



## NFU's response to the European Commission's call for evidence "Need for a coherent approach to product transparency and distribution requirements for "substitute" retail investment products?"

### About NFU

The Confederation of the Nordic Bank, Finance and Insurance Unions (NFU) is an organisation for co-operation between trade unions that organise employees in the banking, finance and insurance sectors in the five Nordic countries. At present, eight trade unions are affiliated to the NFU, two in Denmark, two in Finland, two in Sweden, and one in each Iceland and Norway. Through these trade unions, the NFU represents 160 000 employees on the Nordic financial market.

### General remarks

Most of the questions asked by the Commission in the call for evidence are dealing with matters that are largely oriented towards the business side of retail markets, and hence not for NFU to comment specifically.

The questions and the overall discussion under section 2 in the call for evidence is however of great trade union interest, such as product disclosures and factors which influence promotion and sales of various products.

### NFU comments

Our opinion is that a multitude of choices among retail investment products should be available, but customers should not be pressurized in any way. Good advice should include information on the complexity of the products as well as the long-term impact of financial decisions. Many customers seek a long-term relationship based on continuous good advice and confidence and want financial institutions that put the interest of the consumers first.

However, the employees must be given the time and opportunity to transfer this knowledge. Aggressive sales targets and merit rating systems are counter productive to customer protection and qualified advice, and the Finance industry employers need to take responsibility for this conflict between sales and advice.

In conjunction with promotion of various products, compensation arrangements (bonuses or primes related to the sale of a specific product) might be a strong incentive for the salesman-employee to sell or privilege a product. If the wage of an employee is tied to any kind of compensation arrangement, the employee will have a strong incentive to privilege the sale of these products. When it comes to creating systems for bonuses and remuneration, the involvement

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Nordisk organisation för bank, finans och försäkring

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Danske Forsikringsfunktionærers Landsforening, Danmark  
Finansforbundet, Danmark  
Fackförbundet SUORA, Finland  
Försäkringsmannaförbundet FMF rf, Finland

Samband Islenskra Bankamanna, Island  
Finansforbundet, Norge  
Finansförbundet, Sverige  
FTF, Sverige



of trade unions, workers organisations and employees is important. This might be an instrument to motivate the employees to do a better job that will result in a better quality other service and advice to the customers, but only if the bonus system makes it possible for the individual employee to give an adequate and responsible legal advice to the customer.

As stated above, aggressive sales targets and merit rating systems are counter productive to customer protection and qualified advice. There are many examples where the line between (objective) advice and sales has been effectively eradicated, mainly due to an ever-ongoing shift in companies' remuneration/bonus systems.

The problem is two-folded; firstly, there are simply not enough time for the employees in the finance industry to explain the meaning of the different products offered by the company, and secondly, since the remuneration of the employees are increasingly linked to their sales targets, the objectivity of the employees in a situation where advice is given stands the risk of being questioned, which will lead to a very unsatisfying work situation. There are examples of predatory lending where the remuneration of bank employees is connected to the sale of credit cards, which in turn has led to an increase in bankruptcy among the consumers. Bank workers want to be rewarded for good service, rather than for selling ever-increasing levels of debt to customers.

This leads to another major issue in this context – the quality of the information and advice given, which is closely linked to the issue of training and staffing that was mentioned earlier. This question will continue to be at the core of consumer education, since the complexity of the products on the market in constantly increasing. Given this increasing complexity, it is of the utmost necessity that roles, risks and responsibilities are made crystal clear to all parties involved.

The NFU is of the opinion that the quality of services to the consumers will depend upon the level and content of training offered to employees, and that not only competent, but also sufficient personnel will be the key to success.

Jan-Erik Lidström  
General Secretary

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