

Consumer Protection Policy Division,
Central Bank of Ireland,
Dublin 2



18th October 2016

Dear Sir/Madam,

Re: Response from Harvest Financial Services Limited to the Discussion Paper on the Payment of Commission to Intermediaries

Harvest Financial Services Limited welcomes the opportunity to comment on the Discussion Paper on the Payment of Commission to Intermediaries, issued by the Central Bank of Ireland (CBI).

Although we are not responding in detail to the specific questions raised in this Discussion Paper, we have set out below our observations on this topic.

1. Commissions have a role to play in the provision of financial services to consumers. It represents a simpler method of remuneration for consumers to pay intermediaries for financial advice and arranging financial products on their behalf and it is a competitive and cost effective distribution channel for product providers.
2. Since the introduction in 2012 of the RDR¹ in the UK which saw the prohibition of commission for investment products, the cost of financial advice has increased and restricted access to this service amongst lower income earners which, in our view, makes this group of consumers more vulnerable to purchasing products which are not suitable to meet their needs.
3. Product providers should not be competing on levels of commission paid to intermediaries for distributing their products but rather on the quality of those products. One way of ensuring that this is the case requires intervention from the CBI through the introduction of standard rates of commission across all equivalent financial products. This would reduce any potential conflicts of interest and product bias amongst intermediaries.
4. Disclosure of commission/remuneration attaching to a particular financial product should be more transparent than is the case currently e.g. it should clearly disclosed on the first page of the client key information documentation for the relevant product.
5. In regard to investment products, the commission should be netted off the gross investment amount in a way which is very clear to the customer and the provider should only be permitted to show one valuation for that product at any time. That value should be the current encashment or market value of that investment. The use of different types of fund units which might conceal the commission costs or give a false indication of the current encashment value of the investment should not be permitted.
6. The CBI should examine the advantages of spreading the commission payable on any financial product over its life time rather than having the full commission being paid upfront at the time of sale. This encourages the intermediary to provide a continuing support service to the client over the life of the product in question.
7. The CBI should consider the prohibition of override commission and profit sharing by providers to intermediaries as it gives rise to increasing conflicts of interest and product bias.

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Harvest Financial Services Ltd

is regulated by the Central Bank

of Ireland

December 2014

Post implementation review of the Retail Distribution Review, Financial Conduct Authority

In conclusion, it is our view that the system of commission payment to intermediaries by providers works well in delivering the choice of competitive financial products supported by professional financial advice to all consumers.

I trust that this is in order, however, if you should have any further queries, please do not hesitate to contact me.

Yours sincerely,



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