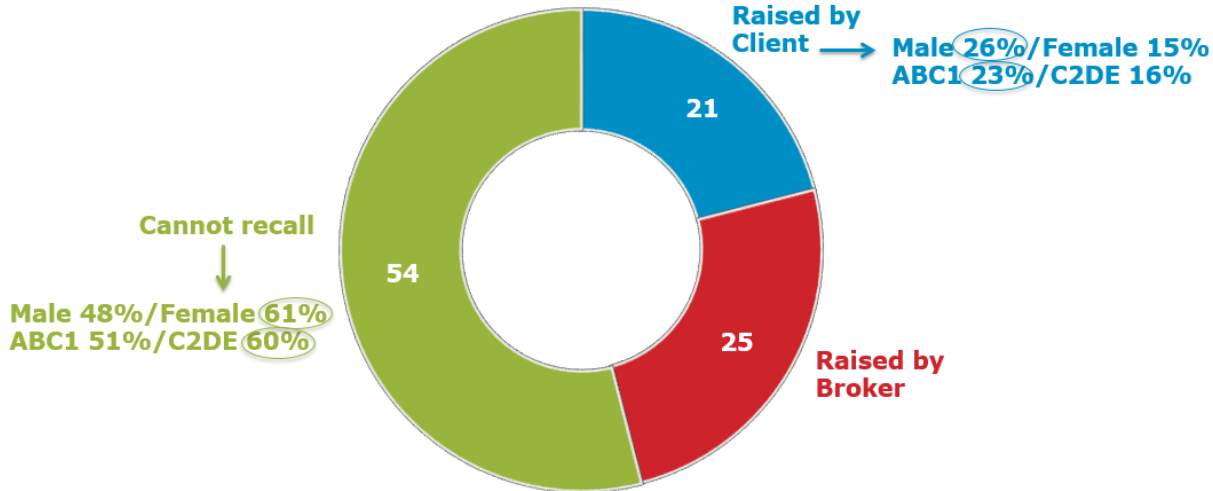
Q.4a And how easy or difficult to understand was the information you received on how the broker was paid?

In keeping with the above findings, figure 2.4.4 highlights how the greater majority (54%) of those (who recalled a discussion on remuneration) subsequently reported that that they could not recall, when asked, who initiated the conversation (about the cost or charge for the broker) in the first place.

Figure 2.4.4

Initiation of broker remuneration conversation

Base: All who sought financial advice and/or purchased a financial product through a broker and said they recalled a discussion on remuneration - 407



Q.3d Can you recall who initially mentioned the cost or charge for the broker to provide the product or service, you or the broker?

This was more likely to be the case for respondents from C2DE backgrounds in comparison to respondents from ABC1 backgrounds (60% vs 51%), or among women in comparison to men (61% vs 48%).

2.5 Attitudes Towards Advisers & Brokers

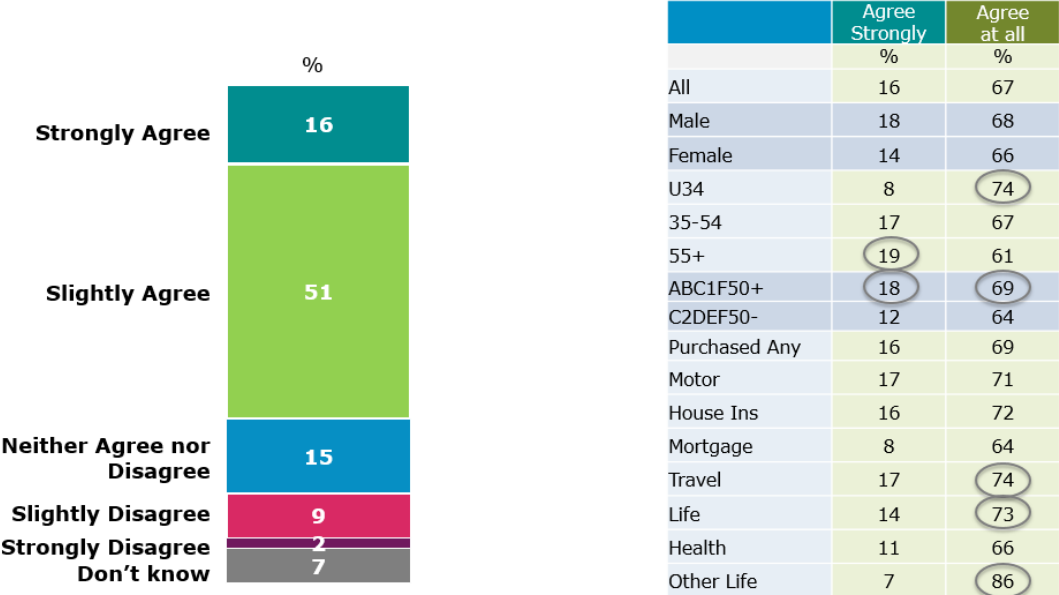
A further series of general statement-type questions were then posed to gauge perspectives on advisers/brokers in the context of remuneration related issues.

67% of respondents agreed with the statement ‘financial advisers do the best they can to understand the needs of their customers’. Such views were more common among younger and middle class respondents, as well as amongst those who purchased travel insurance (74%), life assurance (73%) and other life assurance products (86%).

Figure 2.5.1

“Financial advisers do the best they can to understand the needs of their customers”

Base: All who sought financial advice and/or purchased a financial product through a broker - 506



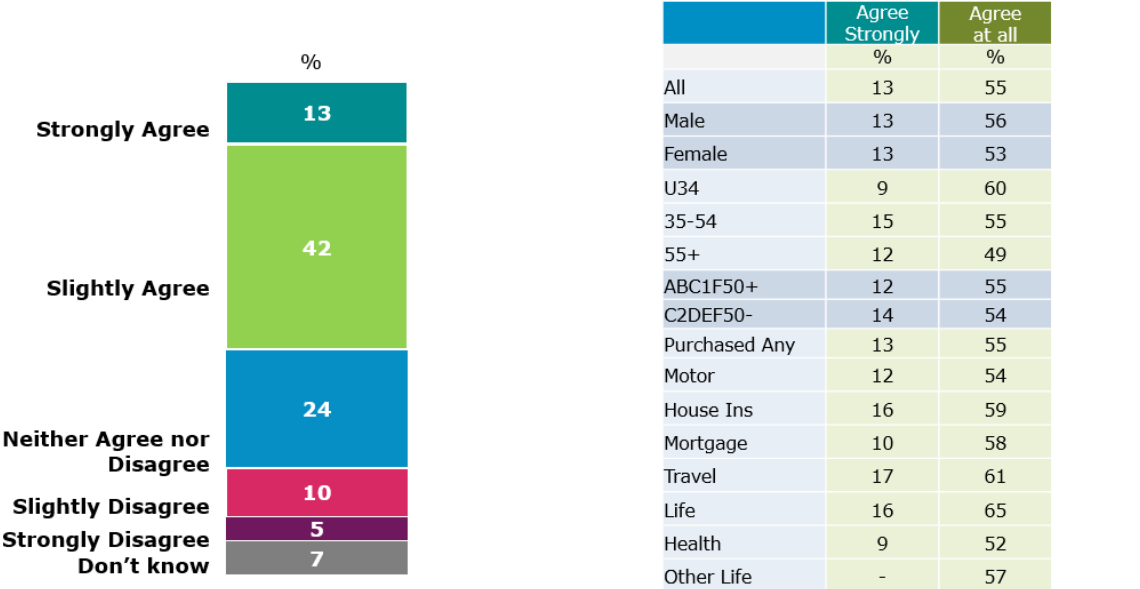
Q.15 I will now read a list of statements relating to financial advisers/brokers. For each statement, could you please tell me how strongly or otherwise you agree or disagree using the scale provided.

Over half (55%) agreed with the statement ‘financial advisers have their customers’ best interests in mind when they give advice’. Just 15% disagreed, and 7% did not know.

Figure 2.5.2

“Financial advisers have their customers best interests in mind when they give financial advice”

Base: All who sought financial advice and/or purchased a financial product through a broker - 506



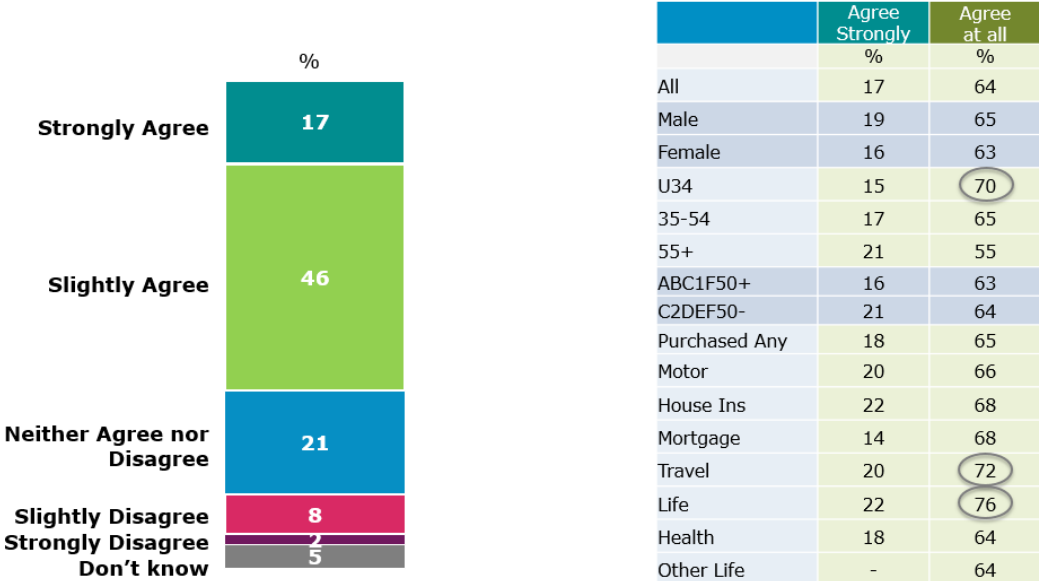
Q.15 I will now read a list of statements relating to financial advisers/brokers. For each statement, could you please tell me how strongly or otherwise you agree or disagree using the scale provided.

63% agreed with the statement 'I trust my financial adviser to understand my needs and to advise on a product that best suits my needs'. Such a view was more common among younger respondents (70%) and amongst those who purchased travel insurance (72%) and life assurance products (76%).

Figure 2.5.3

"I trust my financial adviser to understand my needs and to advise on a product that best suits my needs"

Base: All who sought financial advice and/or purchased a financial product through a broker - 506



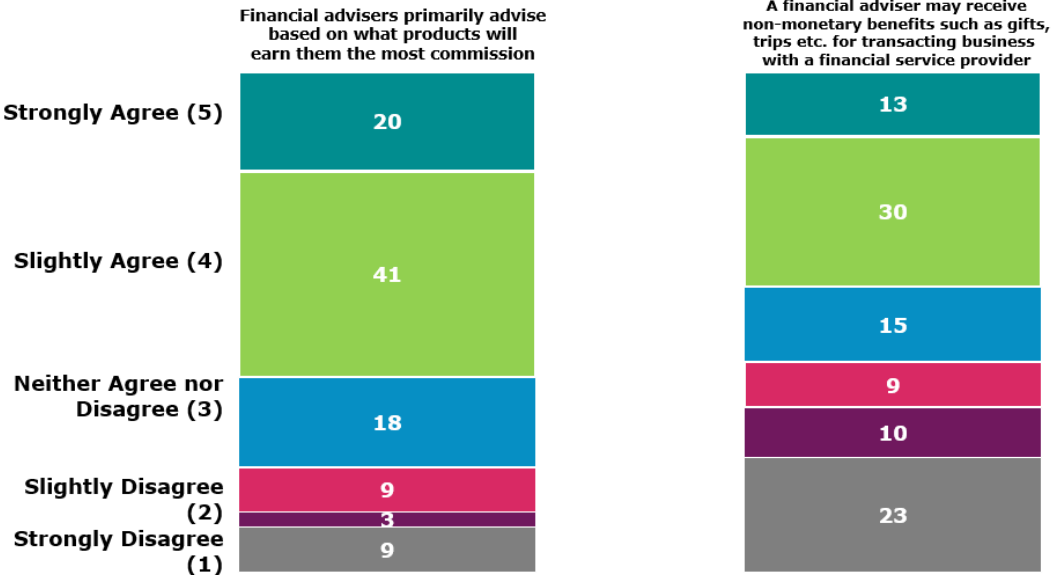
Q.15 I will now read a list of statements relating to financial advisers/brokers. For each statement, could you please tell me how strongly or otherwise you agree or disagree using the scale provided.

Despite the underlying positivity in perceptions of how advisers and brokers were likely to act, 61% agreed with the statement ‘financial advisers advise based on what products will earn them the most commission’, while 43% agreed with the statement ‘a financial adviser may receive non-monetary benefits such as gifts and trips for transacting business with a financial service provider’.

Figure 2.5.4

Other attitudes to remuneration and transparency

Base: All who sought financial advice and/or purchased a financial product through a broker – 506



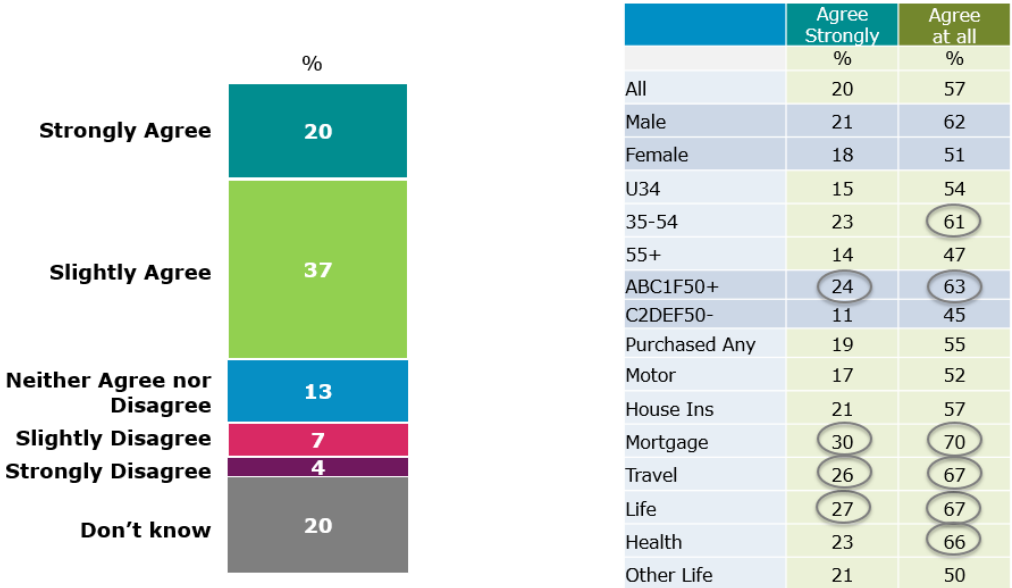
Q.15 I will now read a list of statements relating to financial advisers/brokers. For each statement, could you please tell me how strongly or otherwise you agree or disagree using the scale provided.

As outlined in figure 2.5.5, over half (57%) agreed with the statement ‘financial advisers are often paid an additional level of commission by financial service providers for reaching specific sales targets’. Such views were quite commonplace and particularly so amongst adults who were middle aged and from middle class backgrounds, and amongst those who purchased mortgage (70%), life assurance (67%), travel insurance (67%), and health insurance products (66%).

Figure 2.5.5

“Financial advisers are often paid an additional level of commission by financial service providers for reaching specific sales targets”

Base: All who sought financial advice and/or purchased a financial product through a broker – 506



Q.15 I will now read a list of statements relating to financial advisers/brokers. For each statement, could you please tell me how strongly or otherwise you agree or disagree using the scale provided.

