



NATIONAL BANK OF SERBIA

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

January–March 2014

May 2014

I. INTRODUCTION

From 1 January to 31 March 2014, the National Bank of Serbia's Centre for Financial Consumer Protection and Education (hereinafter: the Centre) received:

- **425 complaints** against financial institutions,
- **192 early complaints**,
- **295 queries**, and
- **4,978 telephone calls and e-mails** to the Call Centre.

In the same period, 29 mediations were scheduled, of which 18 were held.

II. COMPLAINTS AND EARLY COMPLAINTS

In the period under review, the Centre received 617 complaints and early complaints against financial institutions. Of the total, 31% 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-March 2014

Financial services provider	Complaints	Early complaints	Total	In %
Banks	355	178	533	86.4%
Insurance companies	68	12	80	13.0%
Leasing providers	2	2	4	0.6%
TOTAL	425	192	617	100%

Source: National Bank of Serbia.

As consumers use banking services the most, 86.4% of all complaints and early complaints related to banks.

1. Consumer complaints

The Centre received 425 complaints against financial institutions, with 83.53% relating to banks.

Of all complaints received, 354 (83.3%) were processed, of which 260 (73.5%) were assessed as unfounded and 94 (26.5%) as founded.

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

Financial services provider	Unfounded complaints	Unfounded complaints - denied	Unfounded complaints - granted	Founded complaints	Founded complaints - denied	Founded complaints - granted	In progress	Total
Banks	204	194	10	83	31	52	68	355
Insurance companies	54	52	2	11	2	9	3	68
Leasing providers	2	2	0	0	0	0	0	2
TOTAL	260	248	12	94	33	61	71	425
TOTAL in %	61.2%	58.4%	2.8%	22.1%	7.8%	14%	16.7%	100%

Source: National Bank of Serbia.

The number of complaints received rose by 16.8% y-o-y.

1.1. Banks

The number of **complaints** against banks reached **355**, up by 22.4% relative to the same period of 2013.

Number of complaints by type, January-March 2014

Type of complaints	Jan.	Feb.	Mar.	Total	in %
Foreign currency savings	0	6	7	13	3.66%
Dinar savings	0	2	2	4	1.13%
Other	0	0	1	1	0.28%
Deposit transactions	0	8	10	18	5.07%
Cash loans	21	20	18	59	16.62%
Other loans	23	24	12	59	16.62%
Consumer loans	5	10	5	20	5.63%
Housing loans	27	25	27	79	22.25%
Loans	76	79	62	217	61.13%
Debit cards	3	4	1	8	2.25%
Credit cards	13	11	11	35	9.86%
Payment cards	16	15	12	43	12.11%
Escrow accounts	0	0	3	3	0.85%
Payment transactions	1	1	1	3	0.85%
Current accounts	16	14	25	55	15.49%
Payment transactions	17	15	29	61	17.18%
Exchange transactions				0	0.00%
Other	7	6	3	16	4.51%
Other	7	6	3	16	4.51%
TOTAL	116	123	116	355	100.00%

Source: National Bank of Serbia.

The majority of complaints concerned loans (60.85%), current accounts (15.49%) and credit cards (9.86%).

In Q1, consumers complained about:

- 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 on the Protection of Financial Services Consumers (in further text: Law);
- 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;
- contractual provisions on the default interest rate;
- 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;
- banks' failure to inform the clients/consumers about the account maintenance fee and charging it even when there are no balances on the account and/or when the account is not active; debt in respect of current account maintenance fee, and
- disputable transactions executed through payment card abuse.

1.2. Insurance companies

From 1 January to 31 March 2014, the Centre received 68 complaints against insurance companies, 4.2% less than in the same period a year earlier.

Overview of complaints by type, January-March 2014

Complaints relating to	Jan.	Feb.	Mar.	Total	%
Automobile liability	13	7	11	31	45.6%
Property	3	1	2	6	8.8%
Full coverage	0	3	0	3	4.4%
Accident	2	5	2	9	13.2%
Loan insurance	0	1	0	1	1.5%
Other	0	0	4	4	5.9%
Non-life insurance	18	17	19	54	79.4%
Life insurance	3	0	3	6	8.8%
Supplemental life insurance	0	0	1	1	1.5%
Other	0	1	1	2	2.9%
Life insurance	3	1	5	9	13.2%
Companies in bankruptcy and liquidity				0	0.0%
Other	3	2	0	5	7.4%
Other	3	2	0	5	7.4%
TOTAL	24	20	24	68	100.0%

Source: National Bank of Serbia.

The majority of complaints were made in connection with motor third party liability (45.6%), accident insurance (13.2%) and life insurance (13.2%).

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.

1.3. Other financial services providers

In the period under review, two complaints were filed against financial leasing providers, accounting for 0.6% of the total number of complaints received.

2. Early complaints

The Centre received 192 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-March 2014

Financial services provider	Jan.	Feb.	Mar.	Total	in %
Banks	52	60	66	178	92.7%
Insurance companies	4	4	4	12	6.3%
Leasing providers		2		2	1.0%
TOTAL	56	66	70	192	100%

Source: National Bank of Serbia.

The number of early complaints was by 15.7% higher than in the same period last year. The majority of early complaints involved bank services – 92.7%, of which 47.7% relating to loans, 29.2% to current accounts and 10.7% to credit cards.

III. MEDIATION

From 1 January to 31 March 2014, 29 mediations were scheduled, which is 20.8% more than in the same period last year.

Of the total number of mediations, 18 were concluded, with 33.3% ending in settlement between financial institutions and their clients.

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

Financial services provider	In progress	Settlement	Suspension	Total	in %
Banks	7	4	6	17	58.6%
Insurance companies	4	2	6	12	41.4%
TOTAL	11	6	12	29	100%

Source: National Bank of Serbia.

The majority of mediation procedures were performed in relation to banks – loans (34.5%), credit cards (13.8%) and payment transactions (6.9%). Mediation procedures involving insurance companies related in most cases to motor third party liability insurance (17.2%), property insurance (6.9%) and life insurance (6.9%).

Mediations in January-March 2014

Financial services provider	Jan.	Feb.	Mar.	Total	in %
Banks	2	7	8	17	58.6%
Insurance companies	5	4	3	12	41.4%
TOTAL	7	11	11	29	100%

Source: National Bank of Serbia.

IV. CONSUMER INFORMATION AND EDUCATION

1. Consumer information

1.1. Queries

In addition to the above complaints and early complaints, the Centre received 190 queries about financial products and services and consumer rights, which is 20.25% more than in the same period a year earlier.

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

Financial services provider	Jan.	Feb.	Mar.	Total	in %
Banks	34	81	42	157	82.6%
Insurance companies	3	3	7	13	6.8%
Leasing providers	2		2	4	2.1%
Other	5	9	2	16	8.4%
TOTAL	44	93	53	190	100%

Source: National Bank of Serbia.

The majority of queries related to bank services (82.6%): loans (41.4%), current accounts (14.65%) and foreign exchange savings (7.64%).

Overview of queries by type, January-March 2014

Queries relating to	Jan.	Feb.	Mar.	Total	in %
Foreign currency savings	0	7	5	12	7.6%
Dinar savings	0	0	1	1	0.6%
Other	0	1	0	1	0.6%
Deposit transactions	0	8	6	14	8.9%
Cash loans	1	4	3	8	5.1%
Other loans	3	18	7	28	17.8%
Consumer loans	1	0	0	1	0.6%
Housing loans	11	7	10	28	17.8%
Loans	16	29	20	65	41.4%
Debit cards	1	0	0	1	0.6%
Credit cards	1	1	2	4	2.5%
Payment cards	2	1	2	5	3.2%
Escrow accounts	0	7	1	8	5.1%
Payment transactions	0	3	0	3	1.9%
Current accounts	3	11	9	23	14.6%
Payment transactions	3	21	10	34	21.7%
Exchange transactions	0	0	0	0	0.0%
Bonds	0	0	0	0	0.0%
Other	13	22	4	39	24.8%
Other	13	22	4	39	24.8%
TOTAL	34	81	42	157	100%

Source: National Bank of Serbia.

During the period under review, answers were provided to the 105 questions asked via the official NBS website.

1.2. Calls received by the Call Centre

The Call Centre answered **4,657** telephone calls from 1 January to 31 March 2014.

Overview of queries, January-March 2014

Field	Jan.	Feb.	Mar.	Total	in %
Banking services	325	308	366	999	21.5%
Insurance	49	47	83	179	3.8%
Exchange transactions	3	7	4	14	0.3%
Leasing	6	2	4	12	0.3%
VPF	7	16	12	35	0.8%
Savings bills	1	1	1	3	0.1%
Frozen fx savings	11	15	12	38	0.8%
Exchange rate lists	298	216	253	767	16.5%
Other	738	1,073	799	2,610	56.0%
TOTAL	1,438	1,685	1,534	4,657	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 **321** 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.

During this period, the Centre also answered the questions asked by financial services consumers via the official NBS website.

2.1. Public lectures

Three public lectures held Kragujevac, Bački Petrovac and Požega were attended by 90 citizens.

The citizens were most interested in the following topics: saving in VPFs, things to be taken into account when borrowing, refinancing loans, interest rate and currency clause in loan agreements, life insurance and e-banking.

As in other events of this kind, the staff members of the Centre distributed educational materials about financial products (232,000 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 31 March 2014, these offices were visited by 472 citizens. Of the total 472 queries, 55.3% related to banking services and products and 36% to other financial services.

Citizen queries, January-March 2014

Field	Jan.	Feb.	Mar.	Total	in %
Banking	66	119	76	261	55.3%
Insurance	8	5	4	17	3.6%
Leasing	2	1	2	5	1.1%
Exchange trans.	6	3	3	12	2.5%
Pensions	2	1	4	7	1.5%
Other	63	48	59	170	36.0%
TOTAL	147	177	148	472	100%

Source: National Bank of Serbia.

Most citizen queries involved banking services (55.3%), notably CHF-indexed 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.