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Authors	McCarthy, Olive
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Would you take financial advice from an influencer on TikTok?

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'The use of unregulated sources of advice, especially when it comes to investment, is often viewed as risky.' Photo: Getty Images (stock photo - posed by model)

Analysis: the growth in finfluencers providing money advice on social media highlights the importance of regulation to protect consumers

Recent research by the Banking and Payments Federation Ireland suggests that 23% of people in Ireland under the age of 35 use social media when looking for information about making future investments. Financial influencers – or "finfluencers" - offer free advice on everything from cash budgeting, saving, borrowing and debt (money advice) to investments (financial advice).

Finfluencers build their advice into content that is easy to understand, engaging, relatable and freely available. This advice can also be deemed to be educational and filling a void created by an absence – perceived or otherwise - of other such sources of advice.

Is this a problem? Aren't people free to choose where they seek advice on their finances? The real issue is that the provision of financial advice is regulated in the interests of consumer protection and the use of unregulated sources of advice, especially when it comes to investment, is often viewed as risky.



From RTÉ Radio 1's Drivetime, Barry Lenihan reports on rise of influencers on social media and the challenges it poses for consumer protection

In Ireland, financial advisors are regulated by the Central Bank of Ireland which offers a range of protections to consumers who use them. This includes access to compensation schemes and the Financial Services and Pensions Ombudsman, 'an independent, impartial, fair and free service that helps resolve complaints from consumers against financial service providers and pension providers'.

The Competition and Consumer Protection Commission provides information to consumers on what to look out for in accessing financial advice. This includes checking advisors' independence, qualifications, experience and level of fees charged.

Many regions and countries are now moving to increase awareness that regulation also covers advice offered by finfluencers. In 2021, the European Securities and Markets Authority issued a Statement on Investment Recommendations on Social Media reminding those who offer financial advice via social media channels of their obligations to ensure that investors can assess the credibility and objectivity of a recommendation and understand the interests of those making the recommendation.

From The Agenda on TVO Canada, can finfluencers be trusted?

The Financial Conduct Authority in the UK recently reported on its activities to educate finfluencers on their obligations when seeking to promote financial products and services and states it has even referred some unregulated finfluencers for criminal investigation. It has also requested Instagram, Facebook, YouTube and TikTok to remove harmful content that unlawfully promotes such services, although it has no powers to require them to do so. In seeking to help finfluencers understand the risks of endorsing financial investments, particularly 'get rich quick' schemes, it has teamed up with former *Love Island* contestant and influencer Sharon Gaffka and the Advertising Standards Authority (ASA) on a new information campaign.

In Australia, 28% of people aged 18-21 years say they follow at least one finfluencer and 64% of these say they have changed their financial behaviour as a result. The Australian Securities and Investments Commission offers a guide specifically for 'social media influencers who discuss financial products and services online', reminding them that they must be licensed to do so and must offer accurate and balanced content.

But perhaps the biggest concern of all lies in social media promotion of crypto asset investments. The Central Bank has warned about the risks of investing in crypto assets which it describes as 'highly risky and speculative'. It particularly warns about social media, 'where influencers are being paid to advertise crypto assets'.



From RTÉ Radio 1's Today With Claire Byrne, personal finance advisor Eoin McGee and Lory Kehoe from Coinbase and TCD on crypto Warnings from the Central Bank

The European Securities and Markets Authority has issued stark warnings about social media advertisements for crypto, which it claims may be very brief and focussed on potential gains rather than risks. It offers specific warnings about finflluencers who it says are typically incentivised to promote crypto and may be biased in their communications.

In the US, Kim Kardashian's reported 2022 foray into paid promotion of crypto on her Instagram account cost her US$1.26m in fines for failure to disclose the nature, source and amount of payment received. Just this month, the Bureau Européen des Unions de Consommateurs, an umbrella group for 45 independent consumer organisations across 31 countries, filed a complaint with the European Commission against Instagram, YouTube, TikTok and Twitter for what it describes as continuing to facilitate the misleading promotion of crypto assets on their platforms and calling for stricter advertising policies that are fully enforced.

> ***Building financial literacy through education will continue to be vital for all consumers of financial services***

The Competition and Consumer Protection Commission has been actively conducting research on these issues in Ireland. Its 2022 Influencer Marketing Report points to a rise in concerns around finfluencers, especially for more vulnerable consumers. It has called for more guidance on influencer marketing to be made available and has recommended that influencers do more to ensure they are aware of their responsibilities. Continued enforcement through relevant authorities is also recommended.

In the longer term, building financial literacy through financial education will continue to be vital for all consumers of financial services. A focus on Gen Z and Millennials may well be warranted given their higher usage of social media.

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