

**FINANCIAL SERVICES CONSUMER PROTECTION
AND MARKET SUPERVISION
January – June 2010**

I. INTRODUCTION

From 1 January through 30 June 2010, the Centre for Financial Services Consumer Protection and Market Supervision received:

- **528 complaints** regarding operations of financial institutions,
- **257 early complaints**,
- **227 queries**, and
- **12,259 telephone** calls via Call Centre.

In the same period, **64 mediations** were scheduled.

II. CONSUMER COMPLAINTS AND EARLY COMPLAINTS

In the period under review, the Centre for Financial Services Consumer Protection and Market Supervision received **785 complaints** regarding the operations of financial institutions. Of the total, **33% were early complaints**, and all were referred to financial institutions for further handling.

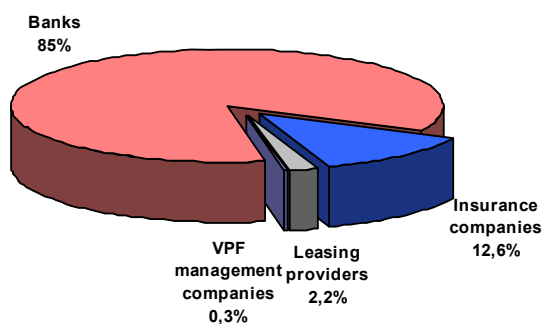
Overview of complaints and early complaints by type of financial services provider, January-June 2010

Financial services provider	Complaints	Early complaints	Total	in %
Banks	415	252	667	85,0%
Insurance companies	94	5	99	12,6%
Leasing providers	17	0	17	2,2%
VPF management companies	2	0	2	0,3%
TOTAL	528	257	785	100%

Source: National Bank of Serbia.

As consumers mostly use banking services, the majority of complaints (**85%**) related to bank operations.

Structure of complaints and early complaints by type of financial services provider, January-June 2010



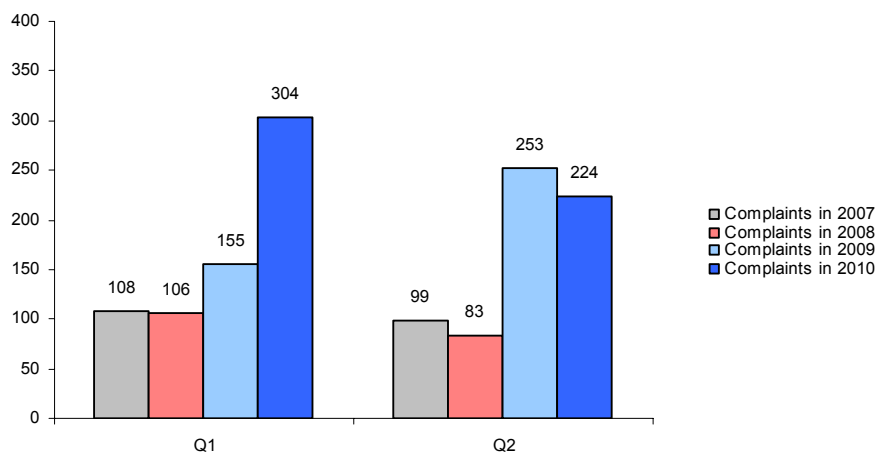
1. Consumer complaints

The Centre received **528 complaints** regarding the operations of financial institutions, **79% of which relating to banks**.

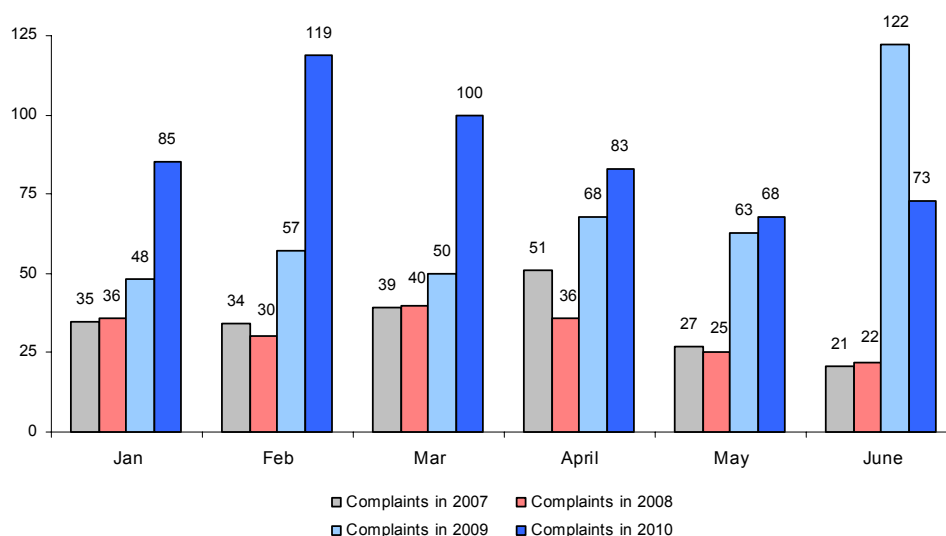
Complaints by type of financial services provider, January-June 2010

Financial services provider	Q1	Q2	Total	in %
Banks	255	160	415	79%
Insurance companies	42	52	94	18%
Leasing providers	6	11	17	3%
VPF management companies	1	1	2	0%
Exchange offices	0	0	0	0%
TOTAL	304	224	528	100%

Source: National Bank of Serbia



Y-o-y, the number of complaints rose 29%, while recording a 37% decline q-o-q. Monthly analysis suggests a declining trend since February.



Of all complaints received, **67% were processed**, of which **63% were assessed as unfounded** and **37% as founded**.

Number of complaints by type of financial services provider, January-June 2010

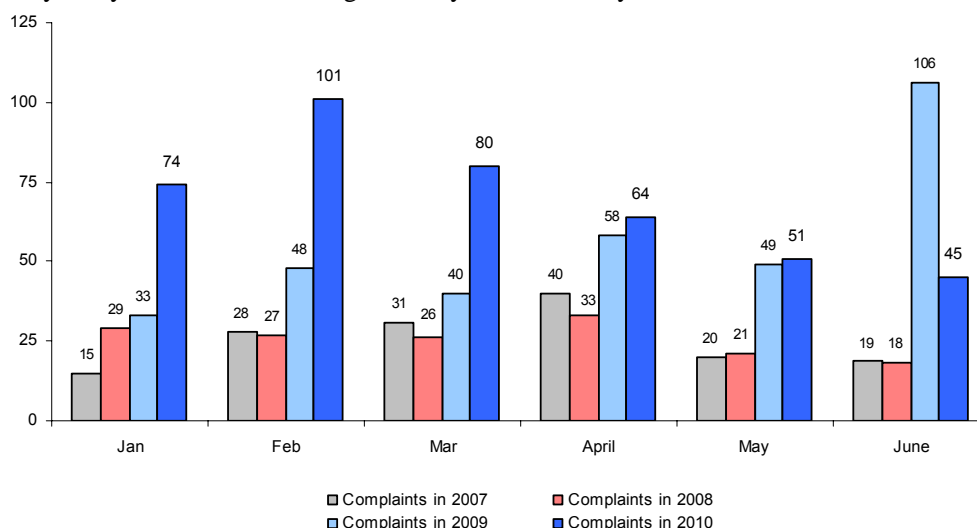
Financial services provider	Unfounded complaints	Unfounded complaints - denied	Unfounded complaints - granted	Founded complaints	Founded complaints - denied	Founded complaints - granted	In progress	Total
Banks	173	172	1	110	37	73	132	415
Insurance companies	42	42	0	17	11	6	35	94
Leasing providers	8	8	0	3	2	1	6	17
VPF management companies	2	2	0	0	0	0	0	2
TOTAL	225	224	1	130	50	80	173	528
TOTAL in %	43%			25%			33%	100%

Source: National Bank of Serbia

Of all founded complaints, **62% were granted**.

1.1. Banks

The number of complaints against banks **rose 24% y-o-y**, reaching 415 at end-June. Nonetheless, monthly analysis shows a declining tendency from February onwards.

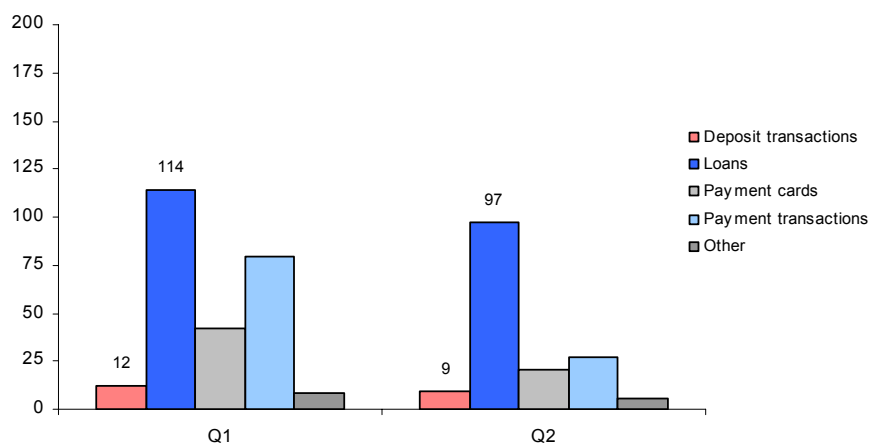


The majority of complaints related to loans (51%), current accounts (23%) and payment cards (15%).

Overview of complaints by type, January-June 2010

Complaints relating to	Q1	Q2	Total	in %
Foreign currency savings	10	5	15	3,6%
Dinar savings	1	1	2	0,5%
Other	1	3	4	1,0%
Deposit transactions	12	9	21	5,1%
Cash loans	31	22	53	12,8%
Other loans	56	30	86	20,7%
Consumer loans	9	6	15	3,6%
Housing loans	18	39	57	13,7%
Loans	114	97	211	50,8%
Debit cards	7	3	10	2,4%
Credit cards	35	18	53	12,8%
Payment cards	42	21	63	15,2%
Escrow accounts	1	0	1	0%
Payment transactions	6	5	11	3%
Current accounts	72	22	94	22,7%
Payment transactions	79	27	106	25,5%
Exchange transactions	0	0	0	0,0%
Other	8	6	14	3,4%
Other	8	6	14	3,4%
TOTAL	255	160	415	100%

Source: National Bank of Serbia



The second quarter, however, saw an increase in the number of complains relating to loans (61%) and a concurrent decrease in those relating to current accounts (14%). Consumers mostly complained about:

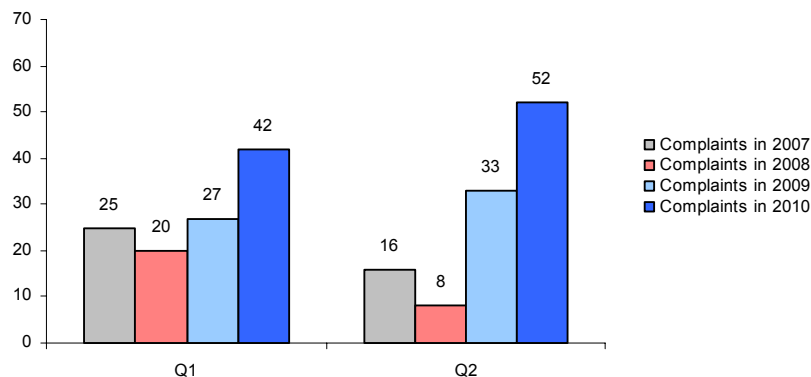
- higher interest rates on loans in repayment status,
- difficulties in loan refinancing, and
- the way banks calculated interest on credit card debt.

Of the total number of complaints received in the first half of the year, 58% related to the operations of six banks. Two of those banks accounted for 30% of complaints.

Of the total number of complaints received in the second quarter, 54% related to the operations of six banks. The number of complaints against one bank, holding a 6% share in the total number of complaints, increased due to charging higher interest margins on loans in repayment.

1.2. Insurance companies

In the first half of the year, the Consumer Protection Centre received **94 complaints** against insurance companies, which is **57% more** than in the same period a year earlier.



The majority of complaints related to automobile liability (62%), full coverage (9%) and accident insurance (7%).

Overview of complaints by type, January-June 2010

Complaints relating to	Q1	Q2	Total	in %
Automobile liability	25	33	58	62%
Property	2	1	3	3%
Full coverage	5	3	8	9%
Accident	1	6	7	7%
Loan insurance	0	0	0	0%
Other	2	3	5	5%
Non-life insurance	35	46	81	86%
Life insurance	3	1	4	4%
Supplemental life insurance	0	0	0	0%
Other	3	4	7	7%
Life insurance	6	5	11	12%
Companies in bankruptcy and liq	0	0	0	0%
Other	1	1	2	2%
Other	1	1	2	2%
TOTAL	42	52	94	100%

Source: National Bank of Serbia

The insureds mostly complained about:

- the amount of damages offered,
- untimely payment of damages and
- non-payment of the undisputed amount of damages.

1.3. Financial leasing providers and VPF management companies

From the beginning of the year, the Centre received **17 complaints** against financial leasing providers and **2 complaints** against VPF management companies.

2. Early complaints

In the first half of the year, the Centre received **257 early complaints**, i.e. complaints sent directly to the Centre instead of being first addressed to the relevant financial institution.

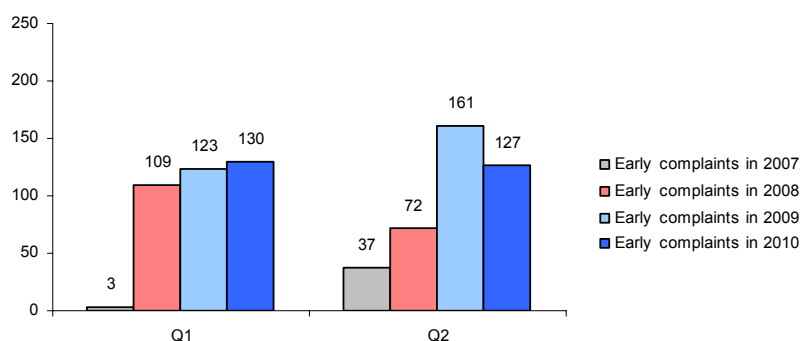
In line with the complaints procedure, the National Bank of Serbia forwarded all these complaints to relevant financial institutions.

Number of early complaints by financial services provider, January-June 2010

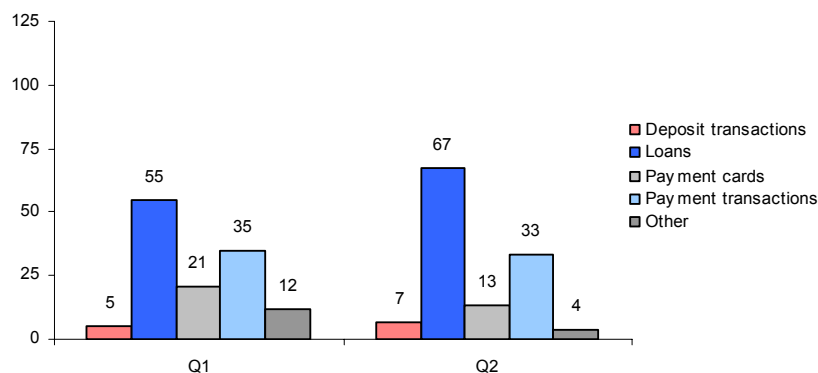
Financial services provider	Q1	Q2	Total	in %
Banks	128	124	252	98%
Insurance companies	2	3	5	1,9%
TOTAL	130	127	257	100%

Source: National Bank of Serbia

The number of early complaints was 10% lower relative to the same period last year.

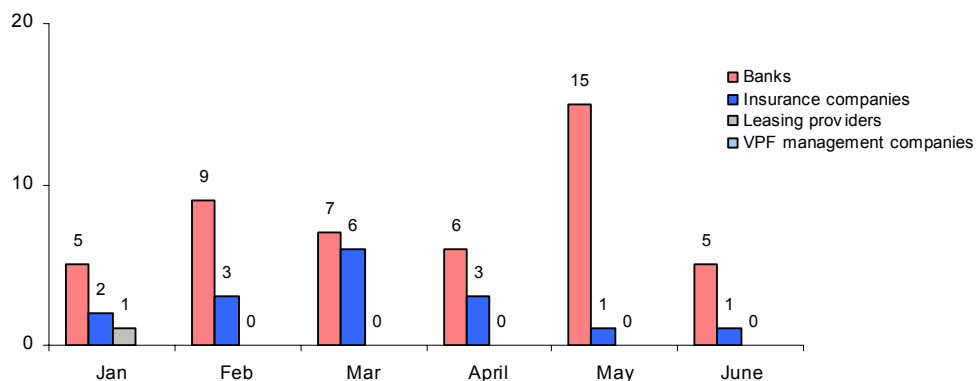


The majority of early complaints (**98%**) referred to the operations of banks, of which 48% were in relation to loans, 25% to current accounts and 13% to payment cards.



III. MEDIATION

A total of **64 mediations** were held in the first half of the year, which is double the number of mediations held in the same period a year earlier.



Though somewhat lower in June, at half-year level the number of mediations rose, suggesting that that both financial institutions and clients are getting increasingly aware of the advantages of this method of dispute resolution.

Of the total number of mediations held, 51 were concluded. Around **49%** of those concluded **ended in settlement** between financial institutions and their clients.

Number of mediations by type of financial services provider, January-June 2010

Financial services provider	In progress	Settlement	Suspension	Abandonment	Total	in %
Banks	12	21	13	1	47	73%
Insurance companies	1	4	10	1	16	25%
Leasing providers	0	0	1	0	1	2%
VPF management companies	0	0	0	0	0	0%
TOTAL	13	25	24	2	64	100%

Source: National Bank of Serbia

The majority of mediations related to complaints regarding loans (55%), credit cards (13%) and automobile liability (11%).

IV. CONSUMER INFORMATION AND EDUCATION

1. Consumer information

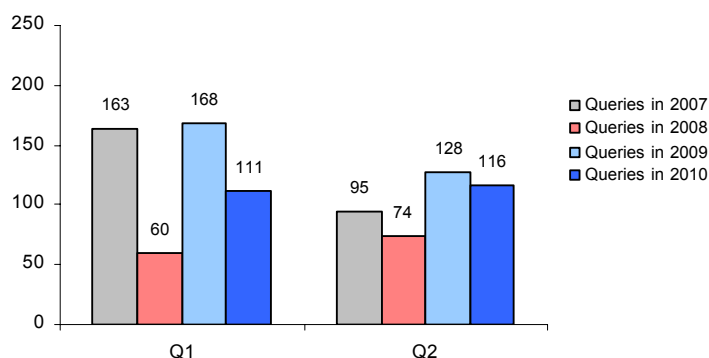
1.1. Queries

In the first half of the year, the Centre received **227 queries** regarding financial products and services and consumer rights, which is **23% less** than in the same period a year earlier.

Number of queries by type of financial services provider, January-June 2010

Financial services provider	Q1	Q2	Total	in %
Banks	84	103	187	82%
Insurance companies	21	7	28	12,3%
Leasing providers	2	2	4	1,8%
Exchange offices	0	1	1	0,4%
Other	4	3	7	3,1%
TOTAL	111	116	227	100%

Source: National Bank of Serbia



The majority of queries (82%) related to bank operations – loans (36%), foreign currency savings (10%), and current accounts (10%).

Overview of queries by type, January-June 2010

Queries relating to	Q1	Q2	Укупно	у %
Foreign currency savings	18	1	19	10,2%
Dinar savings	0	0	0	0,0%
Other	0	1	1	0,5%
Deposit transactions	18	2	20	10,7%
Cash loans	1	4	5	2,7%
Other loans	7	20	27	14,4%
Consumer loans	4	3	7	3,7%
Housing loans	16	12	28	15,0%
Loans	28	39	67	35,8%
Debit cards	0	2	2	1,1%
Credit cards	2	3	5	2,7%
Payment cards	2	5	7	3,7%
Escrow accounts	0	0	0	0%
Payment transactions	3	3	6	3%
Current accounts	10	8	18	9,6%
Payment transactions	13	11	24	12,8%
Exchange transactions	0	1	1	0,5%
Обвезнице	0	0	0	0,0%
Other	23	45	68	36%
Other	23	46	69	36,9%
TOTAL	84	103	187	100%

Source: National Bank of Serbia

1.2. Calls received by the Call Centre

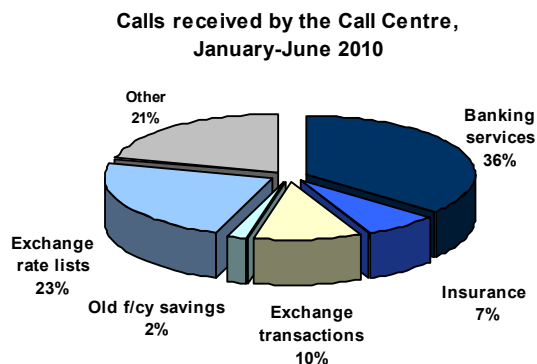
The Call Centre received **12,259** calls in the period under review.

Overview of queries, January-June 2010

Area	Jan	Feb	Mar	April	May	June	Total	in %
Banking services	531	653	739	786	1.087	598	4.394	36%
Insurance	82	99	149	251	166	159	906	7%
Exchange transactions	207	244	248	174	127	231	1.231	10%
Savings bills	0	0	3	0	0	0	3	0%
Old f/cy savings	21	19	14	28	53	119	254	2%
Exchange rate lists	460	485	616	419	398	458	2.836	23%
Other	282	500	457	524	340	472	2.575	21%
TOTAL	1.597	2.013	2.235	2.193	2.173	2.048	12.259	100%

Source: National Bank of Serbia

Excluding service information, these calls related mainly to banking services, exchange transactions and insurance.



The Centre also received **542** queries in electronic format regarding the exchange rate, frozen foreign currency savings deposits, enforcement of claims, payment transactions and various service information. All queries were answered in time.

2. Consumer financial education

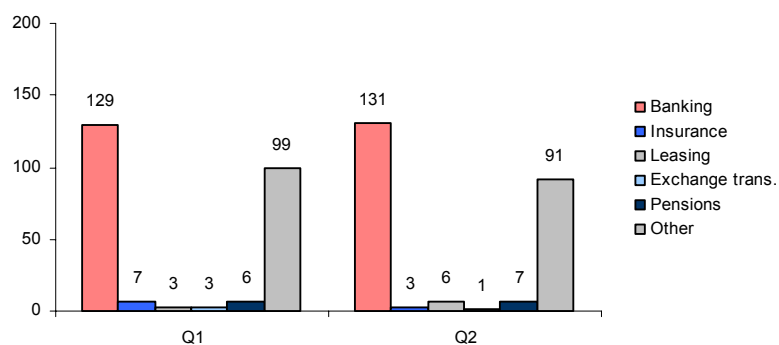
As part of regular educational activities, the NBS continued providing consumer information in its regional financial education offices. In the first two quarters, these offices were visited by **486** citizens.

Citizen queries, January-June 2010

Area	Q1	Q2	Total	in %
Banking	129	131	260	53%
Insurance	7	3	10	2%
Leasing	3	6	9	2%
Exchange trans.	3	1	4	1%
Pensions	6	7	13	3%
Other	99	91	190	39%
TOTAL	247	239	486	100%

Source: National Bank of Serbia

Most of citizen queries related to banking services (53%), notably loan refinancing, savings, use of ATMs and other.



Citizens also made enquiries about the complaints procedure, and used the office PCs to see the offer of different financial institutions and then asked the office staff to provide details about specific financial products they were interested in.