

# LAW

## ON THE PROTECTION OF FINANCIAL SERVICE CONSUMERS<sup>1</sup>

### Chapter I

#### GENERAL PROVISIONS

##### Subject matter

###### Article 1

This Law regulates the rights of consumers of financial services provided by banks, financial lessors, payment institutions, electronic money institutions, public postal operator and merchants, as well as the conditions and manner of exercising and protecting those rights.

##### Definitions

###### Article 2

For the purposes of this Law, the following definitions shall apply:

- 1) **credit services** are services provided by a bank, payment institution and electronic money institution to a consumer on the basis of a credit agreement, credit card agreement, overdraft facility agreement, and in the case of a bank also on the basis of overrunning;
- 2) **banking services** are credit services and the services provided by a bank on the basis of a deposit agreement;
- 3) **financial leasing** (hereinafter: leasing) has the meaning as defined by the law governing financial leasing;
- 4) **financial services** are banking services, credit services and financial leasing services;
- 5) **financial arrangement** means sale involving the payment of price in instalments or another form of consumer financing with the same economic substance, offered by the merchant, which implies deferred payment of debt over a specified period;
- 6) **creditor** is a bank providing credit services, as well as a payment institution and electronic money institution providing credit services in accordance with the law governing payment services;
- 7) **lessor** and **lease asset** have the meaning as defined by the law governing financial leasing;
- 8) **bank** has the meaning as defined by the law governing banks;
- 9) **payment institution** is a payment institution within the meaning of the law governing payment services and a public postal operator providing services in accordance with that law;
- 10) **electronic money institution** has the meaning as defined by the law governing payment services;

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11) **merchant** is a legal or natural person engaging in sale under a financial arrangement and operating in the market within his business activity or for other commercial purposes;

12) **financial service provider** (hereinafter: service provider) is:

- (1) a bank providing banking services,
- (2) a payment institution and an electronic money institution acting as creditors,
- (3) a lessor;

13) **financial service consumer** (hereinafter: consumer) is a natural person who is using or has used financial services, or who has approached the service provider with an intention to use financial services, more specifically:

(1) a natural person who is using, has used or has the intention to use financial services for purposes outside his business or other commercial activity,

(2) an entrepreneur, within the meaning of the law governing companies,

(3) a farmer, as a holder or member of a family agricultural holding within the meaning of the law governing agriculture and rural development;

14) **credit agreement** has the meaning as defined by the law on contracts and torts;

15) **housing credit agreement** is a credit agreement concluded by a bank with a consumer for the purposes of purchase, construction, adaptation or reconstruction of residential real estate (house, apartment, part of a building intended for dwelling purposes, a garage or a garage place together with the apartment, as well as a plot of land with the construction permit for building a house), secured by a mortgage on residential real estate, as well as a credit agreement concluded by a bank for the purposes of refinancing a housing credit;

16) **deposit agreement** has the meaning as defined by the provisions of the law on contracts and torts;

17) **revolving credit agreement** is a credit agreement enabling the consumer to use approved funds repeatedly, over a specified period, up to the amount of unused or repaid funds, with the unused part of the credit being increased by the amount repaid (e.g. overdraft facility agreement, credit card agreement and similar);

18) **distance contract** is a contract concerning financial services concluded between a provider and a consumer under an organised service-provision scheme run by the provider, who, for the purpose of that contract, makes exclusive use of one or more means of distance communication up to and including the time at which the contract is concluded;

19) **credit card** is a payment card enabling the consumer to withdraw cash and pay for goods and services on credit;

20) **ancillary services** are services offered to the consumer in conjunction with the agreement on financial services;

21) **tying practice** means the offering and conclusion of a credit agreement in a package with other financial or payment services, or insurance services where the credit agreement is not made available to the consumer separately;

22) **bundling practice** means the offering and conclusion of a credit agreement in a package with other financial or payment services, or insurance services where the credit agreement is also

made available to the consumer separately, but not necessarily on the same terms as when offered bundled with those other services;

23) **overdraft facility** is an explicitly agreed amount of funds made available to a consumer by a creditor for the purposes of executing a payment transaction initiated and/or authorised by the consumer when the transaction amount exceeds the current balance in the consumer's account;

24) **overrunning** is the amount of funds debited by a bank from the consumer's account in accordance with agreement or law to its own benefit or that of third parties when the balance in the consumer's account, including the overdraft facility, is insufficient for the execution of a transaction;

25) **linked credit agreement** is a credit agreement which serves exclusively to finance the purchase of specific goods or services and which forms a commercial unit with the contract for the sale of such goods or services – a commercial unit deemed to exist where the creditor uses the services of the supplier of goods or the provider of services in connection with the offering, advertising or conclusion of the credit agreement, or where the specific goods or the provision of specific services are explicitly specified in the credit agreement;

26) **total amount of credit** is the total sum made available to the consumer under the credit agreement;

27) **total cost of the credit to the consumer** means all the costs of the credit to the consumer, including interest and charges payable to a bank, taxes, as well as charges which the consumer is required to pay in connection with the credit agreement to third parties directly or through the bank, which are known to the bank, including charges for ancillary services where the conclusion of a contract regarding such ancillary services is compulsory in order to obtain the credit and/or to obtain it on specific terms;

28) **total amount payable by the consumer** means the sum of the total amount of credit and the total cost of the credit to the consumer;

29) **nominal interest rate** is an interest rate expressed as a fixed or variable percentage applied at the annual level to the amount of funds drawn under the credit (borrowing rate), and/or to the amount of net leasing financing, and/or to the deposit received;

30) **effective interest rate on credit agreements** (annual percentage rate of charge or APR) means the total cost of the credit to the consumer, expressed as an annual percentage of the total amount of credit, calculated in accordance with this Law and the relevant bylaws;

31) **effective interest rate on deposit agreements** means income from deposit after tax and other costs, expressed as an annual percentage of the deposit, calculated in accordance with this Law and the relevant bylaws;

32) **fixed interest rate** is a nominal interest rate determined exclusively as a fixed percentage, which may be expressed as a single nominal interest rate applied for the entire duration of the credit agreement, or as several nominal interest rates applied for partial periods of the duration of the credit agreement, with the rate deemed to be fixed only for the partial periods for which the rates are determined by agreement, exclusively by a specific fixed percentage;

33) **repayment and/or payment schedule** is a schedule showing chronologically all cash flows, intended to provide information to the consumer and enable up-to-date monitoring of his liabilities under a credit or leasing agreement and/or his claims under a deposit agreement;

34) **early repayment** means the full or partial discharge of the consumer's obligations under a credit, a revolving credit or leasing agreement, before the date specified in the agreement;

35) **pre-contractual information** means the information provided to the consumer before the conclusion of a financial service agreement so that the consumer is able to compare different offers and make an informed decision on whether to conclude the agreement;

36) **durable medium** means paper or any other instrument (e.g. optical disc, memory card, computer hard disk and e-mail) which enables the consumer to store information addressed personally to him in a way accessible for future reference and allowing unchanged reproduction of the information stored for a period of time adequate for the purposes of the information;

37) **in writing** means text, and/or document drawn up in paper or another durable medium, including electronic document unless envisaged otherwise by this Law;

38) **means of distance communication** is any means which, without the simultaneous physical presence of the service provider and the consumer, may be used for the advertising of a service, provision of pre-contractual information, making and/or accepting the offer, negotiating and concluding a contract (e.g. internet, e-mail, mail, telefax and telephone);

39) **representative example** is an example which specifies all elements necessary for the presentation of terms under which a specific financial service is used;

40) **profiling** has the meaning as defined by the law governing personal data protection;

41) **advisory services** means personal recommendations in respect of one or more banking services required by a consumer from the bank which constitute an activity separate from the banking services.

## Scope

### Article 3

The provisions of this Law shall not apply to:

1) financial services agreements the purpose of which is investment in financial instruments, except for deposit agreements;

2) leasing agreements which do not provide the option for the lessee to acquire ownership of the lease asset;

3) credit agreements and/or financial arrangements which are the outcome of settlement before a court or another public administration body;

4) credit agreements and/or financial arrangements which relate to the deferred payment, free of charge, of existing debt;

5) credit agreements where the credit is granted by employers to their employees, as a secondary activity, either free of interest or at rates which are lower than those prevailing in the market and which are not offered to the general public;

6) credit agreements with a 0% effective interest rate;

7) financial arrangement agreements, by which the merchant undertakes to supply specific goods and/or services to the consumer and the consumer undertakes to pay the purchase price in instalments free of interest and additional charges, with the payment being entirely executed within 50 days of the delivery of the goods and/or services.

Notwithstanding paragraph 1, item 7) hereof, in the case of financial arrangement agreements where the merchant providing information society services within the meaning of regulations on

electronic commerce undertakes to deliver specific goods and/or services, the provisions of this Law shall not apply if the consumer has undertaken to pay the purchase price in instalments free of interest and additional charges, with the payment being entirely executed within 14 days of the delivery of the goods and/or services.

The provisions of Article 18, paragraph 1, items 8) and 11), Article 20, paragraph 8, items 1), 14), 19) and 22) to 27), and Article 70, paragraph 1 of this Law shall not apply to credit agreements and/or financial arrangements where the total amount of credit and/or price is less than RSD 20,000, credit agreements and/or financial arrangements where there is no obligation to pay interest or any other charges and credit agreements and/or financial arrangements where the repayment term is no more than three months and/or where deferred payment is agreed over a period of up to three months and only limited charges are payable by the consumer.

### **Relationship with other regulations**

#### **Article 4**

Matters concerning consumer protection that are not regulated by this Law shall be subject to the provisions of regulations governing bank operations, payment services and financial leasing, as well as the provisions of the law on contracts and torts.

The protection of payment service consumers and electronic money holders shall be subject to the provisions of the law governing payment services.

The protection of the user of credit services who is a consumer within the meaning of the law governing payment services, or an entrepreneur or farmer within the meaning of this Law, the services being provided by payment institutions and electronic money institutions, shall be subject also to the provisions of this Law relating to those credit services.

The procedure of exercising the protection of the rights and interests of the consumers referred to in paragraphs 2 and 3 hereof shall be subject to the provisions of this Law relating to the exercise of the protection of consumer rights and interests.

### **Non-discrimination**

#### **Article 5**

The conditions to be fulfilled for the provision of financial services shall not discriminate against consumers on the grounds of their nationality, permanent residence, temporary residence, sex, race, colour, ethnic or social origin, genetic features, language, religion or belief, political or any other opinion, membership of a national minority, property, birth, ancestry, disability, age or sexual orientation or any other assumed personal feature.

The service provider is free to decide whether it will establish a business relationship with a specific person, in accordance with the conditions defined for the provision of financial services.

Paragraph 1 hereof shall not prejudice the service provider's right to offer different conditions for the provision of financial services where those different conditions are based on objective criteria.

### **Rules of contracting**

#### **Article 6**

A financial service agreement (hereinafter: agreement) shall be drawn up in writing and shall bear hand signature and/or qualified electronic signature by using at least two-factor authentication of

consumer identity or by using high-reliability electronic identification schemes, in accordance with law and other regulations.

Each contracting party shall receive a copy of the agreement.

The agreement shall not contain provisions by which the consumer waives the rights guaranteed by this Law and any such provisions shall be null and void.

The service provider shall draw up the provisions of the agreement, particularly those relating to its mandatory elements, in a clear and comprehensible way.

The service provider shall keep in the file of each consumer the agreement and the agreement documentation relating to such consumer (offer, draft agreement, summary of mandatory elements, repayment/payment schedule, annex to the agreement containing new repayment schedule, notifications, reminders, etc.) for the duration of the contractual relationship and no less than five years after its termination, and/or enforced collection of debt where a longer period has not been defined by other law.

### **Consumer's request and consent**

#### **Article 7**

The service provider shall not provide a financial service to a consumer without the consumer's prior request and/or explicit consent.

The service provider shall not presume that the consumer consents to the conclusion of a financial service agreement or to the purchase of ancillary services presented through default options.

Default options referred to in paragraph 2 hereof shall also include pre-ticked boxes on paper or another durable medium.

The consumer's consent to the conclusion of a financial service agreement or to the purchase of ancillary services presented through boxes on paper or another durable medium shall be given by a clear and unambiguous affirmative act establishing a specific, informed and unambiguous indication of the consumer's consent to the content and substance associated with the boxes.

### **Defined and definable contractual obligation**

#### **Article 8**

The contractual obligation shall be defined and/or definable.

The pecuniary contractual obligation shall be deemed definable as regards its amount if it depends on agreed variable and/or variable and fixed elements, where variable elements are those that are officially published (reference interest rate, consumer price index, etc.).

The pecuniary contractual obligation shall be deemed temporally definable if the time when it falls due can be accurately and unambiguously established on the basis of agreed elements.

The elements referred to in paragraphs 2 and 3 hereof shall be of such nature that they cannot be affected by unilateral will of any of the parties.

The service provider shall display in a visible place on the business premises where the services are offered, on its website, as well as on durable medium within electronic services, the daily information about the values of the agreed variable elements referred to in paragraph 2 hereof.

The agreements governed by this Law shall not contain reference to the business policy, general and special terms of business and other acts of the service provider with respect to the elements of the agreement stipulated as compulsory under this Law.

The service provider shall determine the pecuniary contractual obligation in the manner laid down in this Law.

## **General terms of business**

### **Article 9**

For the purposes of this Law, general terms of business of a service provider shall mean the terms of business adopted by the service provider and applicable to consumers, which regulate the terms of establishing relationship between the consumer and the service provider and of their communication, as well as the terms of transactions between the consumer and the provider of services.

General terms of business shall be in compliance with laws and other regulations and shall provide for the application of good business customs, good business practices and fair treatment of consumers.

General terms of business shall also include the acts governing fees and other costs charged by the service provider to consumers (e.g. fee schedule).

The elements of a financial service agreement prescribed as mandatory by this Law may not be agreed between the service provider and consumer solely by accepting general terms of business or other similar act that does not constitute a separate agreement concluded with the consumer in the manner and in the form prescribed by this Law.

The service provider shall display in a visible place on the business premises where the services are offered and on its website the information about its general terms of business in the Serbian language, prior to the conclusion of the agreement.

In case of adopting new or changing existing general terms of business, the service provider shall notify the consumer thereof in the agreed manner and make those changes available to the consumer by no later than 30 days before they are applied, within which deadline the service provider shall also display them in a visible place on its business premises and on its website with a clearly specified date of the beginning of their application.

The service provider shall give to the consumer relevant explanations and instructions regarding the application of general terms of business in respect of a specific financial service and shall also provide him with these terms in writing without delay, at the consumer's request.

## **Calculation of the effective interest rate**

### **Article 10**

As a discount rate, the effective interest rate equates, on an annual basis, the present value of all cash flows and/or present value of all cash receipts with the present value of all cash expenses relating to the use of financial services, which are known at the time of disclosing such rate.

The cash flows referred to in paragraph 1 hereof shall include as a minimum:

- 1) all credit repayments/drawdowns and deposit payments;
- 2) charges payable by the consumer to the service provider, and/or through the service provider (e.g. interest, charges, taxes, duties and similar), and/or benefits received by the consumer (interest and other unconditional benefits);
- 3) charges for ancillary services where such services are a precondition for using a financial service and/or for using it on specific terms (e.g. costs of life, property and personal insurance, etc.).

Where the precondition for using a financial service is the opening of a current or other payment account, the cash flows referred to in paragraph 1 hereof shall also include the costs of opening and maintaining that account, as well as all the costs relating to the execution of those cash flows.

The cash flows referred to in paragraph 1 hereof shall not include:

- 1) costs incurred due to the unfulfillment of contractual obligations;
- 2) costs relating to the purchase of goods incurred irrespective of whether the payment is in cash or otherwise.

The calculation of the effective interest rate shall be based on the following assumptions:

- 1) that the financial service agreement is to remain valid for the period agreed;
- 2) that the parties will fulfil their contractual obligations by the dates specified in the agreement;
- 3) that the nominal interest rate and other costs will remain unchanged for the duration of the agreement.

The provisions of paragraphs 1 to 5 hereof shall apply accordingly to lessors.

Service providers shall calculate the effective interest rate in the single, prescribed manner to allow comparison of the same type of offers of different service providers.

Detailed conditions and manner of calculating the effective interest rate shall be determined by the National Bank of Serbia.

### **Default interest rate in financial and payment service agreements**

#### **Article 11**

If the consumer referred to in Article 2, item 13), subitem (1) hereof fails to fulfil his obligation under the agreement regulated by this Law or the law governing payment services – the default interest stipulated by this Article or the nominal interest rate under the agreement, if higher than the default interest rate, shall apply to a past due obligation.

The default interest rate, referred to in paragraph 1 hereof, on the amount of dinar-denominated debt, shall be determined annually, at the level of the reference rate of the National Bank of Serbia increased by six percentage points.

The default interest rate, referred to in paragraph 1 hereof, on the amount of euro-denominated debt, shall be determined annually, at the level of the reference rate of the European Central Bank on the main refinancing operations increased by six percentage points.

The default interest rate, referred to in paragraph 1 hereof, on the amount of debt denominated in other foreign currency, shall be determined annually, at the level of the reference/key interest rate prescribed and/or applied in the conduct of main operations by the central bank of the country of the domicile currency increased by six percentage points.

If the reference/key interest rate referred to in paragraphs 3 and 4 hereof is not determined as a fixed interest rate, but as a range between the minimum and maximum interest rate by the domicile central bank – the default interest rate shall be determined as the arithmetic mean of the minimum and maximum reference/key interest rate increased by six percentage points.

The default interest rate shall be determined in the manner referred to in paragraphs 3 and 4 hereof even in the case when the amount of debt is denominated in a foreign currency and paid out in dinars.

The default interest, within the meaning hereof, shall be calculated for the calendar number of days of the period of arrears in the settlement of obligations relative to the calendar number of days in a year (365 or 366 days), by applying a simple interest calculation of one hundred and the decursive calculation method, without accruing the calculated default rate to the principal with the expiry of the accounting period, according to the following formula:

$$k = \frac{G \times p \times d}{100 \times G_d},$$

where:

k – amount of default interest,

G – amount of debt,

p – prescribed annual default interest rate,

d – calendar number of days of arrears in the accounting period,

G<sub>d</sub> – calendar number of days in a year (365 – normal year, 366 – leap year).

The default interest referred to in paragraph 1 hereof shall be calculated for all calendar days in the accounting period. The accounting period means the period from the first day of arrears, and/or change to the amount of debt and/or change to the default interest rate in the period of arrears for which calculation is made, as at the day of final debt settlement.

The default interest rate valid in the period for which calculation is made shall apply in the accounting periods referred to in paragraph 8 hereof. The total amount of the default interest shall be the sum of calculated interest for each accounting period referred to in paragraph 8 hereof.

The default interest rates referred to in paragraphs 2 to 4 hereof shall be published by the National Bank of Serbia on its website and shall apply from the day following the publication day.

The National Bank of Serbia shall publish the default interest rates referred to in paragraphs 3 and 4 hereof for the currencies envisaged by the regulation governing the types of foreign exchange and foreign cash bought and sold in the foreign exchange market.

### **Caps on interest rates**

#### **Article 12**

The variable interest rate applied in credit agreements may not be higher than the weighted average interest rate for existing credit agreements of the same type, and/or purpose in the same currency (indexation) increased by 1/4 of that rate.

The variable interest rate applied in housing credit agreements may not be higher than the weighted average interest rate for existing housing credit agreements with the variable interest rate in the same currency (indexation) increased by 1/4 of that rate.

The fixed interest rate applied in housing credit agreements may not be higher than the weighted average interest rate for the new housing credit agreements with the fixed interest rate in the same currency (indexation) increased by 1/4 of that rate.

The effective interest rate in credit agreements at the time of their conclusion may not exceed the default interest rate referred to in Article 11 of this Law increased by four percentage points.

The effective interest rate in housing credit agreements at the time of their conclusion may not exceed the default interest rate referred to in Article 11 of this Law decreased by two and a half percentage points.

The effective interest rate in credit card agreements at the time of their conclusion may not exceed the default interest rate from Article 11 of this Law increased by six percentage points.

The effective interest rate in overdraft facility agreements at the time of their conclusion may not exceed the default interest rate from Article 11 of this Law increased by eight percentage points.

The reissuance of a credit card, and/or extension of overdraft within the meaning of the provisions of this Article shall imply the conclusion of the credit card agreement, and/or overdraft agreement.

The provisions of paragraphs 7 and 8 hereof shall apply accordingly to overrunning.

The National Bank of Serbia shall publish on its website the weighted average interest rates referred to in paragraphs 1 to 3 hereof on 1 June of the current year – based on data as at 31 March of that year, and on 1 December of the current year – based on data as at 30 September of that year.

If for any type of an agreement on credit with a variable interest rate on the agreed adjustment day that rate is higher than the interest rate referred to in paragraphs 1 and 2 hereof, the creditor shall apply the rate referred to in those paragraphs for the next repayment period and/or until the next adjustment of the nominal interest rate.

When concluding a credit agreement, the bank shall apply the caps referred to in this Article within 15 days from the date of disclosure of weighted average rates, and/or the default interest rate referred to in Article 11 of this Law.

The National Bank of Serbia shall regulate in more detail the type, and/or the purpose and structure of credits for which it publishes the weighted average interest rate referred to in this Article, as well as the method of calculation and disclosure of that rate.

The provisions of this Article shall not apply to the consumers referred to in Article 2, item 13) subitems (2) and (3) of this Law.

## **Right of withdrawal**

### **Article 13**

The consumer shall have the right to withdraw from a concluded credit agreement, revolving credit agreement and leasing agreement within 14 days from the date of conclusion of such agreement, without stating any reason for withdrawal.

In case of a housing loan agreement and/or credit secured by a mortgage – the consumer may withdraw from the agreement provided he has not started to use the credit and/or financing.

In case of linked credit agreements for the purchase of goods with a return policy that ensures a full refund for a certain period of time exceeding 14 calendar days, the right of withdrawal shall be extended to match the duration of such return policy.

When withdrawing from the agreement referred to in paragraph 1 hereof, and prior to the expiry of the term referred to therein, the consumer shall notify the service provider about his withdrawal in the manner that ensures the confirmation of a receipt of that notification, where the date of the receipt of that notification shall be considered the date of withdrawal from the agreement. This notification shall be delivered in writing.

The consumer who withdraws from the credit agreement or a revolving credit agreement shall immediately, and by no later than 30 days from the dispatch of the notification referred to in paragraph 4 hereof, repay to the bank the principal and pay regular interest under that agreement, for the period the credit or the revolving credit has been used.

The consumer who withdraws from the leasing agreement with the option to purchase the lease asset shall return the lease asset to the lessor immediately after the dispatch of the notification referred to in paragraph 4 hereof. The consumer referred to in this paragraph shall immediately, and by no later than 30 days from the date of dispatching the notification referred to in paragraph 4 hereof, compensate the lessor for the damage suffered if the value of the lease asset has decreased, and shall pay the agreed interest for the period from the date of conclusion of the agreement until the date of interest payment.

The service providers referred to in paragraph 4 hereof shall not be entitled to any other compensations except those referred to in paragraphs 5 and 6 hereof and actual costs, and in the case referred to in paragraph 2 hereof – the bank shall be entitled to the reimbursement of actual costs incurred in connection with the conclusion of the credit agreement.

The consumer shall be informed of the actual costs referred to in paragraph 7 hereof before the conclusion of the credit agreement.

If the service provider or a third party on the basis of an agreement with such provider also supplies ancillary services linked to financial services referred to in paragraphs 1 and 2 hereof, the consumer shall not be bound by the ancillary service agreement if the consumer exercises his right to withdraw from the main agreement.

## **Right to be informed**

### **Article 14**

The service provider has no right to charge any fee for data and information that it shall provide to the consumer in accordance with this Law, regardless of the form and manner in which such data and information are provided.

The consumer has the right to receive, upon request, the data and information in connection with the concluded financial service agreement, the delivery of which is not explicitly prescribed by this Law, as well as to receive again the information and data that have already been delivered in accordance with this Law, in which case the service provider has the right to charge an appropriate fee.

The person providing the collateral (hereinafter: collateral provider) under a credit or leasing agreement has the right to receive in writing a repayment schedule, debt balance, and other data related to the settlement of the principal debtor's obligations once a year, and once a month at his request, free of charge.

## **Minimum professional competence obligation**

### **Article 15**

Employees engaged in the sale of financial services and/or ancillary services, or the provision of advisory services shall possess adequate qualifications, knowledge and experience, as well as professional and personal qualities, act with due professional care, in accordance with good business customs and professional ethics, respect the consumer's person and integrity, and inform consumers fully and accurately of the terms of use of these services.

Service providers shall ensure that employees engaged in the activities of sale, and/or provision of services referred to in paragraph 1 hereof possess adequate qualifications and shall ensure regular training of these employees.

The National Bank of Serbia may prescribe more detailed conditions regarding the knowledge, expertise and qualifications that the employees referred to in paragraph 2 hereof must possess, as well as the manner and conditions for the conduct of their training.

## **Rules of business conduct and financial education of consumers**

### **Article 16**

When conducting its business activities, the service provider shall act honestly, transparently and with due professional care, as well as take into account the rights and interests of consumers and ensure their protection. Business activities referred to in this paragraph include the design and advertising of financial services, the conclusion and implementation of financial service agreements, as well as the provision of ancillary and advisory services.

When concluding the financial service agreement and providing advisory services, the service provider shall take into account all information about the consumer's circumstances and any specific requirement communicated by the consumer, as well as reasonable assumptions about the risks to the consumer's situation throughout the duration of the financial service agreement, and shall warn the consumer of these risks.

The service provider shall develop and implement the policy for the payment of wages and other remunerations to its employees so that the payment of remunerations does not affect fulfilment of the obligations referred to in paragraph 1 hereof, as well as that when providing advisory services, it does not prejudice the ability to act in the consumer's best interest, and/or that the provision of such services is not contingent on sales targets.

When establishing and applying remuneration policies for their employees responsible for the assessment of creditworthiness, the service provider shall observe the following principles:

- 1) the remuneration policy promotes sound and effective risk management and does not encourage risk-taking that exceeds the level of tolerated risk of the service provider;
- 2) the remuneration policy is in line with the business strategy, objectives, values and long-term interests of the service provider, and incorporates measures to avoid conflicts of interest (e.g. remuneration is not contingent on the number of accepted applications for credit).

The service provider shall undertake measures aimed at the financial education of consumers, especially in matters of responsible borrowing by consumers and sustainable debt management.

The service provider shall provide consumers with basic information about the procedure for concluding financial service agreements in a clear and precise manner and shall pay special attention to consumers who conclude these agreements for the first time, especially if they do so at a distance.

## **Chapter II**

### **PRE-CONTRACTUAL INFORMATION TO CONSUMERS AND ASSESSMENT OF CREDITWORTHINESS**

#### **Basic rules of advertising**

##### **Article 17**

Financial services shall be advertised in a clear and comprehensible manner, and advertising shall not contain inaccurate information, and/or information that may create false expectations regarding the conditions under which the consumer may use these services, about their availability and costs, and the total amount that the consumer must pay to use those services.

When advertising credit services and leasing, the advertising message shall contain a clear and prominent warning with the following content: "Caution! Borrowing money costs money" or similar wording, based on which consumers should become aware that borrowing money implies the payment of interest and other charges by the consumer.

If credit services or leasing whose nominal interest rate is 0% are advertised, all the conditions under which these credit services are approved shall be indicated.

When advertising credit services and leasing, it is forbidden to use expressions that indicate these services are free of charge or similar expressions if the approval of such service is conditioned by the conclusion of another agreement or by anything that represents a cost for the consumer or creates another obligation.

If the conclusion of a credit and leasing agreement also requires the conclusion of an ancillary service agreement (e.g. an insurance contract), and the price of the ancillary service cannot be determined in advance – the existence of such an obligation shall be expressed on a representative example, clearly, concisely and in a visible way, together with the effective interest rate.

### **Special advertising rules**

#### **Article 18**

When advertising financial services in which the advertising message contains an interest rate or any numerical data related to price or income, the service provider shall clearly and accurately, in an easily legible or clearly audible way, and in a way that is adapted to the technical constraints of the medium used for advertising, specify on the representative example, within that advertising message, the following standard information: business name or other designation that unequivocally indicates which service provider is concerned;

- 2) type of credit/deposit/lease asset;
- 3) amount of credit/deposit/lease asset;
- 4) amount and type of the nominal interest rate (fixed, variable or both if applicable), together with particulars of any charges included in the total cost of the credit and/or leasing to the consumer;
- 5) effective interest rate;
- 6) currency in which credit/deposit/leasing is agreed;
- 7) credit/deposit/leasing indexing method;
- 8) credit/deposit/leasing repayment term;
- 9) total cost of credit/leasing to the consumer;
- 10) all costs borne by the consumer;
- 11) the total amount that the consumer pays based on the credit/revolving credit/leasing agreement, the number of instalments and the amount of individual instalments, and in the case of a deposit agreement, the total amount (amount of deposit and interest) that the bank shall pay;
- 12) means of collateral;
- 13) where applicable – a warning that exchange gains or losses may lead to a change in the total amount that the consumer pays under the credit/revolving credit/leasing agreement;
- 14) a warning about the existence of a risk that is specific to the concrete credit/revolving credit/leasing agreement, if applicable.

Advertising referred to in paragraph 1 hereof is advertising within the meaning of the law governing advertising – advertising in the media, on the service provider's premises (brochures, advertising leaflets, etc.), on the website, social networks, etc.

While advertising financial services, the service provider is not obliged to provide a representative example, if in the advertising message it states the effective interest rate, without specifying the nominal interest rate or any other numerical data related to that service.

Exceptionally, in specific and justified cases in which the medium used to communicate the information referred to in paragraph 1 hereof does not allow visual display of the information, the data on the total amount paid by the consumer based on the credit services agreement or leasing agreement, the number of instalments and the amount of the individual instalment, and/or data on the total amount that the bank shall pay in case of the deposit agreement, do not have to be shown in the representative example.

In specific and justified cases where the electronic medium used to communicate the information referred to in paragraph 1 of this Article does not allow that information to be visually displayed in a prominent and clear manner, the consumer shall be able to access the information by means of clicking, scrolling or swiping, when the information concerns the total amount the consumer would be obliged to pay under the credit services agreement or leasing agreement, the number of instalments and the amount of the individual instalment, and/or data on the total amount that the bank shall pay in case of the deposit agreement.

When advertising leasing, in addition to the data referred to in paragraph 1 hereof, the lessor shall also state the gross purchase value of the lease asset, the amount of the downpayment and the amount of net financing.

During the advertising referred to in paragraph 1 hereof, the amount of the effective interest rate shall be indicated, and/or written so that it is more conspicuous than other elements.

It is prohibited to advertise credit and revolving credit and/or leasing agreements in which:

1) consumers are encouraged to conclude those agreements by suggesting that their financial situation will thereby be improved;

2) it is specified that in the event that the consumer does not honour those agreements or in the event that those agreements are registered in a database that serves to assess the creditworthiness of the consumer – this will have little or no influence at all when deciding on the consumer's request to conclude a new agreement;

3) it is suggested that the conclusion of these agreements leads to an increase in the consumer's financial resources, constitutes a substitute for savings or can raise the consumer's living standards.

The National Bank of Serbia shall prescribe in more detail the restrictions, conditions and method of advertising financial services.

## **General information**

### **Article 19**

The consumer has the right to receive at all times clear and comprehensible information about the financial services offered by the service provider, in writing, in the way chosen by the consumer.

If the information from paragraph 1 hereof is delivered to the consumer on the business premises of the service provider, the consumer has the right to receive the information in writing at his request.

The information referred to in this Article shall include:

- 1) business name, address, telephone number and email address of the service provider;
- 2) the purpose for which the relevant financial service may be used;
- 3) possible duration of the agreement;
- 4) the level and variability of the nominal interest rate;
- 5) the elements based on which the agreed variable nominal interest rate is determined, its amount at the time of the conclusion of the agreement, the periods in which it will be changed and the method of change, as well as the fixed element if agreed;
- 6) a representative example of the total amount and the total cost of the financial service, and the total amount payable by the consumer based on the financial service agreement;
- 7) the effective interest rate, as well as all the assumptions used in its calculation;
- 8) the currency in which a financial service is contracted, and in the case of agreements indexed in a foreign currency, an explanation of the consequences that the application of such indexation may have for the consumer;
- 9) the type and amount of all potential charges and other costs that will be borne by the consumer, with the designation of whether they are fixed or variable, and if they are variable – the periods in which they will be changed and the method of change;
- 10) the choice of different available options regarding the consumer's capacity to fulfil obligations under the agreement, including the number of instalments and the amount of each instalment, as well as the periods in which the instalments are due for payment;
- 11) means of collateral;
- 12) the consumer's right to early repayment based on the agreement, the conditions and method of exercising this right, as well as the amount of charges in connection therewith;
- 13) the consumer's right to withdraw from the agreement, conditions and manner of withdrawal, as well as the amount of costs in connection therewith;
- 14) the potential obligation to conclude an agreement on ancillary services linked to the financial service agreement, when the conclusion is mandatory for the purpose of concluding the financial service agreement or for the purpose of concluding such agreement under market conditions and, if necessary, clarification that the consumer can purchase ancillary services from another service provider;
- 15) in the case of agreements in which a mortgage on real estate is contracted as a means of collateral – the notification to the consumer whether real estate valuation is necessary, who is responsible for carrying out the valuation and whether the consumer will bear any relating costs;
- 16) general warning about potential consequences in case of the consumer's default on his obligations from the financial service agreement, as well as the interest rates applied in case of arrears.

The service provider shall provide data and information referred to in this Article on the basis of a representative example for the category of consumers to which the concrete consumer belongs.

The National Bank of Serbia may regulate in more detail the content of general information referred to in this Article and the manner of its provision, and/or may determine the procedure by which service providers shall regulate in more detail the content and manner of supplying information referred to in this Article.

## **Offer**

### **Article 20**

The service provider shall provide the consumer with clear and comprehensible information and explanations about the conditions related to the agreement on the financial service in which the consumer has shown interest (hereinafter: the offer), in a way that will enable the consumer to compare the offers of different providers of those services and assess whether these conditions suit his needs and financial situation.

The service provider shall deliver the offer to the consumer within a reasonable time before concluding the agreement, and/or accepting the offer.

The reasonable time referred to in paragraph 2 hereof in the case of credit services shall not be shorter than two business days and shall be counted from the day of receipt of the binding offer of the service provider until the day when the consumer concludes the agreement or accepts the offer for agreement conclusion.

If the consumer explicitly requests in writing to conclude the agreement or accept the offer to conclude the agreement immediately after the delivery of the offer, the service provider shall not be obliged to wait for the expiry of the reasonable period referred to in paragraph 3 hereof.

If the offer is provided to the consumer in a period shorter than 24 hours before the consumer concluded the agreement or accepted the offer, the credit provider or the lessor shall send a reminder to the consumer within a period not shorter than three days, or longer than seven days from the conclusion of the agreement or acceptance of the offer, informing him of his right to withdraw from the agreement, and explaining the agreement withdrawal procedure stipulated by Article 13 of this Law. This reminder shall be delivered to the consumer in writing – in the manner stipulated by the agreement.

The service provider shall offer the service to the consumer in dinars, unless the consumer requests that the service be offered in the dinar equivalent of a foreign currency, and/or a foreign currency, in accordance with the regulations governing foreign exchange operations. The service provider shall inform the consumer in writing of the risks he assumes when the service is provided in the dinar equivalent of a foreign currency, and/or in a foreign currency.

The National Bank of Serbia shall prescribe the foreign currency in which the service provider may offer to the consumer and approve and/or index a credit, leasing and credit card – if the consumer requests that the service be offered in the dinar equivalent of a foreign currency, and/or in a foreign currency in accordance with paragraph 6 hereof.

The offer shall be made on the prescribed form in writing and shall contain the following data, presented clearly and concisely:

- 1) type of service;
- 2) business name, address, phone number and email address of the service provider;
- 3) the total amount of deposit, credit and/or lease asset, and their conditions of use;
- 4) the total price of the credit/leasing for the consumer;
- 5) the total amount paid by the consumer based on the credit/leasing agreement, or total amount (deposit and interest) for deposit agreements which the bank is obliged to pay – calculated on the day of the offer;

- 6) the currency in which the deposit/credit/leasing is agreed;
- 7) the duration of the agreement, and/or the repayment period;
- 8) the level and variability of the nominal interest rate;
- 9) the elements based on which the agreed variable nominal interest rate is determined, its amount at the time of agreement conclusion, the periods in which it will be changed and the method of change, as well as the fixed element if agreed;
- 10) the effective interest rate and the total amount that the consumer needs to pay, and/or that needs to be paid to him, shown on a representative example in which all the elements based on which that amount is calculated are indicated;
- 11) if a variable interest rate is agreed – a warning about its impact on the effective interest rate;
- 12) the amount and number of credit instalments, and/or lease payment instalments and the periods in which they fall due (monthly, quarterly, etc.);
- 13) the type and amount of all charges and other costs borne by the credit consumer, including the cost of real estate valuation in the case of credit agreements in which mortgage on real estate is agreed as a means of collateral, with the determination of whether charges and costs are fixed or variable, and if variable – periods in which changes will be made and the method of change;
- 14) if the agreement provides for different methods of withdrawing funds with different charges or interest rates, a note that different withdrawal mechanisms may lead to higher effective interest rates;
- 15) the potential obligation to conclude an agreement on ancillary services related to the credit and/or leasing agreement (e.g. insurance contracts, etc.) when such conclusion is mandatory for the purpose of obtaining a credit/leasing or for the purpose of obtaining a credit/leasing under the terms of the advertisement;
- 16) interest rates applied in case of arrears in accordance with this Law;
- 17) the conditions and procedure for terminating the agreement, especially in the case of offers of agreements concluded for an indefinite period;
- 18) warning regarding the consequences of the failure to pay and the failure to fulfil other obligations;
- 19) means of collateral;
- 20) the consumer's right to withdraw from the agreement, conditions and manner of withdrawal, as well as the amount of related costs;
- 21) the right of the consumer to the early repayment of the credit/leasing and the amount of the compensation, as well as a transparent and understandable explanation as to how the amount of this compensation is determined;
- 22) the information that the consumer has the right to be notified of the results of the database consultation for the purpose of assessing his creditworthiness and that this notification is free of charge in the case referred to in Article 25, paragraph 4 of this Law;
- 23) the right of the consumer who intends to conclude an agreement with the service provider – to receive a free copy of the draft agreement;

24) the term in which the service provider is bound by the terms of the offer, which may not be shorter than two business days from the day of delivery, and/or receipt of the offer, except in the case from Article 53 of this Law, when the term may not be shorter than three business days;

25) the consumer's right to file a complaint with the service provider and the National Bank of Serbia, as well as the possibility to institute mediation proceedings before the National Bank of Serbia for out-of-court dispute settlement;

26) the credit/leasing repayment schedule, and/or deposit payment schedule containing all pay-ins and pay-outs for the duration of the agreement, including pay-ins and pay-outs for all ancillary services linked to the agreement that are simultaneously sold;

27) informing the consumer that the amounts of deposit, credit or leasing specified in the offer are personalised based on automated data processing, including profiling.

In addition to the data referred to in paragraph 8 hereof, the offer related to the leasing service shall contain the following data:

- 1) the gross purchase value of the lease asset;
- 2) the amount of downpayment;
- 3) data on the obligation to insure the lease asset;
- 4) the amount of costs for registering the agreement with the Business Registers Agency, which the consumer shall pay after concluding the leasing agreement;
- 5) conditions for the exercise of the right to purchase the lease asset/extend the leasing agreement.

The offer to conclude the overdraft facility and credit card agreement need not contain the data referred to in paragraph 8, items 12) and 21) hereof, but shall contain data prescribed by the law governing payment services.

The offer to conclude the overdraft facility agreement shall also contain information about the cases in which the consumer may be required to fully repay the overdraft.

The offer for the conclusion of the linked credit agreement, in addition to the elements referred to in paragraph 8 hereof, shall also contain the designation of the goods or services and their cash price.

In case of an agreement which, in accordance with the provisions of Article 44, paragraphs 1 and 3 of this Law, provides for the possibility of deferred payment or some other form of settlement of the financial obligation in order to make it easier for the consumer to fulfil that obligation, the offer for the conclusion of such agreement shall contain all the elements referred to in paragraph 8 hereof, except for the elements under items 14) and 15) hereof, as well as the information as to whether the consumer may be required to repay the debt in full at any time.

The service provider shall inform the consumer who intends to conclude an agreement with it that he can receive, upon request, the text of the draft agreement free of charge – as a proposal for the agreement conclusion.

If the consumer submits the request referred to in paragraph 14 hereof, the service provider shall provide the consumer with the written draft agreement from that paragraph free of charge, provided the service provider is willing to conclude the agreement at the time the consumer's request is submitted.

If the lessor's financing conditions are presented by a third party – the lessor shall conclude an agreement on business cooperation with that person, whereby this person shall present those conditions in the same way as the lessor.

The National Bank of Serbia shall prescribe the layout and regulate in more detail the content of the forms on which the offer is made and which indicate the risks that the consumer assumes when the service is provided in the dinar equivalent of a foreign currency, and/or in a foreign currency, as well as the content of this indication.

Along with the offer, the service provider may provide the consumer with other data deemed useful for the consumer (such as information on the provision of advisory services), and these data must be clearly legible and contained in a separate document.

### **Adequate explanations**

#### **Article 21**

The service provider shall provide to the consumer, free of charge and before concluding the financial services agreement in which the consumer has shown interest, adequate explanations about the agreement and any ancillary services that make it possible for the consumer to assess whether such agreement and the ancillary services are adapted to his needs and financial situation.

The adequate explanations referred to in paragraph 1 hereof shall include the following:

- 1) the essential characteristics of the proposed agreement as well as proposed ancillary services, if any;
- 2) the specific effects that the proposed agreement or the ancillary services may have on the consumer, including the consequences of payment default or late payment by the consumer;
- 3) where ancillary services are bundled with the agreement – whether each component of the bundle can be cancelled separately and the implications for the consumer of such cancellation.

In justified cases, the service provider may adapt its obligations referred to in paragraphs 1 and 2 hereof to the circumstances under which a particular financial service is being offered, the type of the service offered and the person to whom it is offered.

The National Bank of Serbia may prescribe in more detail the contents of adequate explanations for certain financial services and the manner in which these explanations are provided.

### **Personalised offers on the basis of profiling**

#### **Article 22**

Where a service provider is making a personalised offer to the consumer, based on the automated processing of personal data within the meaning of regulations protecting such data, the service provider shall inform the consumer thereof in a clear and comprehensible manner.

### **Obligation to assess creditworthiness of the consumer**

#### **Article 23**

Before concluding a credit services agreement or a leasing agreement the service provider shall carry out an assessment of the consumer's creditworthiness.

Where, after the conclusion of the agreement referred to in paragraph 1 hereof, the contractual parties agree to change the total amount of the consumer's debt – the service provider shall reassess the consumer's creditworthiness.

The assessment of the consumer's creditworthiness shall be carried out in the interest of the consumer, to prevent over-indebtedness with the service provider and irresponsible lending practices. These assessments shall take into account all factors based on which it can be concluded whether the consumer will regularly meet the obligations under the agreement.

The assessment of the creditworthiness shall be carried out on the basis of relevant and accurate information about the consumer's income and expenses and other financial and economic circumstances relevant for this assessment, taking into account the nature, duration and overall risk of the credit service for the consumer.

The factors and information referred to in paragraphs 3 and 4 hereof may include evidence of income or other sources of repayment, information on financial and total assets and liabilities, in accordance with the National Bank of Serbia's regulation.

The factors and information referred to in paragraphs 3 and 4 hereof shall not include special categories of personal data within the meaning of the law governing the protection of such data.

The service provider shall obtain the factors and information referred to in paragraphs 3 to 5 hereof from relevant and reliable sources whose validity can be verified, from consumers, as well as on the basis of a consultation of a database on consumer indebtedness.

The service provider shall appropriately verify the factors and information referred to in paragraphs 3 to 5 hereof, including the use of documents that can be verified independently (e.g. excerpts from publicly available registers, etc.).

If the application for concluding an agreement is submitted jointly by more than one consumer, the service provider shall perform the creditworthiness assessment on the basis of the joint repayment capacity of those consumers.

The service provider shall regulate the consumer creditworthiness assessment process in its internal acts and establish rules on documenting and storing data and documents referred to in paragraphs 3 to 5, 7 and 8 hereof.

### **Database on consumer indebtedness**

#### **Article 24**

The database on consumer indebtedness shall contain the data to the collection and processing of which the consumer has given written consent and data collected and processed in that base directly based on the law, especially the data about the consumer's debt to service providers and other financial institutions and the regularity of the settlement of his obligations pertaining to such debt.

To ensure the reliability of the database referred to in paragraph 1 hereof, the service provider shall regularly submit and update data stored in the database, and shall also be held accountable for the accuracy of those data.

The National Bank of Serbia may prescribe the manner in which the database from paragraph 1 hereof (credit register) is established, organised and operated, including the manner in which it is financed and the manner of collecting, submitting, processing and storing data in such database.

## **Results of the creditworthiness assessment**

### **Article 25**

The service provider shall conclude a credit service or a leasing agreement only where the result of the creditworthiness assessment indicates that the obligations resulting from the agreement are likely to be met in the manner and within the deadlines required under the agreement.

The service provider shall decide on the consumer's application for a service and/or enable the consumer to conclude an agreement within 15 business days from the day the consumer submitted all requested data, information and documents.

In case of a housing credit, or a mortgage-backed credit, the bank may extend the deadline referred to in paragraph 2 hereof by 10 business days and shall notify the consumer about the extension before the expiry of the deadline referred to in that paragraph.

Where the service provider rejects the application to conclude an agreement referred to in paragraph 1 hereof, it shall immediately and in writing:

- 1) inform the consumer about the rejection of the application, and it may also state the reasons for the rejection;
- 2) inform the consumer about data from the database referred to in Article 24 of this Law which impacted the decision to reject the application.

Where a credit service agreement or a leasing agreement is concluded with a consumer, the service provider may not subsequently cancel or modify the agreement to the detriment of the consumer on the grounds that the assessment of creditworthiness was incorrectly conducted. If in this case the service provider proves that the consumer knowingly withheld or falsified the indicators and information, and/or documents referred to in Article 23, paragraphs 3 to 5 and 7 of this Law, the service provider shall have the right to cancel or modify the agreement to the detriment of the consumer.

## **Assessment of creditworthiness by profiling**

### **Article 26**

Where the service provider rejects the application to conclude the agreement referred to in Article 25 of this Law on the grounds of the consumer's creditworthiness assessment which includes the use of automated processing of personal data, the consumer shall have the right to ask for and obtain human intervention on the part of the service provider, within which the consumer is entitled to:

- 1) request and obtain a clear and comprehensible explanation of the creditworthiness assessment procedure, including the explanation about the automated processing of personal data, its risks, significance and effects on the decision;
- 2) express his own point of view about the creditworthiness assessment based on the automated processing of personal data;
- 3) request a review of the assessment of the creditworthiness and the decision that has been made.

The service provider shall inform the consumer about his rights referred to in paragraph 1 hereof in the notification referred to in Article 25, paragraph 4 of this Law, with the service provider bearing the burden of proof that it has provided such notification to the consumer.

### **Chapter III**

#### **CONTENT OF FINANCIAL SERVICES AGREEMENTS**

##### **Credit agreement**

###### **Article 27**

The credit agreement shall contain the following compulsory elements:

- 1) the type of credit;
- 2) the duration of the credit agreement, i.e. the credit repayment term;
- 3) business name, or name, address, and telephone number of the credit provider and the consumer, as well as the email address of the credit provider and consumer, where the consumer has one;
- 4) the approved amount of credit and the terms of drawdown;
- 5) for credits indexed to a foreign currency – the currency of indexation, indication that, when approving and repaying the credit, the official middle exchange rate of the dinar against that currency as at the credit approval or repayment date shall be applied, and the calculation date;
- 6) the nominal interest rate, with the indication as to whether it is fixed or variable, and if it is variable – elements based on which it is determined (reference rate, consumer price index, etc.), their level at the time of conclusion of the agreement, periods in which they will be changed, and the fixed element, if agreed;
- 7) the effective interest rate, where all assumptions used in the calculation of the effective interest rate shall be listed;
- 8) the total cost of credit to the consumer;
- 9) the total amount payable by the consumer based on the credit agreement, calculated on the day of conclusion of the agreement;
- 10) the number of credit instalments, individual amounts of instalments at the time when the agreement was concluded, and the period in which instalments are due for collection;
- 11) the credit repayment schedule and the consumer's right to be given the schedule free of charge at any point throughout the duration of the agreement (if the interest rate and costs are repaid without simultaneously repaying the principal – the credit repayment schedule should only contain the deadlines and terms of repayment of interest and costs);
- 12) the method of interest calculation (compound interest method, pro-rata interest method, etc.);
- 13) notification about the interest rate applied in case of late payment in accordance with this Law and its level as at the time of the conclusion of the agreement;

14) other consequences in case of late and/or missing payments, conditions, procedure and consequences of termination and/or cancellation of the credit agreement, as well as the data about the possibility of outsourcing the collection of claims;

15) conditions and manner of assignment of claims;

16) the type and amount of all charges to be borne by the credit consumer, with the indication as to whether they are fixed or variable, and if they are variable – the periods in which they will be changed, as well as the type and amount of other costs (taxes, duties, fees to relevant authorities, cost of real estate valuation, etc.);

17) types of collateral, possibility of their replacement with other collateral during the credit repayment period, as well as conditions for their enforcement in the event of default;

18) conditions and manner of early credit repayment and the amount of the relevant compensation, as well as a transparent and comprehensible explanation as to how this compensation is calculated;

19) the consumer's right to withdraw from the agreement, as well as conditions and manner of such withdrawal;

20) possible obligation to conclude an agreement on ancillary services relating to the credit agreement (e.g. payment service agreement, insurance contract, etc.);

21) the type of the written form selected by the consumer for notifications sent to him by the creditor in accordance with this Law and the credit agreement (e.g. reminder referred to in Article 20, paragraph 5 of this Law, notifications on modifications of the concluded credit agreement, notifications on change in the nominal interest rate, for revolving credit agreements – notifications referred to in Article 41 of this Law);

22) the right to file a complaint to the service provider or the National Bank of Serbia and to initiate mediation procedure before the National Bank of Serbia for the purpose of out-of-court dispute settlement, with explanations for the consumer as to the manner of submitting the complaint to the service provider or the National Bank of Serbia and the mediation proposal;

23) address of the National Bank of Serbia as the authority supervising creditors.

In addition to the elements referred to in paragraph 1 hereof, the linked credit agreement shall also contain a designation of goods or services, their cash price and a notification on termination of the linked agreement in case when the consumer exercises the right to withdraw from the agreement, as well as the rights which the consumer has in relation to the creditor under Article 51 of this Law.

The compulsory elements of the credit agreement referred to in paragraph 1 hereof and of the linked credit agreement referred to in paragraph 2 hereof shall be clearly legible and adapted to the technical constraints of the durable medium they are presented on.

When concluding the agreement referred to in paragraph 1 hereof, along with the agreement, the creditor shall deliver the credit repayment schedule and an overview of compulsory credit elements, containing the main data on the credit.

After the credit agreement is concluded, the creditor shall forward a copy of the agreement with the overview of the compulsory elements to the collateral provider, unless the collateral provider is the seller of the item mortgaged or otherwise pledged under the purchase/sale contract for the realisation of which the credit was granted.

## **Credit card agreement**

### **Article 28**

In addition to the elements of the framework agreement defined by the law governing payment services, the credit card agreement shall also contain the following compulsory elements:

- 1) the amount of the approved funds which the consumer may use over a certain period (credit limit);
- 2) if the credit limit is approved and calculated in a foreign currency – an indication of the currency;
- 3) maturity date and the percentage of the minimum monthly payment obligation;
- 4) the nominal interest rate, with an indication as to whether it is fixed or variable, and if it is variable – elements based on which it is determined (reference rate, consumer price index, etc.), their level at the time of conclusion of the agreement, periods in which they will be changed, and the fixed element, if agreed;
- 5) the effective interest rate, where all assumptions used in the calculation of the effective interest rate shall be listed;
- 6) the method of interest calculation (compound interest method, pro-rata interest method, etc.);
- 7) the type and amount of all charges to be borne by the credit card holder, with the indication as to whether they are fixed or variable, and if they are variable – the periods in which they will be changed, as well as the type and amount of other costs;
- 8) the manner of discharging obligations, with an emphasis on the repayment term for funds used without any interest charged, if such terms were agreed on;
- 9) notification about the interest rate applied in case of late payment in accordance with this Law and its level at the time of conclusion of the agreement;
- 10) types of collateral, possibility of their replacement with other collateral during the credit repayment period, as well as conditions for their enforcement in the event of default;
- 11) consequences in case of default, conditions, procedure and consequences of termination and/or cancellation of the agreement, as well as the data about the possibility of outsourcing the collection of claims;
- 12) conditions and manner of assignment of claims;
- 13) the consumer's right to withdraw from the agreement, conditions and manner of such withdrawal in accordance with Article 13 of this Law;
- 14) the consumer's right to settle the debt at any time;
- 15) the right to early repayment of undue liabilities under a credit card, without interest or other charges;
- 16) possible obligation to conclude an agreement on ancillary services relating to the credit card agreement (e.g. insurance contract);
- 17) the type of the written form selected by the consumer for notifications which the creditor sends to him in accordance with this Law and the agreement;

18) the right to file a complaint to the service provider or the National Bank of Serbia and to initiate mediation procedure before the National Bank of Serbia for the purpose of out-of-court dispute settlement, with explanations for the consumer as to the manner of submitting the complaint to the service provider or the National Bank of Serbia and the mediation proposal;

19) address of the National Bank of Serbia as the authority supervising creditors.

The compulsory elements of the credit card agreement referred to in paragraph 1 hereof shall be clearly legible and adapted to the technical constraints of the durable medium they are presented on.

When concluding the agreement referred to in paragraph 1 hereof, along with the agreement, the creditor shall deliver to the consumer an overview of compulsory elements of the agreement, containing the main data from that agreement.

After the credit card agreement is concluded, the creditor shall forward a copy of the agreement with the overview of the compulsory elements to the collateral provider, unless the credit card holder is also the collateral provider.

## **Overdraft facility agreement**

### **Article 29**

The overdraft facility agreement shall contain the elements referred to in Article 28, paragraph 1 of this Law.

The overdraft facility agreement shall also set out the cases in which the consumer may be required to fully repay the overdraft facility, as well as the data about the consumer's right to early repayment of the overdraft facility at any time free of charge.

The compulsory elements of the overdraft facility agreement referred to in paragraph 1 hereof shall be clearly legible and adapted to the technical constraints of the durable medium they are presented on.

When concluding the agreement referred to in paragraph 1 hereof, along with the agreement, the creditor shall deliver to the consumer an overview of compulsory elements of the agreement, containing the main data on the overdraft facility.

After the overdraft facility agreement is concluded, the creditor shall forward a copy of the agreement with the overview of the compulsory elements to the collateral provider.

## **Overrunning**

### **Article 30**

Where the bank allows an overrun to the consumer, in addition to the elements of the framework agreement defined by the law governing payment services, the agreement to open and maintain a current account and/or provide payment services shall also include the following compulsory elements:

- 1) the information that the consumer has been allowed an overrun;
- 2) the nominal interest rate, with an indication as to whether it is fixed or variable, and if it is variable – elements based on which it is determined (reference rate, consumer price index, etc.),

their level at the time of conclusion of the agreement, periods in which they will be changed, and the fixed element, if agreed;

3) the type and amount of all charges to be borne by the consumer, with an indication as to whether they are fixed or variable, and if they are variable – the periods in which they will be changed, as well as the type and amount of other costs.

## **Leasing agreement**

### **Article 31**

The leasing agreement shall contain the following compulsory elements:

1) business name, or name, address and telephone number of the lessor and the consumer, as well as the email address of the lessor and of the consumer, where the consumer has one;

2) the gross acquisition value of the lease asset (the sum of value at which the lessor acquired the right of ownership of the lease asset and the value added tax);

3) the amount of the downpayment (the amount which the consumer pays to the lessor and which is disclosed relative to the gross acquisition value of the lease asset);

4) the amount of net financing (the difference between the gross acquisition value of the lease asset and the downpayment);

5) the number of lease payment instalments, amount of the individual instalment, as well as the period in which the instalments fall due;

6) the remaining value of the lease asset (the part of the amount of net financing that can be agreed, which the consumer does not repay through instalments, but one-off, after the expiry of the period of the agreement if the agreement envisages the right of the consumer to purchase the lease asset);

7) for leasing indexed to a foreign currency – the currency of indexation, indication that the official middle exchange rate shall be applied when approving and repaying the lease, and the calculation date;

8) the annual nominal interest rate, with an indication as to whether it is fixed or variable, and if it is variable – elements based on which it is determined (reference rate, consumer price index, etc.), their level at the time of agreement conclusion, periods in which they will be changed, and the fixed element, if agreed;

9) if the consumer pays the tax expenses on (total) interest, the amount of such tax calculated on the day of conclusion of the agreement, with an indication that the total amount of tax may be modified in case of a change in the nominal interest rate;

10) the effective interest rate and the total amount payable by the consumer, calculated on the day of conclusion of the agreement, where all assumptions used in the calculation of the effective interest rate shall be listed;

11) the total cost of leasing for the consumer;

12) the total amount payable by the consumer under the leasing agreement, calculated on the day of conclusion of the agreement;

13) obligation to insure the lease asset;

- 14) the right to purchase the lease asset/extend the agreement;
- 15) conditions and manner of early repayment and the amount of the relevant compensation, as well as a transparent and comprehensible explanation as to how the compensation is calculated;
- 16) the method of interest calculation (compound interest method, pro-rata interest method, etc.);
- 17) the interest rate applied in case of late payment in accordance with this Law and its level as at the time of conclusion of the agreement;
- 18) the type and amount of all charges to be borne by the lessee, with an indication as to whether they are fixed or variable, and if they are variable – the periods in which the lessor will change them, as well as the type and amount of other costs (taxes, fees to relevant authorities, etc.);
- 19) types of collateral, possibility of their replacement during the credit repayment period, as well as conditions for their enforcement in the event of default;
- 20) notification about the lessor's right to sell the lease asset;
- 21) conditions, procedure and consequences of cancellation of the leasing agreement, as well as the notification about the conditions and manner of assigning claims;
- 22) the consumer's right to withdraw from the agreement, conditions and manner of such withdrawal;
- 23) the type of the written form selected by the consumer for notifications sent to him by the lessor in accordance with this Law and the agreement;
- 24) the right to file a complaint to the service provider or the National Bank of Serbia and to initiate mediation procedure before the National Bank of Serbia for the purpose of out-of-court dispute settlement, with explanations for the consumer as to the manner of submitting the complaint to the service provider or the National Bank of Serbia and the mediation proposal;
- 25) address of the National Bank of Serbia as the authority supervising lessors.

The compulsory elements of the leasing agreement referred to in paragraph 1 hereof shall be clearly legible and adapted to the technical constraints of the durable medium they are presented on.

For the leasing agreement – the interest rate, charges and other costs, if variable, shall be dependent on the agreed elements that are officially published (reference rate, consumer price index, etc.) and are such that their value cannot be affected by the unilateral will of either contractual party.

When concluding the agreement referred to in paragraph 1 hereof, along with the agreement, the lessor shall deliver to the consumer the leasing repayment schedule and the overview of the compulsory elements of the agreement with a summary of the main data about the leasing.

## **Deposit agreement**

### **Article 32**

The deposit agreement shall contain the following compulsory elements:

- 1) type of deposit and the period for which the bank receives the deposit;
- 2) business name or name, address and telephone number of the bank and the consumer, as well as the email address of the bank and of the consumer, where the consumer has one;
- 3) deposit amount;

4) the currency in which the consumer deposits and the bank pays out deposit funds, and, in case of a deposit with an agreed currency clause – the type of the currency exchange rate applied when placing and paying out the deposit (official middle exchange rate), as well as the calculation date;

5) deposit payment schedule;

6) the annual nominal interest rate, with an indication as to whether there is an obligation of the consumer to pay taxes;

7) the effective interest rate, where all assumptions used in the calculation of the effective interest rate shall be listed;

8) the total amount of deposit which the bank pays out to the consumer after the expiry of the period for which the bank receives the deposit and/or after the expiry of the agreement;

9) unconditional benefits provided by the bank in relation to the deposit;

10) variability of the nominal interest rate (fixed or variable);

11) elements based on which the agreed variable nominal interest rate is determined, their level at the time of conclusion of the agreement and periods in which they will be changed, and the fixed element, if agreed;

12) the method of interest calculation (compound interest method, pro-rata interest method, etc.);

13) the manner and conditions in which the consumer may use the deposit funds;

14) the type and amount of all charges to be borne by the depositor, with an indication as to whether they are fixed or variable, and if they are variable – the periods in which they will be changed, as well as the type and amount of other costs (taxes, fees to relevant authorities, etc.);

15) conditions and manner of automatic extension of the depositing period;

16) conditions and manner of termination of agreements concluded for an indefinite period of time;

17) insured deposit amount;

18) the type of the written form selected by the consumer for notifications delivered to the consumer by the bank under this Law and the agreement;

19) the right to file a complaint to the service provider or the National Bank of Serbia and to initiate mediation proceedings before the National Bank of Serbia for the purpose of out-of-court dispute settlement, with explanations for the consumer as to the manner of submitting the complaint to the service provider or the National Bank of Serbia and the mediation proposal;

20) address of the National Bank of Serbia as the authority supervising banks.

The compulsory elements of the deposit agreement referred to in paragraph 1 hereof shall be clearly legible and adapted to the technical constraints of the durable medium they are presented on.

For the deposit agreement – the charges and other costs, if variable, shall be dependent on the agreed elements that are officially published (reference rate, consumer price index, etc.) and are such that their value cannot be affected by the unilateral will of either contractual party.

When concluding the agreement referred to in paragraph 1 hereof, the bank shall deliver to the consumer the deposit payout schedule and the overview of the compulsory elements of the deposit, containing the main data about the deposit.

In the event of automatic extension of the deposit term – the bank shall notify the consumer, at least 30 days before the expiry of the deposit term, of the extended term of the deposit agreement and of the new interest rate, and the consumer shall have the right to terminate the agreement at any point after receiving this notification, free of charge, at the interest rate agreed for the expired deposit term, if he terminated the agreement within 30 days from the day of receipt of the notification about the new interest rate.

Where the consumer terminates the deposit agreement in accordance with paragraph 5 hereof, the bank shall enable to the consumer a transfer of funds in accordance with the provisions of the law governing payment services pertaining to the account switching service.

### **Layout and content of forms**

#### **Article 33**

The National Bank of Serbia shall prescribe the layout and content of the credit/leasing repayment and deposit payment schedule and of the overview of compulsory elements of the financial services agreement.

### **Agreements on other services provided by banks**

#### **Article 34**

The agreements on safe-deposit boxes and agreements on other services provided by banks in accordance with the law (e.g. issuing sureties, foreign currency and exchange operations) shall include the type and amount of all charges and other costs to be borne by the consumer, and/or the consumer shall be informed of them before concluding the agreement if the agreements are not concluded in writing in accordance with the law.

The provisions of Articles 5 to 9, Articles 14 to 16, Articles 35 and 36 and Articles 59 to 66 of this Law shall apply accordingly to the agreements referred to in paragraph 1 hereof.

## **Chapter IV**

### **MODIFICATIONS OF THE AGREEMENT AND VARIABLE INTEREST RATE**

#### **Procedure for modifying elements of an agreement**

#### **Article 35**

Where the service provider intends to modify an element of the financial service agreement, unless it is modifying the variable interest rate in accordance with this Law, it shall submit the proposal of such modifications to the consumer in writing, at least one month before the start or the planned start of application of such changes.

The proposal referred to in paragraph 1 hereof shall contain:

- 1) a clear and accurate description of the proposed changes, with an adequate clarification of the consumer's position relative to his position before the changes;
- 2) note that consumer consent to the proposed modifications is required in the situations prescribed in Article 36 hereof, with the specification of the manner and deadline for issuing such consent;

- 3) explanation of changes introduced by operation of law, other regulation or based on an agreement, where applicable;
- 4) description of the consequences which may occur if the consumer does not consent to the changes, or requests the termination of the agreement, including a specification of costs to be borne by the consumer in case of such termination;
- 5) date as of which these changes apply.

### **Modification of compulsory elements of an agreement**

#### **Article 36**

Where the service provider intends to modify a compulsory element of the financial service agreement, it shall conclude an annex to the agreement with the consumer in the form prescribed for such agreement. If the consumer does not consent to the modification, the service provider may not for that reason unilaterally modify the terms of the agreement nor unilaterally terminate and/or cancel the agreement.

Where the level of the fixed interest rate or of the fixed element of the variable interest rate and/or the level of charges and other costs change in favour of the consumer or the consumer is given certain rights to use additional or ancillary services without new interest rates, charges and other costs being imposed or the existing ones raised, such changes can take effect without applying paragraph 1 of this Article and Article 35 hereof.

Where the level of the fixed interest rate or of the fixed element of the variable interest rate is changed in favour of the consumer, the service provider shall notify the consumer thereof in writing and submit or make available to the consumer the modified credit or leasing repayment schedule and/or deposit payment schedule before the start of the application of such modifications, unless prescribed otherwise by a regulation.

The provisions of this Article shall not apply in case of a change in the variable interest rate due to the change in the variable element of the rate, and/or the application of Article 12 of this Law.

### **Variable nominal interest rate**

#### **Article 37**

The variable nominal interest rate shall be the interest rate the level of which depends on agreed variable and/or variable and fixed elements, where variable elements are those that are officially published (reference rate, consumer price index, etc.)

The level of the variable interest rate may not be negative, i.e. below zero.

The variable elements and/or indices and reference rates referred to in paragraph 1 hereof shall be specified in the agreement in a clear and comprehensible manner, and shall be objective and accessible, so that they can be verified by parties to the agreement and by supervisory institutions.

The elements referred to in paragraph 1 hereof shall be of such nature that they cannot be affected by the unilateral will of any of the parties.

A credit service agreement or leasing agreement may include a provision stating that, at the time of calculating the variable interest rate, the value of its variable element and/or of the reference rate which is below zero shall be taken to be zero, if, before offering such agreements to consumers,

the service provider demonstrates in a procedure before the National Bank of Serbia that such provision may result in a clear benefit for consumers.

The level of the interest rate in a deposit agreement, regardless of whether it is fixed, variable or fixed and variable, may not be negative, i.e. below zero.

A bank and/or lessor shall determine the nominal interest rate in the manner laid down in the provisions of this Article.

The National Bank of Serbia may regulate the procedure referred to in paragraph 5 hereof.

### **Notification on change in the interest rate**

#### **Article 38**

Where a variable nominal interest rate has been agreed, the service provider shall, in line with the agreement, notify the consumer in writing of any change in such rate before the change is applied (before the start of the repayment period and/or use of the outstanding credit amount at the new rate), and/or at least 15 days before the first credit instalment falls due at the interest rate changed under Article 12 hereof, and shall specify in such notification the date as of which such changed rate applies.

In the notification referred to in paragraph 1 hereof, the service provider shall disclose separately the new value of the variable element (reference rate, index, etc.), and provide data on the date such value was published by the administrator of that element, as well as on the level of the fixed element and the total level of the new interest rate.

Along with the notification referred to in paragraph 1 hereof, the service provider shall also deliver to the consumer in writing a modified credit or leasing repayment schedule and/or deposit payment schedule.

A service provider shall make the schedule referred to in paragraph 3 hereof available to the consumer, at his request and free of charge, throughout the duration of the agreement.

The notification obligation referred to in paragraph 1 hereof shall also exist in case of changes to variable elements that influence the amount of other pecuniary obligations.

### **Reference rate discontinuation**

#### **Article 39**

Where the agreed variable rate is based on a reference rate which is no longer calculated and published, the rate stipulated as the alternative and/or replacement rate in the financial service agreement shall apply.

Where, in the case referred to in paragraph 1 hereof, the financial service agreement does not envisage an alternative and/or replacement rate, a rate or another variable element which is officially published and the level of which cannot be influenced by any of the parties, as determined by the National Bank of Serbia, shall apply.

The provisions of paragraphs 1 and 2 hereof shall apply accordingly also where a variable element other than the reference rate has been agreed under Article 8 hereof.

## **Reference rate of the average funding cost of the banking sector**

### **Article 40**

On its website, the National Bank of Serbia may publish the reference rate of the average funding cost of the banking sector of the Republic of Serbia, which may be stipulated as the variable element of the nominal interest rate.

The National Bank of Serbia may regulate in more detail the manner of calculating and publishing the reference rate referred to in paragraph 1 hereof.

## **Chapter V**

### **SPECIAL CONSUMER RIGHTS**

#### **Rights relating to the revolving credit agreement**

##### **Article 41**

A consumer may cancel a revolving credit agreement at any time, in the usual manner and free of charge, unless a notice period of no longer than one month has been agreed.

If so agreed, a creditor may cancel a revolving credit agreement by giving a notice of cancellation to the consumer in writing at least two months earlier.

If so agreed, a creditor may, due to justified reasons (unauthorised credit use, significant deterioration in the consumer's creditworthiness, etc.), deprive the consumer of the right to draw down funds, but it shall notify the consumer of the reasons for such deprivation in writing, if possible without delay or within the next three days, except where the provision of such notification is prohibited by other regulations.

#### **Notification on outstanding debt and account overdraft**

##### **Article 42**

Within 15 days from the day of entry of data on consumer's arrears in the database on consumer indebtedness from Article 24 of this Law, the service provider shall deliver to the consumer free of charge a notification on outstanding debt under a credit, revolving credit and/or leasing agreement.

The notification referred to in paragraph 1 hereof shall contain information about the amount of principal, interest, charges, etc., disclosed on an individual basis, information about the total balance of debt on the specified date, as well as an explanation that the information about the late payment is recorded in the database on consumer indebtedness, including the consequences this may have on the consumer.

In the case of overdraft facility, the service provider shall deliver to the consumer, at least once a month, in writing and free of charge, a notification – statement of account showing all transactions in the account, and shall deliver such notification without delay at the consumer's request, while the bank shall have the right to charge an appropriate fee in such case.

The notification referred to in paragraph 3 hereof shall contain the following data:

- 1) account number;
- 2) period to which the statement of account relates;
- 3) date of transaction, description of transaction, amount and type of transaction (account credit or debit);
- 4) previous and current balance of account and date of the account statement;
- 5) nominal interest rate applied;
- 6) any charges and costs;
- 7) where applicable, the minimum amount to be paid by the consumer.

The bank shall notify the consumer immediately and without delay if his account has been debited by an amount which has resulted in overrunning.

The notification referred to in paragraph 5 hereof shall contain:

- 1) the amount of the overrunning;
- 2) the current amount of the overrunning;
- 3) the interest rate to be applied to the amount of overrunning;
- 4) data about any other charges, costs and contractual penalties;
- 5) date by which the consumer is to repay the amount owed.

Where the consumer settles his debt under the overrunning within five days from the day his account is debited, on which basis he is in the overrunning, the bank shall not charge interest or any other charges on such overrunning.

Where the consumer regularly resorts to overrunning, the bank shall be required to offer him another type of credit service or the provision of advisory services.

### **Cancellation and reduction of overdraft and overrunning**

#### **Article 43**

Where the provider of overdraft or overrunning decides to reduce the amount of such overdraft/overrunning or to cancel the overdraft agreement and/or cease to allow overrunning, such provider shall notify the consumer thereof in the agreed manner one month prior to the day when such reduction or cancellation of agreement and/or cancellation of overrunning takes effect.

In the case referred to in paragraph 1 hereof, the provider of overdraft or overrunning shall offer the consumer, before the enforcement proceedings have been initiated, at no additional cost, the possibility to repay the debt in 12 equal monthly instalments, at the nominal interest rate specified in the overdraft agreement and/or the interest rate applicable to the overrunning.

## **Forbearance measures**

### **Article 44**

If circumstances placing the consumer in a difficult financial situation and/or other significant events beyond the consumer's control occur during the period of the agreement, the creditor shall apply reasonable forbearance measures facilitating debt repayment for the consumer before the enforcement proceedings are initiated, taking into account in particular the consumer's individual circumstances.

A creditor shall not be required to apply forbearance measures from paragraph 1 hereof to a consumer to which such measures had already been applied, after which such consumer again defaulted on his debt and/or to a consumer which failed to respond to the creditor's offer within the deadline set by the creditor, which may not be shorter than ten days.

The reasonable measures referred to in paragraph 1 hereof shall include total or partial refinancing of debt under an agreement and/or modification of the agreed terms, such as:

- 1) extending the repayment term;
- 2) changing the type of the agreement;
- 3) deferring payment of the entire amount of the loan, interest, principal, overdraft or overrunning, credit card debt or of some credit instalments for a period;
- 4) reducing the interest rate;
- 5) approval of a payment holiday to the consumer;
- 6) partial debt repayments;
- 7) conversion of currency of the obligation, if the pecuniary obligation is not in dinars;
- 8) partial forgiveness and debt consolidation;
- 9) declaring a moratorium on repayment for a period, during which the creditor does not charge default interest on overdue claims.

The creditor shall not be required to perform a creditworthiness assessment within the meaning of Articles 23 to 26 hereof when modifying the agreed terms referred to in paragraph 3 hereof, provided that the total amount payable by the consumer is not significantly increased by such modification.

The provision of paragraph 4 hereof shall not prejudice the requirement to perform a creditworthiness assessment of the consumer in accordance with other regulations.

Where, due to the consumer's failure to fulfil pecuniary obligations under a credit agreement, a bank terminates the agreement and/or declares the entire outstanding amount of debt under such agreement due, the bank may not collect the debt from the consumer's account with the bank by applying the provisions of the law governing payment services which relate to the debiting of a payment account of a consumer without the consumer's payment order.

The provisions of this Article shall apply accordingly to lessors.

In the case of linked credit agreements, the creditor and the consumer may expressly agree that, in the case of consumer arrears and subject to conditions specified in the credit agreement, the transfer of property rights over the goods covered by the linked credit agreement or the transfer of proceeds from the sale of such goods is sufficient to fully repay the credit.

The National Bank of Serbia may prescribe in more detail the conditions, criteria and manner of applying the measures referred to herein.

### **Discharge of housing credit obligations in case of difficulties in repayment**

#### **Article 45**

In the case of housing credit agreements secured by a mortgage on real estate, before out-of-court settlement proceedings in accordance with the law governing mortgage and/or enforcement proceedings are initiated, a bank shall offer the consumer the following:

1) to sell the real estate within a deadline set by the bank which may not be shorter than two months and to transfer the proceeds from the sale of such real estate to the bank for the purpose of payment of the total amount of debt under such housing credit, including interest and any costs accrued;

2) to transfer the right of ownership of such real estate to the bank within one month.

In accordance with paragraph 1 hereof, the bank shall offer to the consumer the option to transfer the right of ownership referred to in item 2) of that paragraph only where, according to the latest valuation, the market value of the real estate is at least 5% higher than the consumer's debt, including interest and any costs.

The transfer of the right of ownership referred to in paragraph 1, item 2) hereof shall represent the substitution of fulfilment within the meaning of the law regulating contracts and torts and shall not be considered to represent a transfer with a fee within the meaning of the law regulating property tax. The bank has the right to charge interest on the consumer's debt in the period designated for the sale of real estate, and/or for the transfer of the right of ownership of the real estate, at a rate which is one half of the default interest rate and/or of the regular interest rate agreed within the meaning of Article 11 hereof, if the regular interest is higher than the default interest.

If the consumer sells the real estate, the sale/purchase price shall be credited to the account of the creditor bank, and the provision of the real estate sale/purchase agreement stipulating otherwise shall be null and void.

After collecting its claim by the transfer of the sale/purchase price referred to in paragraph 4 hereof, the bank shall, on the same day, transfer to the consumer's account any remainder of the sale/purchase price referred to in that paragraph.

The bank shall not be required to act in accordance with paragraph 1, item 2) hereof in the following cases:

- 1) the user of the credit is not the owner of the mortgaged real estate, with a 1/1 share;
- 2) the mortgaged real estate was acquired in the course of marriage and the spouse, who is a co-borrower or guarantor under a housing credit, has not given explicit consent to the transfer of the right of ownership of such real estate to the bank;
- 3) there are several users of a housing credit secured by a mortgage on real estate, and not all users have consented to the transfer of the right of ownership of such real estate;
- 4) a second-rank mortgage, annotation of dispute and/or enforcement has been registered on the real estate, or, after establishing the mortgage in favour of the bank, a usufruct, right of lease, usus or any other lien which would in any other way limit the bank's right of ownership of such real estate

after the transfer, and/or prevent the bank from immediately registering as the owner of the real estate, has been registered;

5) the housing credit is insured with the National Mortgage Insurance Corporation which has not consented to the option of discharge of the consumer's housing credit obligations by transferring the right of ownership of real estate;

6) the credit is called due in its entirety before the entry into force of this Law.

Where a consumer refuses the offer referred to in paragraph 1 hereof and/or fails to transfer the proceeds from the sale of such real estate within the deadline set by the bank referred to in that paragraph or fails to transfer the right of ownership of real estate to the bank, the bank may initiate out-of-court settlement proceedings in accordance with the law governing mortgage and/or enforcement proceedings in order to settle its claim.

The National Bank of Serbia may prescribe in more detail the conditions, criteria and manner of applying the measures and/or of banks' handling of the discharge of housing credit obligations referred to herein.

### **Right to application of the same type of exchange rate**

#### **Article 46**

On the approval and repayment of a credit indexed to a foreign currency, the creditor shall apply the official middle exchange rate of the dinar against the currency of indexation.

Where the credit agreement referred to in paragraph 1 hereof has been paid out before the start of application of this Law but in a manner which is not in accordance with that paragraph, the bank shall, in the repayment of such credit, apply the type of the exchange rate at which such credit was paid out (selling or buying rate) or apply the type of the exchange rate which is more favourable for the consumer.

The provision of paragraph 1 hereof shall accordingly apply to a leasing agreement and/or deposit agreement.

### **Right to the same method of interest calculation**

#### **Article 47**

If the consumer has an obligation to make a special-purpose deposit with an agreed interest rate in order to obtain credit, he shall be entitled to the same method of interest calculation on such deposit as the method applied to the calculation of interest on the amount of the approved credit, and the bank shall enable the consumer to exercise this right.

### **Early repayment**

#### **Article 48**

The consumer shall be entitled to discharge fully or partially his obligations under a credit agreement at any time, in which case he shall be entitled to a reduction in the total cost of credit by the amount of interest and all other charges paid to the benefit of the creditor for the remaining duration of the agreement (early repayment)

When calculating the reduction referred to in paragraph 1 hereof, the total cost of credit is also reduced by the proportionate amount of one-off charges paid to the benefit of the creditor for the entire

period of repayment, whereas in case of full early repayment, the total cost of credit may also be reduced by the proportionate amount of charges paid to the benefit of third parties (e.g. refund of the proportionate amount of the insurance premium).

Where a consumer requests credit repayment, the creditor shall, immediately after receiving the request, deliver to the consumer in writing all data necessary for understanding the consequences of this decision, such as the amount of reduction of the total cost of credit by the amount of interest and charges, including the amount of reduction by the proportionate amount of the one-off charge, as well as the amount of the early repayment compensation which the consumer is to pay to the creditor.

Within three business days from the submission of the request referred to in paragraph 3 hereof, the creditor shall enable the consumer to make early repayment. The day when the consumer provides funds in the account with the creditor in order to perform early repayment shall be taken as the day of early repayment.

The creditor may stipulate an early repayment compensation if a fixed nominal interest rate was agreed for the period of early repayment, and, in the case of housing credits and credits intended for the purchase of real estate, if a fixed or variable nominal interest rate was agreed.

The compensation referred to in paragraph 5 hereof shall correspond to the loss suffered due to early repayment and shall not exceed 1% the amount of credit subject to early repayment, when the period of time between the early repayment and the deadline for discharging the obligation under the credit agreement exceeds one year. Where that period does not exceed one year, the compensation shall not exceed 0.5% of the amount of credit subject to early repayment.

The creditor may request the compensation referred to in paragraph 5 hereof if the amount of early repayment within any twelve-month period exceeds RSD 1,200,000.

The compensation referred to in paragraph 5 hereof may not be requested in the following cases:

- 1) if repayment has been made under an insurance contract intended to provide a credit repayment guarantee;
- 2) in the case of overdraft facility or credit card;
- 3) if repayment is made within a time period for which a variable nominal interest rate is agreed, with the exception of housing credits.

The compensation referred to in this Article shall in no case exceed the amount of interest the consumer would have paid during the period between the early repayment and the agreed date of discharge of the obligation under the credit agreement.

The loss referred to herein shall mean the difference between the interest agreed with the consumer and the market interest at which the bank can lend out the amount repaid early at the time of such repayment, including administrative costs.

The market interest rate referred to in paragraph 10 hereof shall mean the weighted average interest rate for that type of credit published by the National Bank of Serbia on its website.

The provisions hereof shall apply accordingly to a leasing agreement.

## **Notification on the discharge of obligations and retaking possession of collateral**

### **Article 49**

When a consumer discharges all his obligations under a financial service agreement, the service provider shall notify the consumer in writing thereof within 15 days from the day of discharge of these obligations.

The notification referred to in paragraph 1 hereof shall contain data on the agreement under which obligations to the service provider were discharged, the amount of the discharged obligations and the signature of the responsible person.

After full discharge of the consumer's obligations to the service provider, the consumer and/or the provider of collateral shall have the right to retake possession of the unused collateral provided under the agreement.

Where the collateral referred to in paragraph 3 hereof is a bill of exchange, the right of the consumer and/or collateral provider (bill of exchange issuer) to retake possession of an unused bill of exchange shall cease one year from the date of discharge of obligations under the agreement in relation to which such bill of exchange was issued.

After the expiry of the deadline referred to in paragraph 4 hereof, the service provider shall destroy the bill of exchange referred to in that paragraph and make records thereof, to be delivered to the consumer and to the bill of exchange issuer.

If it cannot enable the issuer of the bill of exchange referred to in paragraph 4 hereof to retake possession of the bill of exchange (lost or destroyed bill of exchange at the time of discharge of all obligations by the consumer), along with the notification referred to in paragraph 1 hereof, the service provider shall also deliver to the consumer and/or bill of exchange issuer the confirmation that the bill of exchange has been lost and/or destroyed.

In the case referred to in paragraph 6 hereof, the service provider shall pay to the bill of exchange issuer the amount corresponding to the amount of costs borne by the consumer in relation to the blank bill of exchange, with statutory default interest from the date of discharge of obligations under a financial service agreement referred to in paragraph 1 hereof until the date of payment of such costs to the issuer.

If the bill of exchange referred to in paragraph 4 hereof is collected and/or misused, the bank shall compensate the actual damages to the bill of exchange issuer, with statutory default interest from the date of collection of the bill of exchange until the date of payment of such compensation.

Where the collateral referred to in paragraph 3 hereof is a mortgage registered in favour of the creditor or a movable asset pledged by entering the right of pledge in an appropriate register, the creditor shall, immediately after credit repayment, take adequate steps to delete the mortgage and/or the right of pledge from the register, and immediately notify the consumer and/or provider of collateral thereof, as well as of their deletion, unless it has been prescribed that the register shall notify them of such deletion of mortgage and/or right of pledge.

A creditor may not charge any fee for taking the actions referred to in paragraph 9 hereof, regardless of whether there are actual costs.

The obligations of the creditor referred to in paragraph 9 hereof shall not prejudice the right of the consumer and/or collateral provider to dispose of the mortgage that was not erased within the

meaning of the law regulating mortgage, if the creditor was notified of the intention to use this right before credit repayment.

### **Assignment of claims**

#### **Article 50**

A creditor may assign a claim from a credit services agreement concluded with a consumer referred to in Article 2, item 13), subitem (1) hereof only to another creditor, while a bank may assign its claim under such agreements only to another bank.

The creditor shall notify the consumer of the assignment of claims referred to in paragraph 1 hereof without delay.

When the provider of collateral is a consumer referred to in Article 2, item 13), subitem (1) hereof, the rules on the assignment of claims applicable to the principal debtor shall apply to such provider.

In the event of assignment of creditor's claims under a credit services agreement, the consumer shall retain all the agreed rights to the other creditor that he had in relation to the original creditor, including the right to complaint, and the other creditor may not place the consumer in a less favourable position than the position he would have had if the claim had not been assigned and the consumer may not be subject to additional costs as a result of such assignment.

The provisions hereof shall apply accordingly to claims under a leasing agreement.

## **Chapter VI**

### **LINKED CREDIT AGREEMENTS AND BUNDLING/TYING PRACTICES**

#### **Linked credit agreements**

#### **Article 51**

If the consumer exercises his right to withdraw from the agreement on the purchase of goods and/or provision of a service in accordance with the law governing consumer protection, he shall not be bound by the linked credit agreement.

In the case referred to in paragraph 1 hereof, the seller shall notify the creditor of the withdrawal from the agreement on the purchase of goods and/or provision of a service within eight days from the withdrawal and the creditor shall return to the consumer the repaid amount of credit (with interest) that the consumer has repaid to the bank by the time of withdrawal from the agreement, without delay and not later than 30 days after being notified of the withdrawal.

If an agreement on the purchase of goods and/or provision of a service is concluded, and the credit under a linked credit agreement is not approved, the agreement on the purchase of goods and/or provision of a service shall be terminated, unless the person who has not been approved such credit decides to keep that agreement in force.

The provisions hereof shall apply accordingly to a leasing agreement.

## **Bundling and tying practices**

### **Article 52**

A creditor may apply bundling practices.

It is prohibited for a creditor to apply tying practices.

Notwithstanding paragraph 2 hereof, the creditor may request the consumer to open or maintain a payment or savings account as a condition for concluding a credit agreement, where the only purpose of such an account is:

- 1) to accumulate capital to repay the credit, and/or
- 2) to repay the credit, and/or
- 3) to provide additional security in the event of default.

In the case referred to in paragraph 3 hereof, and in the case of bundling, a creditor may request that the consumer deposits a certain amount and/or part of his regular monthly income (wages, pensions, salary compensations, etc.) to his payment or savings account maintained with that bank.

When determining the amount referred to in paragraph 4 hereof, the creditor shall take care of the proportionality between that (monthly) amount and the amount of (monthly) credit obligations, and the purpose which is to be achieved by depositing this amount.

## **Insurance policy related to the credit agreement**

### **Article 53**

The creditor may require the consumer to submit a relevant insurance policy related to the credit agreement, taking into account considerations of proportionality between the credit amount and required insurance policy.

In the case referred to in paragraph 1 hereof, the creditor shall also accept an insurance policy from an insurance service provider different to the provider proposed by the creditor where such insurance policy has an equivalent level of guarantee, without modifying the conditions of the credit offered to the consumer.

Personal data concerning consumers' diagnoses of oncological diseases may not be used for the purpose of an insurance policy related to a credit agreement after a period of 15 years following the end of the consumers' medical treatment.

The creditor shall notify the consumer that he is given at least three business days to compare different insurance offers related to credit agreements, and shall not change the required insurance conditions during this period.

Consumers may conclude an insurance policy prior to the expiry of the period referred to in paragraph 4 hereof if they explicitly so request.

## **Allowability of the tying practice**

### **Article 54**

The tying practices shall also be allowed where a bank demonstrates, in a procedure before the National Bank of Serbia, that the tying of products or product categories to a credit agreement results,

in a specific case, in a clear advantage for the consumers, taking into account the availability and prices of relevant products offered in the market.

The National Bank of Serbia may regulate the procedure referred to in paragraph 1 hereof.

## **Chapter VII**

### **ADVISORY SERVICES**

#### **Conditions for providing advisory services**

##### **Article 55**

A bank may provide advisory services in relation to banking services in accordance with the provisions of this Law.

A service provider other than a bank may not provide advisory services.

The bank shall notify the consumer whether it may provide advisory services in relation to the service requested by the consumer or whether it has already provided such services to the consumer.

The bank may only provide advisory services to a consumer if this is explicitly requested or agreed to by the consumer by concluding a contract on advisory services.

When providing advisory services, the bank may not use the term 'independent advisor' or 'independent advice' and may only provide advisory services to the consumer in relation to the financial services it provides.

Before the provision of advisory services or the conclusion of a contract on the provision of such services, the bank shall provide the following to the consumer in writing:

- 1) data that the bank's recommendation is based exclusively on its own range of products and services;
- 2) where applicable, an indication of the fee payable by the consumer for the advisory services or, where the amount of such fee cannot be established at the time when the data are provided, the method used for its calculation.

A bank may provide the data referred to in paragraph 6 hereof to the consumer in the form of pre-contractual information.

## **Manner of providing advisory services**

### **Article 56**

Where a bank provides advisory services to consumers, it shall:

- 1) obtain the necessary information regarding the consumer's financial situation, preferences and objectives related to the financial service agreement, in order to recommend an agreement suitable to the consumer;
- 2) assess the financial situation and the needs of the consumer on the basis of the information referred to in item 1) hereof, which shall be up to date at the time of the assessment, taking into account reasonable assumptions as to the risks arising from the consumer's financial situation over the term of the recommended financial service agreement;
- 3) consider a sufficiently large number of services in its product range which are of the same type and characteristics as the service in which the consumer is interested and, on that basis, recommend one or more financial service agreements from the range that are suitable to the consumer's needs, financial situation and personal circumstances;
- 4) act in the best interest of the consumer;
- 5) give the consumer in writing a record of the provided recommendation chosen by the consumer and specified in the contract on the provision of advisory services.

A bank shall warn the consumer in case a financial service agreement could result in a specific risk for the consumer given his financial situation.

The National Bank of Serbia may regulate in more detail the provision of advisory services and the conditions for the provision of such services.

## **Chapter VIII**

### **DISTANCE CONTRACTS**

#### **Article 57**

Financial services referred to in this Law that are concluded, and/or provided at a distance shall be subject to the provisions of this Law and the law regulating the protection of financial service consumers in distance contracts.

A service provider which concluded a distance contract with a consumer by a means of distance communication shall enable the consumer to exercise his rights under this Law via the same means of distance communication.

If a consumer and a service provider conclude a financial service agreement through electronic services, the consumer shall have the right to request, during the business hours of the service provider which may not be shorter than 50 hours per week, communication with a natural person employed and/or engaged with the service provider in the pre-contractual phase and, in justified cases, also after contract conclusion, in order to obtain necessary explanations.

A consumer may sign a distance contract worth up to RSD 1,200,000, and, by way of exception, a distance deposit worth up to RSD 2,400,000, if the service provider has verified and

confirmed his user identity, using at least two-factor identity authentication or using high-reliability electronic identification schemes, in accordance with law and other regulations.

The National Bank of Serbia may prescribe in detail the particular rights of financial service consumers arising from distance financial service contracts, as well as the terms and manner of the exercise and protection of those rights.

## **Chapter IX**

### **UNFAIR COMMERCIAL PRACTICE AND UNFAIR CONTRACT TERMS**

#### **Article 58**

The National Bank of Serbia may determine if the service provider has engaged in an unfair commercial practice or negotiated and/or applied unfair contract terms.

A term of a financial service agreement which has not been individually negotiated shall be regarded as unfair if, contrary to the requirement of conscientiousness and good faith, it causes a significant imbalance in the parties' rights and obligations arising from the agreement, to the detriment of the consumer.

A term shall be regarded as not individually negotiated where it has been drafted in advance, and the consumer has therefore been unable to influence the substance of the term, particularly in the context of a pre-formulated standard contract and/or a contract of adhesion.

The fact that certain aspects of a term or one specific term have been individually negotiated shall not prejudice the application of this Article to the rest of a contract if an overall assessment of the contract indicates that it is nevertheless a contract of adhesion.

Where any service provider claims that a standard term has been individually negotiated, the burden of proof in this respect shall be incumbent on him.

The unfairness of a term of a financial service agreement shall be assessed taking into account the type and the nature of the services, conditions and circumstances attending the conclusion of the agreement and all the other terms of the agreement or of a linked agreement.

The assessment of the unfair nature of the terms within the meaning of this Article shall relate neither to the definition of the subject matter of the agreement, i.e. subject of the financial service, nor to the term on the price of the service as remuneration for the service, in so far as these terms are in plain intelligible language.

Where there is doubt about the meaning of a term in a financial service agreement, the interpretation most favourable to the consumer shall prevail.

A term of a financial service agreement determined unfair by the National Bank of Serbia shall stop having legal effect from the moment it is determined as unfair.

Notwithstanding paragraph 9 hereof, where an unfair contract term has produced significant material consequences for the consumer, the National Bank of Serbia may specify that the term of a financial service agreement which it has determined as unfair shall stop having legal effect from the time it was negotiated, but no more than three years from the first day of the year in which the term was determined to be unfair.

The provision of paragraph 9 hereof shall not prejudice the right of the court to determine the nullity of an unfair term in a financial service agreement.

The provisions of the law regulating consumer protection shall apply to all matters relating to unfair contract terms which are not regulated by this law.

Unfair commercial practice shall have the meaning laid down in the law regulating consumer protection.

The procedure for determining unfair commercial practice or unfair contract terms shall be conducted by the National Bank of Serbia in the course of the supervision procedure laid down in the law regulating the operations of service providers.

If it determines that a service provider engaged in an unfair commercial practice or negotiated unfair contract terms, the National Bank of Serbia shall apply some of the measures from the law governing the operations of that provider ordering the termination of such commercial practice, and/or prohibiting the application and negotiation of such contract terms, and it may also order the service provider to take other actions.

In the case referred to in paragraph 15 of this Article, the National Bank of Serbia may fine the service provider in accordance with the law governing the operations of that service provider.

## **Chapter X**

### **EXERCISE OF CONSUMER'S RIGHTS AND INTERESTS**

#### **Right to complain to the service provider**

##### **Article 59**

The consumer shall be entitled to file a complaint in writing (hereinafter: complaint) to the service provider if he thinks that the provider has failed to abide by this Law, other regulations governing financial services, general terms of business and/or obligations under the agreement concluded with the consumer.

The consumer shall have the right to file a complaint within six months from learning about the violation of his right.

In any case, the right to file a complaint shall cease upon the expiry of three years from the date of violation of the consumer's right.

The collateral provider shall also be considered a consumer within the meaning of paragraph 1 hereof.

The service provider shall submit in writing a clear, understandable and complete reply to the complainant no later than 15 days from the receipt of the complaint.

In the reply from paragraph 5 of this Article, the service provider shall indicate to the consumer his right to file a complaint to the National Bank of Serbia and inform him of the manner of filing such complaint.

Notwithstanding paragraph 5 hereof, if the service provider is not able to reply within the deadline prescribed therein due to reasons beyond the provider's control, this deadline may be extended by another 15 days at most, of which the provider shall notify the complainant, in writing, within 15 days from the date of receipt of such complaint.

In the notification referred to in paragraph 7 hereof, the service provider shall state, in a clear and understandable manner, the reasons for which the provider was not able to deliver a reply within

15 days from the receipt of the complaint, as well as the final deadline for the delivery of a reply in accordance with that paragraph.

The service provider may not charge any fees or any other costs to the complainant for its actions in response to the complaint.

On its business premises where services are offered to consumers and on its website, as well as within electronic services, the service provider shall provide an option for consumers to make a complaint and/or option for the consumer or collateral provider to learn about the manner of filing a complaint and actions in response to such complaint.

If a financial service is concluded at a distance, the service provider shall enable the consumer to file a complaint in the same manner, by the same means of distance communication, and/or in the same written form.

The National Bank of Serbia shall prescribe in more detail the manner of filing a complaint and the manner in which the service provider shall act in response to such complaint.

### **Right to complain to the National Bank of Serbia**

#### **Article 60**

If the complainant is not satisfied with the reply referred to in Article 59 of this Law or if the reply was not submitted within the deadline prescribed therein, the complainant may, before initiating court proceedings, file a complaint in writing to the National Bank of Serbia, should he deem that the service provider has not complied with the provisions of this Law, other regulations governing financial services, general terms of business or obligations under the agreement concluded with the consumer and/or the complainant.

The complainant may file a complaint to the National Bank of Serbia within six months from the date of receipt of the reply referred to in paragraph 1 hereof or the expiry of the deadline referred to in that paragraph.

The National Bank of Serbia shall not consider the complaint in the following cases:

- 1) if it was submitted prior to filing a complaint to the service provider, and/or before the expiry of the deadline for responding to the complaint by the service provider;
- 2) if it pertains to the complaint filed to the service provider after the expiry of the deadline for filing a complaint specified in Article 59, paragraphs 2 and 3 of this Law;
- 3) if it was filed after the initiation of court, and/or enforcement proceedings or if its subject is a disputable issue in respect of which court proceedings are underway or have been finally adjudicated;
- 4) if such complaint requests that the National Bank of Serbia should ensure that the service provider executes a court decision, decision of another competent authority and organisation or a person entrusted with the exercise of public powers (public bailiffs, notaries public etc.);
- 5) if there is an obvious disproportion between the value of the subject of the complaint and the costs of addressing that complaint by the National Bank of Serbia;
- 6) if, for the purpose of establishing factual state and considering the complaint, it is necessary to present evidence that the National Bank of Serbia does not present, such as hearing parties, witnesses, expert testimony, investigation etc.;

7) if it follows from the factual state, based on the National Bank of Serbia's assessment, that there are grounds to suspect fraudulent behaviour by the consumer;

8) if it clearly follows, from the content of the complaint, that its objective is not to protect the right of the consumer who filed the complaint, and/or if the consumer abuses the right to complaint, especially if the content of the complaint is unreasonable, frivolous or offensive;

9) if it contains the same allegations and/or requests like the complaint of the same consumer that has already been acted upon.

The National Bank of Serbia shall determine the factual state in the procedure upon the complaint based on documentation submitted in writing by the service provider and consumer and, in this procedure, evidence shall not be presented by hearing parties, witnesses, expert testimony, investigation, etc.

Notwithstanding paragraph 4 hereof, in complex cases, and/or if there is a larger number of complaints involving a similar factual state, the National Bank of Serbia may, for the purpose of correctly and fully determining the factual state, talk with the representatives of the service provider. These talks may be audio recorded, with the prior consent of the service provider's representative.

Following the receipt of a complaint, the National Bank of Serbia shall request the relevant service provider to reply to the allegations from the complaint and to provide appropriate evidence within the deadline set by the National Bank of Serbia in such request, which shall not be longer than 15 days from the date of receipt of the request.

After the service provider's reply to the complaint and/or after the expiry of the deadline referred to in paragraph 6 hereof, the National Bank of Serbia may request the provider to supply additional explanations and/or appropriate evidence within the deadline specified in its request.

If the service provider does not reply within the prescribed deadline or its reply is incomplete and/or does not supply evidence in accordance with paragraphs 6 and 7 hereof, the National Bank of Serbia may, regardless of further actions in response to the complaint, fine such provider RSD 150,000, by virtue of a decision. Such fine shall be subject to the provisions of Article 62, paragraphs 8, 10 and 11 of this Law.

The National Bank of Serbia may request the complainant to supplement the complaint and/or make a statement with regard to certain circumstances and submit certain evidence and/or documentation in support of his allegations, within the deadline specified in its request.

The National Bank of Serbia shall inform the complainant about its findings in respect of the complaint within three months from the date of receipt of the complaint, while, in complex cases, this period may be extended by another six months at most, of which the National Bank of Serbia shall notify the complainant in writing before the expiry of the original deadline.

The National Bank of Serbia may send the information about its findings in respect of the complaint also to the service provider.

If the consumer's complaint has been assessed as unfounded, but the National Bank of Serbia deems that the disputable relationship could still be resolved in the mediation procedure before the National Bank of Serbia, it shall inform the consumer about that option in its findings.

The National Bank of Serbia shall prescribe in more detail the manner of filing a complaint, as well as the manner in which it shall act in response to such complaint, and it may also prescribe the minimum value of the subject of the complaint below which there shall be considered to be an obvious disproportion referred to in paragraph 3, item 5) hereof.

## **Mediation before the National Bank of Serbia**

### **Article 61**

If the complainant is not satisfied with the reply to the complaint or if the reply was not submitted within the prescribed deadline, the disputable relationship between the complainant and the service provider may be resolved in the mediation procedure before the National Bank of Serbia.

Mediation procedure before the National Bank of Serbia shall be the procedure in which the parties voluntarily try to resolve a disputable relationship through negotiation, with the assistance of one or more mediators from paragraph 4 hereof.

The mediation procedure before the National Bank of Serbia prescribed by this Article shall not be subject to the provisions of the law governing dispute mediation.

The mediation procedure before the National Bank of Serbia shall be carried out by National Bank of Serbia employees who possess appropriate knowledge and qualifications and are authorised by the Governor to carry out the mediation activities – mediators.

The National Bank of Serbia shall publish on its website the list of mediators referred to in paragraph 4 hereof.

The mediator from paragraph 4 hereof shall try to resolve the disputable relationship by presenting his view of the facts and legal qualifications, and proposing, accordingly, the solutions he considers to be lawful, reasonable and fair.

The mediation procedure shall be confidential and free of charge for the parties involved.

The mediation procedure shall take place on the premises of the National Bank of Serbia or at a distance, using means of electronic communication.

The mediation procedure shall be initiated where one of the parties to the dispute proposes mediation and the other party accepts it, after which an agreement to mediate is concluded.

The proposal from paragraph 9 hereof shall also contain a deadline for its acceptance, which may not be shorter than five days from the date of submission of the proposal.

The mediation procedure shall be terminated in one of the following ways:

- 1) by concluding an agreement on dispute resolution through mediation;
- 2) by the mediator's decision to terminate the procedure, because further conduct of the procedure is futile;
- 3) by statement of one party that it withdraws from further procedure, except in case that there are several parties to the mediation procedure which, after the withdrawal of one party, decide to continue the mediation procedure;
- 4) by the expiry of the 60-day period after the conclusion of the agreement to mediate, unless the parties agree otherwise.

The agreement reached between parties in the mediation procedure before the National Bank of Serbia shall be made in writing. This agreement shall have the power of an enforceable document if it contains the borrower's declaration that he accepts the enforcement (enforceability clause) following the maturity of a certain liability or fulfilment of a certain condition, signatures of the parties and the National Bank of Serbia's certificate of enforceability. The agreement need not be certified by the court or notary public.

After the initiation of mediation procedure, the consumer may no longer file a complaint, except in case such mediation ended in suspension or withdrawal, whereas if a complaint has already been filed, the National Bank of Serbia shall suspend its actions in response to the complaint, and/or discontinue such actions if the mediation ended in settlement.

The deadline for filing the complaint referred to in Article 60, paragraph 2 hereof shall not run while the mediation procedure is ongoing.

The National Bank of Serbia shall prescribe in more detail the manner of submission of the proposal for initiating mediation procedure before the National Bank of Serbia and the way of acting upon this proposal.

### **Measures to eliminate irregularities**

#### **Article 62**

If a complaint procedure establishes that the service provider has not complied with the provisions of this Law, other regulations governing financial services, general terms of business or obligations under the agreement concluded with the consumer, the National Bank of Serbia shall prepare findings and deliver them to the service provider, requesting its reply.

The service provider may reply to the findings referred to in paragraph 1 hereof within the deadline specified in those findings, which may not be longer than 15 days.

If the service provider does not reply to the findings within the specified deadline, or if the National Bank of Serbia deems that the statements in the reply do not change the factual state, and/or legal assessment from the findings – the National Bank of Serbia shall issue a decision ordering the service provider to remove the identified irregularities within a specific deadline and submit evidence thereof within the deadline set in the decision.

If the findings referred to in paragraph 1 hereof establish that the service provider has committed a violation referred to in Article 72 of this Law, and/or violations punishable under the law governing payment services by the fines imposed in the procedure of protection of rights and interests of payment service consumers and electronic money holders, the National Bank of Serbia shall also impose on the provider concerned, by virtue of the decision from paragraph 3 of this Article, a fine referred to in that Article, and/or a fine established by the law governing payment services, at its discretion, based on the assessment of the gravity of the established irregularities, conduct of the service provider and of the responsible persons of the provider and other relevant circumstances under which the irregularity came about.

If, in the case referred to in paragraph 3 hereof, the service provider fails to submit to the National Bank of Serbia evidence that irregularities have been eliminated within the deadline established in the decisions referred to that paragraph, the National Bank of Serbia shall issue a decision imposing a new fine on the provider, the fine being in the maximum amount defined by Article 72 of this Law, and/or by the law governing payment services.

If, for the sake of timely removal of irregularities, it is necessary to give such order to the service provider immediately and/or within a short deadline, or if the service provider could have removed such irregularity during the procedure had he acted with due professional care, but did not, and where during the complaint procedure the service provider was given the opportunity to state his position, in its reply, on all the facts relevant for decision-making – the National Bank of Serbia may issue a decision ordering the service provider to remove the identified irregularities and/or impose a

fine from Article 72 of this Law – without prior submission of the findings regarding the complaint to the provider for reply.

If, in its reply to the findings, the service provider has submitted evidence that it had already removed all the irregularities established in the findings, the National Bank of Serbia may – taking into account whether it is a potential systemic irregularity and assessing the provider's prior conduct, the gravity of established irregularities, demonstrated readiness of the service provider to remove them and other relevant circumstances in which such irregularities were committed – suspend the procedure by virtue of a decision or, regardless of whether the irregularities have been removed, impose a fine in accordance with paragraphs 4 and 5 hereof.

The fine referred to in this Article shall be paid to the account of the National Bank of Serbia.

If the bank fails to pay the fine imposed by the decision from this Article within the deadline specified in that decision, the fine shall be collected through enforced collection, by transferring the bank's assets from its account with the National Bank of Serbia to the National Bank of Serbia's account.

An administrative dispute may be initiated against the decision referred to in this Article, but any action against it may neither prevent nor postpone its enforcement.

In the administrative dispute proceedings against the decision referred to in this Article, the court may not decide upon an administrative matter which is within the competence of the National Bank of Serbia as stipulated by this Law.

### **Notification for the service provider**

#### **Article 63**

If the complaint procedure establishes less important irregularities, and/or irregularities that were assessed as non-systemic (e.g. arising from an operational error or failure in employees' work etc.) and it is in the consumer's interest that such irregularity be removed as soon as possible, instead of the findings referred to in Article 62, paragraph 1 of this Law, the National Bank of Serbia may deliver to the service provider a notification specifying that the service provider may remove those irregularities within the timeframe stated in the notification, in order not to proceed with measures in accordance with Article 62 of this Law.

If the service provider submits evidence that he has acted in accordance with the notification from paragraph 1 hereof, the National Bank of Serbia shall not take measures in accordance with Article 62 of this Law.

If the service provider fails to comply with the notification from paragraph 1 hereof, the National Bank of Serbia shall issue a decision in accordance with Article 62, paragraph 6 of this Law.

### **Implementation of supervisory procedures and the collection of data**

#### **Article 64**

The provisions of this Article shall not prejudice the power of the National Bank of Serbia to supervise, in accordance with the provisions of separate laws governing the operations of service providers, the service provider's compliance with this Law and other regulations governing financial services, or to take measures in case of established irregularities and impose fines in accordance with those laws.

The supervision referred to in paragraph 1 hereof, including taking of measures and imposing of fines referred to therein, may also be exercised by the National Bank of Serbia on the grounds of knowledge about irregularities committed by the service provider, gained in the course of acting in response to a complaint or in the course of conducting a mediation procedure in accordance with this Law.

The National Bank of Serbia shall determine the data, information and reports relating to the implementation of this Law and other regulations governing financial services which the service providers are required to submit to the National Bank of Serbia regularly and/or upon special request, and the manner of their submission.

### **Publishing information about the measures imposed**

#### **Article 65**

The National Bank of Serbia shall publish twice a year, for the period from 1 January until 30 June and the period from 1 July until 31 December, on its website and/or in other appropriate manner, the list of service providers against which measures have been imposed in accordance with Articles 62 and 63 of this Law, and/or in accordance with the law governing the operations of service providers.

### **Right to court protection**

#### **Article 66**

The institution and conduct of a complaint and/or mediation procedure under this Law shall not be a precondition for, nor shall it exclude or affect the consumer's right to court protection, in accordance with law.

### **Specificities of consumer protection if the service provider comes from a member state or a third country**

#### **Article 67**

The protection of consumers of financial services rendered in the Republic of Serbia by a service provider from another member state of the European Union (hereinafter: member state) or a third country through a branch office or an agent shall be subject to the provisions of Articles 59 to 66 of this Law.

The complaint referred to in Article 59 of this Law shall be filed directly to the branch office and/or agent of the service provider referred to in paragraph 1 hereof.

If the consumer files a complaint against a service provider rendering financial services directly in accordance with the regulations of the European Union, the National Bank of Serbia shall notify thereof the competent authority of the provider's home member state.

In case of cross-border disputes, the National Bank of Serbia and/or other mediators shall cooperate actively and exchange, in accordance with law, information and data with the bodies of other member states authorised to conduct out-of-court dispute resolution between the service provider and the consumer.

The provisions of Article 72, paragraphs 2 and 4 of this Law shall also apply to a service provider and electronic money issuer from a member state or a third country, which provide payment services and/or electronic money issuance services in the Republic of Serbia, through a branch office or agent, in accordance with the law governing payment services.

## **Chapter XI**

### **FINANCIAL ARRANGEMENTS OFFERED BY MERCHANTS**

#### **Analogous application**

##### **Article 68**

The provisions of Articles 5 to 9 and Articles 14 and 17 of this Law shall apply by analogy to financial arrangements.

#### **Withdrawal from a financial arrangement**

##### **Article 69**

A consumer who withdraws from a financial arrangement with the merchant shall immediately return the purchased item to the merchant.

The consumer from this paragraph shall promptly, and no later than 30 days from sending the notification on withdrawal from paragraph 1 hereof, compensate for the loss suffered by the merchant if the value of the purchased item decreased and shall pay the interest agreed in the financial arrangement agreement from the day of entering into a purchase agreement until the day of interest payment, and the merchant shall not be entitled to any other compensations.

#### **Advertising and offer**

##### **Article 70**

When advertising, offering and contracting a financial arrangement by the merchant, particularly sale involving the payment of price in instalments, the merchant shall in particular specify data on the goods or service, cash price, as well as the amount to be paid upfront, as a downpayment or first instalment.

By way of exception, in special and justified cases where the medium used for communicating the information from paragraph 1 hereof does not allow that information to be visually displayed, this information need not be shown in advertising.

In special and justified cases where the electronic medium used for communicating the information from paragraph 1 hereof does not allow that information to be visually displayed conspicuously and clearly, consumers shall be enabled to access that information by means of clicking, scrolling or swiping.

If a financial arrangement for the sale of goods with a 0% interest rate is advertised, all benefits enjoyed by the consumer who pays the price in cash shall be specified as well.

If sale involving the payment of price in instalments, which is considered as crediting of the consumer within the meaning of this Law, is advertised, the difference between the price of purchase by deferred payment and the price of purchase by cash payment shall be disclosed in percentages.

The minister in charge of consumer protection shall prescribe the layout and content of the form of the financial arrangement offer.

## **Chapter XII**

### **SUPERVISION**

#### **Article 71**

The National Bank of Serbia shall supervise the application of this Law by service providers, in accordance with this Law, the law governing the status, organisation, powers and tasks of the National Bank of Serbia, as well as laws governing the operations of those service providers.

The ministry in charge of consumer protection shall supervise the application of this Law by providers of financial arrangements in accordance with the law governing consumer protection.

## **Chapter XIII**

### **PENAL PROVISIONS**

#### **Fines imposed by the National Bank of Serbia**

#### **Article 72**

For acting contrary to the provisions of this Law, and/or its improper application, a bank shall be fined from RSD 60,000 to RSD 1,000,000 in the procedure referred to in Article 62 of this Law.

For acting contrary to the provisions of this Law, and/or its improper application, a lessor and/or a payment institution and electronic money institution shall be fined from RSD 50,000 to RSD 800,000, in the procedure referred to in Article 62 of this Law.

For acting contrary to the provisions of contracts or general terms of business, a bank shall be fined from RSD 30,000 to RSD 1,000,000, in the procedure referred to in Article 62 of this Law.

For acting contrary to the provisions of contracts or general terms of business, a lessor, and/or payment institution and electronic money institution shall be fined from RSD 20,000 to RSD 500,000 in the procedure referred to in Article 62 of this Law.

#### **Misdemeanour penalties**

#### **Article 73**

A merchant which is a legal entity shall be fined from RSD 50,000 to RSD 800,000:

- 1) if it provides financial arrangements contrary to the principle of non-discrimination referred to in Article 5 of this Law (Article 5);
- 2) if the financial arrangement agreement has not been made in writing and signed in the manner prescribed by Article 6 of this Law (Article 6, paragraph 1);
- 3) if the consumer has not received a copy of the financial arrangement agreement (Article 6, paragraph 2);
- 4) if the financial arrangement agreement contains provisions whereby the consumer waives the rights guaranteed by this Law (Article 6, paragraph 3);

5) if it does not keep in the consumer's file the financial arrangement agreement or the relevant agreement documentation pertaining to the consumer, in the manner and within the timeframe prescribed by Article 6 of this Law (Article 6, paragraph 5);

6) if it provides to the consumer a financial arrangement service without his prior request and/or explicit consent (Article 7, paragraph 1);

7) if it presumes that the consumer consented to the conclusion of a financial arrangement agreement or to the purchase of ancillary services presented through default options (Article 7, paragraph 2);

8) if the financial arrangement agreement contains reference to the business policy or other acts of the service provider with respect to the elements of the agreement stipulated as compulsory under this Law (Article 8, paragraph 6);

9) if it does not determine the pecuniary contractual obligation in the manner laid down in the provisions of Article 8 of this Law (Article 8, paragraph 7);

10) if it does not ensure the compliance of general terms of business relating to financial arrangements with the Law and other regulations (Article 9, paragraph 2);

11) if it fails to provide, via general terms of business relating to financial arrangements, for the application of good business customs, good business practices and fair treatment of consumers (Article 9, paragraph 2);

12) if it does not display in a visible place on the business premises where the services are offered and on its website the information about its general terms of business in the Serbian language, prior to the conclusion of the agreement (Article 9, paragraph 5);

13) if in case of changing general terms of business, it does not notify the consumer thereof in the agreed manner and submit those changes or make them available to the consumer by no later than 30 days before they are applied (Article 9, paragraph 6);

14) if it does not give to the consumer relevant explanations and instructions regarding the application of general terms of business in respect of a financial arrangement and does not provide him with these terms in writing without delay, although the consumer requested so (Article 9, paragraph 7);

15) if it does not submit to the consumer data and information related to the financial arrangement agreement which it is obliged to submit in accordance with this Law, or if it charges to the consumer a fee for data and information it is obliged to submit under this Law, regardless of the form and manner in which they are provided (Article 14, paragraph 1);

16) if it does not submit to the consumer, at his request, data and information related to the concluded financial arrangement agreement which are not explicitly prescribed by this Law, or if it does not resubmit to the consumer, at his request, data and information that have already been delivered to him in accordance with this Law (Article 14, paragraph 2);

17) if in advertising, it uses expressions indicating that a financial arrangement is free of charge or similar expressions if the approval of such arrangement is conditioned by the conclusion of another agreement or is conditioned by anything that represents a cost for the consumer or creates another obligation (Article 17, paragraph 4);

18) if the existence of an obligation to conclude an ancillary service agreement, whereby the price of the ancillary service cannot be determined in advance – is not expressed on a representative

example, clearly, concisely and in a visible way, together with the effective interest rate (Article 17, paragraph 5);

19) if, in case of the consumer's withdrawal from the agreement, it requests the consumer to pay compensations other than compensation for the loss and/or interest (Article 69, paragraph 2);

20) if in advertising, offering and contracting a financial arrangement agreement it does not specify data on the goods or service, the cash price, as well as the amount to be paid upfront, as a downpayment or first instalment, in accordance with Article 70, paragraphs 1, 2 and 3 of this Law (Article 70, paragraphs 1, 2 and 3);

21) if when advertising a financial arrangement for the sale of goods with a 0% interest rate, it does not specify all benefits enjoyed by the consumer who pays the price in cash (Article 70, paragraph 4);

22) if in the sale involving the payment of price in instalments, which is considered as crediting of the consumer within the meaning of this Law, it does not disclose in percentage terms the difference between the price of purchase by deferred payment and the price of purchase by cash payment (Article 70, paragraph 5).

For the actions referred to in paragraph 1 hereof, the responsible person of the merchant that is a legal entity shall be fined from RSD 20,000 to RSD 150,000.

For the actions referred to in paragraph 1 hereof, a merchant who is an entrepreneur shall be fined from RSD 30,000 to RSD 500,000.

## **Chapter XIV**

### **TRANSITIONAL AND FINAL PROVISIONS**

#### **Article 74**

Service providers shall harmonise their general acts with the provisions of this Law by no later than the start of application of this Law, and/or some of its provisions.

Until the adoption of bylaws pursuant to this Law, the bylaws adopted pursuant to the Law on the Protection of Financial Service Consumers (RS Official Gazette, Nos 36/2011 and 139/2014) shall apply, except the provisions of those bylaws that are not aligned with this Law.

#### **Article 75**

The provisions of Article 42, paragraph 8 of this Law pertaining to the provision of advisory services and of Articles 55 and 56 of this Law shall apply as of 1 January 2026.

The provisions of Article 67 of this Law shall apply as of the day of accession of the Republic of Serbia to the European Union.

#### **Article 76**

The provisions of Article 12, paragraphs 2 and 3 of this Law shall apply as of 1 January 2028.

Until the start of application of Article 12, paragraph 2 of this Law, the variable interest rate applied in housing credit agreements may not be higher than the weighted average interest rate for existing housing credit agreements with the variable interest rate in the same currency (indexation) increased by 1/5 of that rate.

Until the start of application of Article 12, paragraph 3 of this Law, the fixed interest rate applied in housing credit agreements may not be higher than the weighted average interest rate for new housing credit agreements with the fixed interest rate in the same currency (indexation), increased by 1/5 of that rate.

Until 31 December 2025, the variable interest rate applied in housing credit agreements and/or the fixed interest rate applied in housing credit agreements may not be higher than 5%.

The bank shall submit and/or make available to all consumers of the variable-rate credits referred to in paragraph 4 hereof a notification on the application of that rate and a new repayment schedule, before the credit instalment calculated at the interest rate referred to in that paragraph falls due.

Credit card agreements concluded until the start of application of this Article shall be subject to the nominal interest rate which shall not exceed the statutory default interest rate referred to in Article 11 of this Law applicable on that date and increased by six percentage points.

Overdraft facility agreements concluded until the start of application of this Article shall be subject to the nominal interest rate which shall not exceed the statutory default interest rate referred to in Article 11 of this Law applicable on that date and increased by eight percentage points.

The bank shall submit and/or make available to the consumers referred to in paragraphs 6 and 7 hereof a notification on the application of the interest rate referred to in those paragraphs, before interest at that rate falls due.

#### **Article 77**

The National Bank of Serbia shall for the first time publish the default interest rates referred to in Article 11 of this Law on the day of entry into force of this Law.

The National Bank of Serbia shall for the first time determine and publish the weighted average interest rate referred to in Article 12, paragraph 1 of this Law on the day of entry into force of this Law, based on the latest available data.

#### **Article 78**

The default interest rate referred to in Article 11 of this Law or the nominal interest rate under the agreement, if higher than the default interest rate, shall apply to the consumer's obligations referred to in Article 2, item 13), subitem (1) of this Law which became past due before the entry into force of this Law, as of that date.

#### **Article 79**

A consumer who discharged his obligations under a financial service agreement before the entry into force of this Law and has not previously retaken possession of the bill of exchange unused as collateral under that agreement, and/or the bill of exchange issuer, may retake possession of the unused bill of exchange until 31 December 2025.

After the expiry of the deadline referred to in paragraph 1 hereof, the service provider shall destroy the bill of exchange referred to in that paragraph and make records thereof, which it shall submit at the request of the consumer or the bill of exchange issuer.

If it cannot enable the bill of exchange issuer referred to in paragraph 1 hereof to retake possession of the bill of exchange within the deadline referred to in that paragraph (lost or destroyed

bill of exchange), the service provider shall deliver a confirmation that the bill of exchange has been lost and/or destroyed to the consumer or the bill of exchange issuer who requested to retake possession of the bill of exchange.

In the case referred to in paragraph 3 hereof, the service provider shall pay to the bill of exchange issuer the amount corresponding to the amount of costs borne by the consumer in relation to the blank bill of exchange, with statutory default interest rate from the date of discharge of obligations under a financial service agreement in relation to which the bill of exchange was issued until the date of payment of such costs to the issuer.

If the bill of exchange referred to in paragraph 1 hereof is collected and/or misused, the bank shall compensate the actual damages to the bill of exchange issuer, with statutory default interest from the date of collection of the bill of exchange until the date of payment of the compensation.

If it has discharged its obligations under a financial service agreement before the entry into force of this Law and the collateral under that agreement was a mortgage registered in favour of the creditor or a movable asset pledged by entering the right of pledge in an appropriate register, the creditor shall, by no later than 1 July 2025, take appropriate steps to delete the mortgage and/or the right of pledge from the register, if the mortgage and/or right of pledge have not already been deleted, and to immediately notify the consumer thereof, as well as of their deletion, unless where it has been prescribed that the register shall notify them of such deletion of mortgage and/or right of pledge.

A creditor may not charge any fees for taking the actions referred to in paragraph 6 hereof, regardless of whether there are actual costs.

#### **Article 80**

As of the start of application of this Law, 1 July 2025, the Law on the Protection of Financial Service Consumers (RS Official Gazette, Nos 36/2011 and 139/2014) shall cease to apply.

The procedures for protecting consumers' rights and interests initiated in accordance with the Law on the Protection of Financial Service Consumers (RS Official Gazette, Nos 36/2011 and 139/2014) and the regulations adopted pursuant to that law, shall be finalised in accordance with that law and regulations.

#### **Article 79**

This Law shall enter into force on 14 March 2025 and shall apply as of 1 July 2025, except for the provisions of Articles 11, 12, 45, 49, 76, 78 and 79 of this Law which shall apply as of the day of entry into force of this Law.