

## **European family businesses reject wealth managers**

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More than a third of family businesses and their advisers (family offices) in Europe don't believe private banks are essential to their wealth management needs, according to a study conducted by Campden Wealth.

This compares with just 8% of European family businesses and advisers who thought private banks are crucial to the management of their wealth.

The findings also found that 85% of family businesses and their advisers believed private banks could not be completely objective when it comes to offering them products and services. Among the concerns cited by family businesses were that wealth managers are often too product orientated and could be influenced by commission payments from providers of these products when it comes to selling them to clients.

More than 20% of respondents with private banking relationships also said they would reduce both the amount of wealth they hold and the number of products and services they buy from private banks over the next year.

Asked what type of products and services private banks should offer in the future in an effort to rebuild trust, respondents said they wanted products/services that demonstrate an alignment of interest when it comes to proportioning risk.

In the past, family businesses and their advisers have felt they have borne the brunt of the downside risk of products, but not significantly shared in their upside performance. They want this to be readdressed.

Unsurprisingly, respondents also want greater visibility of fees. Mistrust of the private banking model among family businesses was a constant theme in the more than 100 family businesses and offices across Europe that took part in the survey, which was conducted in the second quarter of 2010.

"Family businesses have been among the most vocal critics of private banks during the financial crisis and in its aftermath. Many of them have been particularly frustrated with some of what they see are the mis-selling and the high fees of complicated investment vehicles like structured products and fund of hedge funds structures," said David Bain, head of research at Campden Wealth.

He added: "Many private banks are working hard to regain the trust of family businesses. Part of this process will be that they need to listen to the concerns of these very important wealth holders to a much greater degree than they have in the past."

A comprehensive study of private banks and the wealth management industry – addressing many of the issues conducted in the research from Campden Wealth as well as how private banks are reacting to the challenge of rebuilding trust – will feature in the re-launched Campden Family Business magazine, published on 1st November.