



NATIONAL BANK OF SERBIA

**REPORT ON OPERATIONS OF THE CENTRE
FOR FINANCIAL CONSUMER PROTECTION
AND EDUCATION**

January–June 2014

August 2014

I. INTRODUCTION

From 1 January to 30 June 2014, the National Bank of Serbia's Centre for Financial Consumer Protection and Education (hereinafter: the Centre) received:

- **763 complaints** against financial institutions,
- **392 early complaints**,
- **374 queries**,
- **232 questions** to the “Questions and Answers” section, and
- **10,154 telephone calls and e-mails** to the Call Centre.

In the same period, 49 mediations were held, of which 41 were concluded.

II. COMPLAINTS AND EARLY COMPLAINTS

In the period under review, the Centre received 1,155 complaints and early complaints against financial institutions. Of the total, 34% were early complaints since complaints must first be made to the financial institution concerned. The Centre forwarded all those complaints to the relevant financial institutions for further handling, i.e. for responding to consumers.

Overview of complaints and early complaints by type of financial services provider, January-June 2014

Financial services provider	Complaints	Early complaints	Total	In %
Banks	635	360	995	86.1%
Insurance companies	122	30	152	13.2%
Leasing providers	4	2	6	0.5%
VPF management companies	2	0	2	0.2%
TOTAL	763	392	1,155	100%

Source: National Bank of Serbia.

As consumers use banking services the most, 86.1% of all complaints and early complaints related to banks.

1. Consumer complaints

The Centre received 763 complaints against financial institutions, with 83.22% relating to banks.

Of all complaints received, 697 (91.3%) were processed, of which 524 (75.2%) were assessed as unfounded and 173 (24.8%) as founded.

Number of complaints by type of financial services provider, January-June 2014

Financial services provider	Unfounded complaints	Unfounded complaints - denied	Unfounded complaints - granted	Founded complaints	Founded complaints - denied	Founded complaints - granted	In progress	Total
Banks	414	388	26	157	50	107	64	635
Insurance companies	104	101	3	16	3	13	2	122
VPF management companies	2	2	0	0	0	0	0	2
Leasing providers	4	4	0	0	0	0	0	4
TOTAL	524	495	29	173	53	120	66	763
TOTAL in %	68.7%	64.9%	3.8%	22.7%	6.9%	16%	8.7%	100%

Source: National Bank of Serbia.

Compared to the first half of 2013, there was an increase in both the number of complaints received (6.6%) and the number of complaints processed (28.7%).

1.1. Banks

The number of **complaints** against banks reached **635**, up by 7.2% relative to the same period of 2013.

Overview of complaints by type, January-June 2014

Complaints relating to	Q1	Q2	Total	In %
Foreign currency savings	13	15	28	4.41%
Dinar savings	4	3	7	1.10%
Other	1	2	3	0.47%
Deposit transactions	18	20	38	5.98%
Cash loans	59	40	99	15.59%
Other loans	59	49	108	17.01%
Consumer loans	20	11	31	4.88%
Housing loans	79	53	132	20.79%
Loans	217	153	370	58.27%
Debit cards	8	5	13	2.05%
Credit cards	35	28	63	9.92%
Payment cards	43	33	76	11.97%
Escrow accounts	3	0	3	0.47%
Payment transactions	3	3	6	0.94%
Current accounts	55	61	116	18.27%
Payment transactions	61	64	125	19.69%
Exchange offices	0	0	0	0.00%
Other	16	10	26	4.09%
Other	16	10	26	4.09%
TOTAL	355	280	635	100%

Source: National Bank of Serbia.

The majority of complaints concerned loans (58.27%), current accounts (18.27%) and credit cards (9.92%).

In Q2, consumers complained about:

- banks charging the current account maintenance fee not envisaged by the contract and without the consumer's consent in writing;
- cancellation of sight deposit agreements by banks;
- application of contractual provisions on interest in case of borrower default, i.e. level of the agreed default interest rate;
- exchange rate applied in calculating the amount of matured liability in dinars in case of agreements on loans indexed to foreign currency concluded before the start of application of the Law on the Protection of Financial Services Consumers (in further text: Law);
- banks' failure to implement fully NBS Recommendation BAN 002/13 of 31 May 2013 regarding the application of agreed indefinable elements of the variable interest rate before the start of application of the Law;
- difficulties in recovering the funds calculated and charged by banks before the start of application of the Law using variable interest rates and the indefinable nominal interest rate whose level was raised relative to that initially agreed;
- difficulties in paying contractual obligations under loans, credit cards or current account overdrafts, as well as inability to refinance debt, especially debt indexed to the Swiss franc;
- not being informed, as loan guarantors, of the terms under which the main debtor concluded a loan agreement and of the level of loan obligation; not being informed on time that the main debtor defaulted and that they, as loan guarantors, have to settle the debt instead; lack of arrangements regarding change of guarantors.

1.2. Insurance companies

In the first half of 2014, the Centre received 122 complaints against insurance companies, 1.6% more than in the same period a year earlier.

Overview of complaints by type, January-June 2014

Complaints relating to	Q1	Q2	Total	in %
Automobile liability	31	25	56	45.9%
Property	6	6	12	9.8%
Full coverage	3	1	4	3.3%
Accident	9	7	16	13.1%
Loan insurance	1	1	2	1.6%
Other	4	4	8	6.6%
Non-life insurance	54	44	98	80.3%
Life insurance	6	2	8	6.6%
Supplemental life insurance	1	1	2	1.6%
Other	2	2	4	3.3%
Life insurance	9	5	14	11.5%
Companies in bankruptcy and l	0	1	1	0.8%
Other	5	4	9	7.4%
Other	5	5	10	8.2%
TOTAL	68	54	122	100%

Source: National Bank of Serbia.

The majority of complaints were made in connection with motor third party liability (45.9%), accident insurance (13.1%) and life insurance (11.5%).

Most insureds complained about:

- the amount of damages offered,
- untimely payment of damages,
- refusal to pay out the undisputed amount of damages,
- problems in exercising the rights under life insurance policies,
- problems in exercising the rights under life insurance policies in case of inability to continue premium payments,
- problems in exercising the rights under accident insurance policies,
- problems in exercising the rights under international health insurance.

1.3. Other financial services providers

In the period under review, four complaints were filed against financial leasing providers and two against VPF management companies, accounting for 0.52% and 0.26% respectively of the total number of complaints received.

2. Early complaints

The Centre received 392 early complaints, i.e. complaints sent directly to the Centre instead of the matter being addressed first to the relevant financial institution.

In accordance with regulations, the NBS sent all those complaints to the relevant financial institutions for further handling.

Number of early complaints by financial services provider, January-June 2014

Financial services provider	Q1	Q2	Total	in %
Banks	178	182	360	91.8%
Insurance companies	12	18	30	7.7%
Leasing providers	2	0	2	0.5%
Other	0	0	0	0.0%
TOTAL	192	200	392	100%

Source: National Bank of Serbia.

The number of early complaints was by 17.3% higher than in the same period last year. The majority of early complaints involved bank services – 91.8%, of which 48.9% relating to loans, 26.7% to current accounts and 10.8% to payment cards.

III. MEDIATIONS

From 1 January to 30 June 2014, 49 mediations were scheduled, which is 17% less than in the same period last year.

Number of mediations by type of financial services provider, January-June 2014

Financial services provider	In progress	Settlement	Suspension	Abandonment	Total	In %
Banks	6	10	14	1	31	63.3%
Insurance companies	1	6	10	0	17	34.7%
Leasing providers	1	0	0	0	1	2.0%
TOTAL	8	16	24	1	49	100%

Source: National Bank of Serbia.

Of the total number of mediations, 41 were concluded, with 39% ending in settlement between financial institutions and their clients.

Mediations in January-June 2014

Financial services provider	Q1	Q2	Total	in %
Banks	17	14	31	63.3%
Insurance companies	12	5	17	34.7%
Leasing providers	0	1	1	2.0%
TOTAL	29	20	49	100%

Source: National Bank of Serbia.

The majority of mediation procedures were performed in relation to banks – loans (36.7%), credit cards (14.3%) and current accounts (6.1%). Mediation procedures involving insurance companies related in most cases to motor third party liability insurance (16.3%), property insurance (4.1%) and life insurance (4.1%).

IV. CONSUMER INFORMATION AND EDUCATION

1. Consumer information

1.1. Queries

In addition to the above complaints and early complaints, the Centre received 374 queries about financial products and services and consumer rights, which is 14.4% more than in the same period a year earlier.

**Number of queries by type of financial services provider,
January-June 2014**

Financial services provider	Q1	Q2	Total	In %
Banks	157	143	300	80.2%
Insurance companies	13	15	28	7.5%
Leasing providers	4	5	9	2.4%
Other	16	21	37	9.9%
TOTAL	190	184	374	100%

Source: National Bank of Serbia.

The majority of queries related to bank services (80.2%): loans (41.7%), current accounts (13%) and foreign exchange savings (5%).

Overview of queries by type, January-June 2014

Queries relating to	Q1	Q2	Total	In %
Foreign currency savings	12	3	15	5.0%
Dinar savings	1	0	1	0.3%
Other	1	6	7	2.3%
Deposit transactions	14	9	23	7.7%
Cash loans	8	13	21	7.0%
Other loans	28	29	57	19.0%
Consumer loans	1	1	2	0.7%
Housing loans	28	17	45	15.0%
Loans	65	60	125	41.7%
Debit cards	1	2	3	1.0%
Credit cards	4	7	11	3.7%
Payment cards	5	9	14	4.7%
Escrow accounts	8	2	10	3.3%
Payment transactions	3	4	7	2.3%
Current accounts	23	16	39	13.0%
Payment transactions	34	22	56	18.7%
Exchange transactions	0	0	0	0.0%
Bonds	0	0	0	0.0%
Other	39	43	82	27.3%
Other	39	43	82	27.3%
TOTAL	157	143	300	100%

Source: National Bank of Serbia.

During the period under review, answers were provided to the 232 questions addressed to the “Questions and Answers” section. These questions related chiefly to bank services – housing and cash loans and credit cards.

1.2. Calls received by the Call Centre

The Call Centre answered **9,558** telephone calls from 1 January to 30 June 2014.

Overview of queries, January-June 2014

Field	Jan.	Feb.	Mar.	April	May	June	Total	In %
Banking services	325	308	366	389	259	399	2,046	21.4%
Insurance	49	47	83	122	53	99	453	4.7%
Exchange transactions	3	7	4	5	1	0	20	0.2%
Leasing	6	2	4	6	2	5	25	0.3%
VPF	7	16	12	7	4	11	57	0.6%
Savings bills	1	1	1	0	0	0	3	0.1%
Frozen fx savings	11	15	12	13	25	33	109	1.1%
Exchange rate lists	298	216	253	199	235	336	1,537	16.1%
Other	738	1,073	799	721	919	1,058	5,308	55.5%
TOTAL	1,438	1,685	1,534	1,462	1,498	1,941	9,558	100%

Source: National Bank of Serbia.

Excluding service information (regarding exchange rate lists and other), these calls mainly related to banking services and insurance.

The Call Centre also received **616** queries in electronic format regarding the complaints procedure, the level of exchange rate, banknote replacement, enforced collection of claims, payment transactions, etc.

2. Financial consumer education

The website intended for financial services consumers (www.tvojinovac.nbs.rs) was regularly updated during the reporting period. Furthermore, the website was redesigned in order to ensure better access to information.

2.1. Public lectures

Twenty-one public lectures held in the first half of the year were attended by around 700 citizens of 19 towns in Serbia.

Financial products and services were presented through thirty-nine presentations.

The citizens were most interested in the following topics: the rights of financial services consumers, saving in VPFs, things to be taken into account when borrowing, refinancing loans, authorised current account overdrafts, life insurance, payment cards, agricultural loans and e-banking.

As in other events of this kind, the staff members of the Centre distributed educational materials about financial products (400,000 educational leaflets in total).

2.2. Financial education offices

As part of its regular educational activities, the NBS continued providing consumer information from its regional financial education offices. From 1 January to 30 June 2014, these offices were visited by 824 citizens. Of the total 824 queries, 55.2% related to banking services and products and 37% to other financial services.

Citizen queries, January-June 2014

Field	Jan.	Feb.	Mar.	April	May	June	Total	in %
Banking	66	119	76	72	62	60	455	55.2%
Insurance	8	5	4	3	4	3	27	3.3%
Leasing	2	1	2	1		1	7	0.8%
Exchange trans.	6	3	3	3	1		16	1.9%
Pensions	2	1	4	2	2	3	14	1.7%
Other	63	48	59	42	38	55	305	37.0%
TOTAL	147	177	148	123	107	122	824	100%

Source: National Bank of Serbia.

Most citizen queries involved banking services (55.2%), notably housing loans, saving, calculation of the amount of monthly loan instalments, credit cards, loan refinancing, credit records, loan guarantors, early repayment, current account maintenance fee, account closing procedure, interest rate changes, complaints procedure, activities under the remit of the National Bank of Serbia, etc. Insurance-related queries concerned in most cases life and third motor party liability insurance.