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Subscribing to CIU units: the summary information provided by the broker, including the various fees, must be clear and not misleading

The entry fees applicable to CIU (collective investment undertaking) unit subscriptions can raise legitimate questions from investors. This is illustrated by the case I am sharing with you this month, which I was able to conclude in the investor's favour.

Facts

Mr X purchased units in a UCITS (undertaking for collective investment in transferable securities) from his online broker.

Before subscribing, he noted on his broker's website that the summary sheet for this investment, known as the "value sheet", listed the terms and conditions of subscription as follows:

- Entry fee: Not known
- Exit fee: Not known
- Brokerage fees: €30

When he placed his order, while the "service-related" fees line showed €30, the "instrument-related" fees line showed €0.

On the basis of this information, Mr X was convinced that the fees to be invoiced at the time of subscription would only be €30.

However, he noted on his transaction statement that, in addition to the brokerage fee of €30, an entry fee of 3% of the subscription amount had been deducted. Based on the amount of his order, this was €746.12.

Consequently, he contacted his online broker directly to dispute the charge.

The broker refused to compensate him on the grounds that, before validating the order, Mr X had ticked the box indicating that he had read the Key Information Document (KID) for the financial instrument. According to the broker, having read this document meant that he had "taken note of the entry fees for this fund".

In light of the foregoing, Mr X asked me to intervene in order to have the transaction cancelled and the fees reimbursed.

Investigation

Firstly, I noticed that, in terms of the entry fee, the KID for this CIU merely indicated: *"This includes distribution costs of 3.00% of the amount invested. This is the maximum you will be charged. The person selling you the product will inform you of the actual cost"*.

It seemed to me that the client indeed had reason to assume that he would be informed of the actual cost of the entry fee at the time of subscription.

I then contacted the online broker who, in light of the documents sent, and in particular the one showing that at the time of subscription, the "instrument-related fees" line showed €0, offered to cancel the transaction, while allowing Mr X to keep the profit generated by the redemption of the instrument during the mediation process.

Recommendation

Article L533-12 of the Monetary and Financial Code stipulates that all information sent by an online broker to clients, including potential clients, must be accurate, clear and not

misleading. This obligation applies in particular to communications relating to the costs and fees associated with financial instruments.

In this case, the institution acknowledged that the KID specified that the entry fee was capped at 3%.

The institution also noted, thanks to the screenshots provided by the applicant, that the summary sheet as consulted by Mr X did not include all the fees mentioned in the KID for the financial instrument, and more specifically, that when he placed his order, the line "Summary of estimated instrument-related fees" indicated €0.

Thus, the information provided by the broker to the client at the time of the subscription transaction justified the proposal to satisfy the client's request to cancel the transaction.

Lesson to be learned


As I have already recalled in an earlier dossier of the month (June 2024:

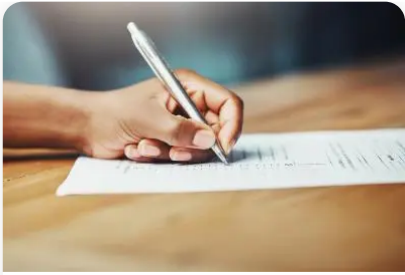
[UCITS: when a fund's outperformance gives rise to a significant increase in fees](https://www.amf-france.org/en/amf-ombudsman/ombudsman-online-diary/latest/ucits-when-funds-outperformance-gives-rise-significant-increase-fees) URL = [https://www.amf-france.org/en/amf-ombudsman/ombudsman-online-diary/latest/ucits-when-funds-outperformance-gives-rise-significant-increase-fees]), in accordance with the requirements of the MiFID II Directive and, where applicable, the PRIIPs (Packaged Retail Investment and Insurance-based Products) Regulation, account keepers must regularly provide their potential or existing clients with detailed information about the costs and fees that they are being or will be charged. This information is crucial if clients are to make informed decisions.

Online brokers must therefore also ensure that the information provided to their clients at the time of subscription is accurate, i.e. that it will be applied in practice.

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