

Choosing platforms solely based on price breaches best interest

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Financial advisers focusing solely on price when it comes to advising clients on a superannuation or investment platform may not meet their legal obligations, according to The Fold Legal.

In a report on platform advice, commissioned by Netwealth, the law firm said there had long been a tendency for advisers to let the price of a platform determine their recommendation, rather than looking at the needs, objectives and preferences of clients.

The Fold Legal said the issue with focusing on price alone was that platforms were financial products, not just technology solutions.

“This means that you’re providing financial product advice each time you advise a client on which platform they should invest through,” it said.

“With financial product advice comes a range of legal obligations (in the *Corporations Act* and, more recently, the Financial Advisers Standards and Ethics Authority code of ethics) that require you to ensure your advice is appropriate and in the best interests of your client.”

The law firm said while price was a relevant consideration, age, life stage, attitude towards advice, level of financial and digital literacy, and desire for specific platform features were factors that also needed to be considered.

It said when recommending a financial product advisers should:

- Act with integrity and in the best interests of your client;
- Capture the client’s needs, objectives and preferences and base your recommendation on those needs, objectives and preferences;
- If there is a conflict, prioritise your client’s interests above your own;
- Ensure your recommendation is appropriate for, and adequately addresses, your client’s needs, objectives and preferences;
- Form a view as to whether the recommendation is likely to leave the client in a better position;
- Satisfy yourself that your client understands the benefits, costs and risks of your recommendation; and
- Satisfy yourself that the costs of the recommended product are fair and reasonable, and represent value for money for your client.