

REPORT

on the ALTERNATIVE DISPUTE RESOLUTION activity

as at 31.03.2020

During the first three months of 2020, as many as 109 consumers went through the entire conciliation process (application filing, negotiation, final resolution accepted by both parties), or reached an amicable settlement directly with banks/NBFIs, having first approached ABDRC. The situation is almost identical with that of 2019, when 108 Romanians were reported in one of these two situations during the same period. Furthermore, as of Q1 2020, legal entities can also refer to ABDRC cases related to payment services and electronic money issuing. ABDRC has already received two such applications so far, but the financial institutions involved, which could have entered negotiations thereon, rejected them.

Close to 550 Romanian have approached the Alternative Banking Dispute Settlement Centre (ABDRC) in the first three months of this year to find amicable solutions in their relations with banks and NBFIs. Compared to the same period of 2019, the number of applications increased by approximately 10%.

Of the total number of applications received in Q1 2020, 445 concerned different aspects in the relation with the bank, whereas 96 concerned different issues occurred between consumers and NBFIs.

The total number of casefiles formed in Q1 2020 reached 153, of which 148 involved banks, while 5 casefiles concerned NBFIs, during the same period. Of these casefiles, 65 concluded with a resolution (the parties accepted the solution proposed by the conciliator), and additional 81 casefiles are in progress. In 5 cases, the parties rejected the solution the conciliator rendered and a report was issued, whereas in two casefiles the parties withdrew from the procedure.

Furthermore, **44 applications were settled amicably** by traders after the respective cases having been first referred to ABDRC (traders negotiated directly with consumer), broken down as follows: 42 applications settled amicably with banks, and 2 applications settled amicably with NBFIs.

In March 2020, the Alternative Banking Dispute Resolution Centre celebrated its fourth anniversary of operational activity.

In the end of the first quarter of this year, we counted as approximately 1,530 queries received over the phone, and the breakdown of these queries on banks/NBFs is as follows:

Banks:

- 445 compliant applications;
- 20 non-compliant applications;
- 260 queries for various information.

Classification of the 445 compliant applications:

- 148 casefiles formed in Q1 2020 (of which, 18 casefiles originating in applications filed by consumers in the end of 2019);
- 64 applications in the screening phase – documents are being reviewed;
- 42 applications were settled amicably by the parties, but this after the consumer having first referred the case to ABDRC;
- 209 cases were closed.

Classification of the 148 casefiles in the procedure with proposed solution:

- 65 resolutions rendered - the parties reached an agreement;
- 61 casefiles in the phase of discussions with the parties;
- 4 reports - the parties failed to reach an agreement;
- 14 preliminary casefiles;
- 4 casefiles in which one party withdrew from the procedure.

Means of filing compliant applications:

- 272 were submitted via the app (website);
- 142 were emailed;
- 16 were mailed;
- 15 were brought to, and registered by consumers with the office of ABDRC.

NBFIs:

- 96 compliant applications

Qualification of the 96 compliant applications:

- 5 casefiles created in Q1 2020;
- 52 in the screening phase – documents are being reviewed;
- 2 applications were settled amicably by the NBFI - consumer, however after consumer referred the case to ABDRC;
- 37 were closed - rejected by the NBFIs;

Qualification of the 5 casefiles in the procedure with proposed solution:

- 0 resolutions rendered - the parties reached an agreement;
- 1 casefiles in the phase of discussions with the parties;
- 1 report - the parties failed to reach an agreement;
- 3 preliminary casefiles;
- 0 casefiles in which one party withdrew from the procedure.

Means of filing compliant applications:

- 10 were emailed;
- 74 were submitted via the app (websites);
- 4 were mailed;
- 8 were brought to, and registered by consumers with the office of ABDRC.

The applications received from consumers covered the following topics:

- **Problems in connection credit products:**

- Repayments (fees/commissions, interest);
- Reduction of loan balance/debt/installation, or writing off thereof;
- Rescheduling/refinancing/staging-out;
- Agreement renegotiation/rebalancing (including in case of hardships);
- Finding a solution to address the problems (in general);
- Finding a solution to address the problems generated by the pandemics;
- Conversion of the loan currency;
- Problems with insurance policies (bancassurance);
- Interest recalculation;
- Payment commitments;
- Maturity acceleration;
- Credit Office (deregistration from CO);
- Removal of certain clauses.

- **Operational problems:**

- Problems with operation of the ATMs (including repayment of amounts);
- Problems in connection with bank transfers and repayment of transaction fees;
- Repayment of amounts in case of processing errors;
- Recovery of amount wrongly transferred by consumers (internet banking);
- Requests for clarifications as to calculation and the amounts withdrawn by banks from the credit card account;
- Other card-related problems (cancellation/name change);
- Problems in connection with the exchange rate and interests charged when using the cards abroad;
- Problems regarding inter-banking transfers.

- **Problems related to other types of activities:**

- Problems in connection with forced execution (suspensions/stays of proceedings);
- Requests to be issued documents (repayment schedules, statement of accounts, etc.);
- Repayment of garnished amounts;
- Mortgage deregistration.

Applications are closed when traders refused the settlement of the disputes via the ADR procedure, and reasons for closing compliant applications fall within several categories:

- **Good reasons (main) - the application concerns:**
 - deregistration of entries from the Credit Office;
 - "First House" loans;
 - assigned claims;
 - the state premium under saving-credit contracts.
- **Reasons related to consumers:**
 - selection of a trader the business of which is not regulated by the National Bank of Romania;
 - selection of a trader they don't have commercial relations with;
 - the information/documents required for resolving the application have not been supplied.
- **Other reasons:**
 - pending court proceedings;
 - forced execution procedures have already been initiated;
 - traders made several offers, but all of them were turned down by consumers (before approaching ABDRC), and traders maintain their point of view in the initial answer sent to consumers.

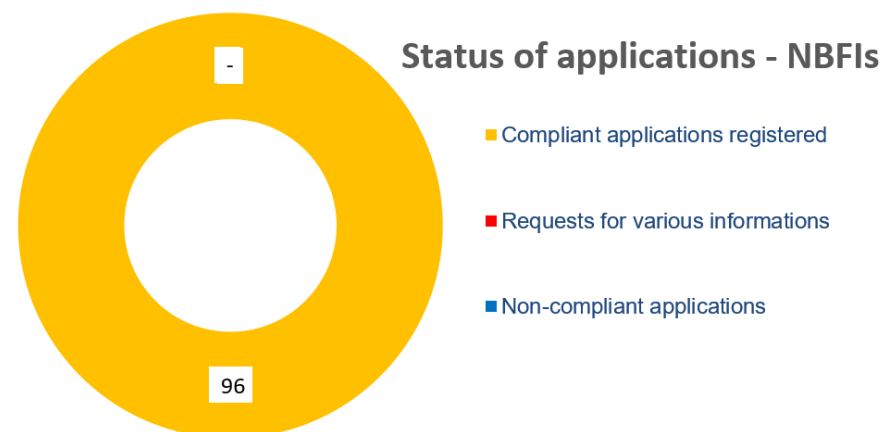
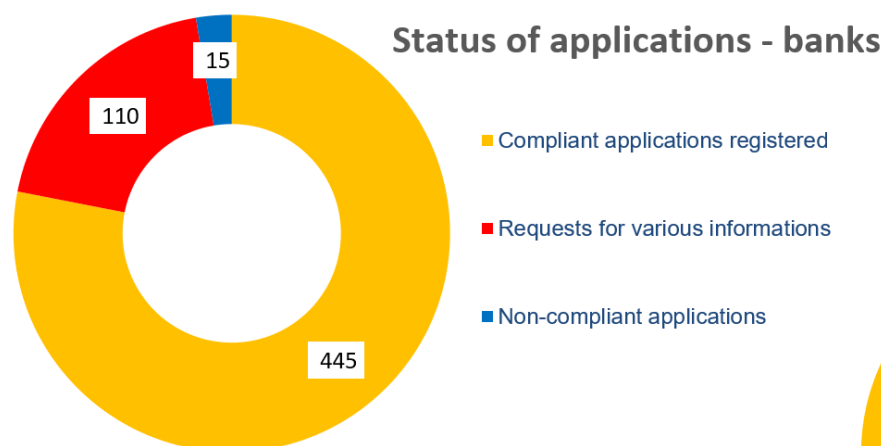
NOTE:

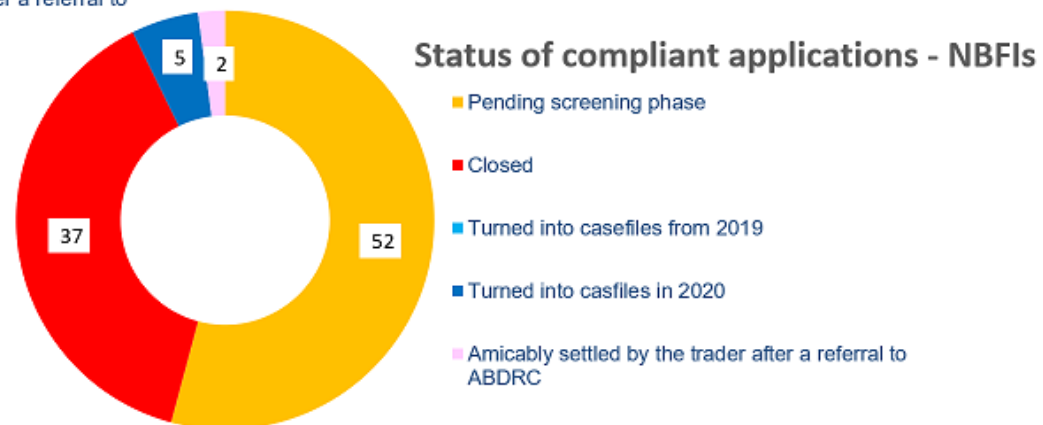
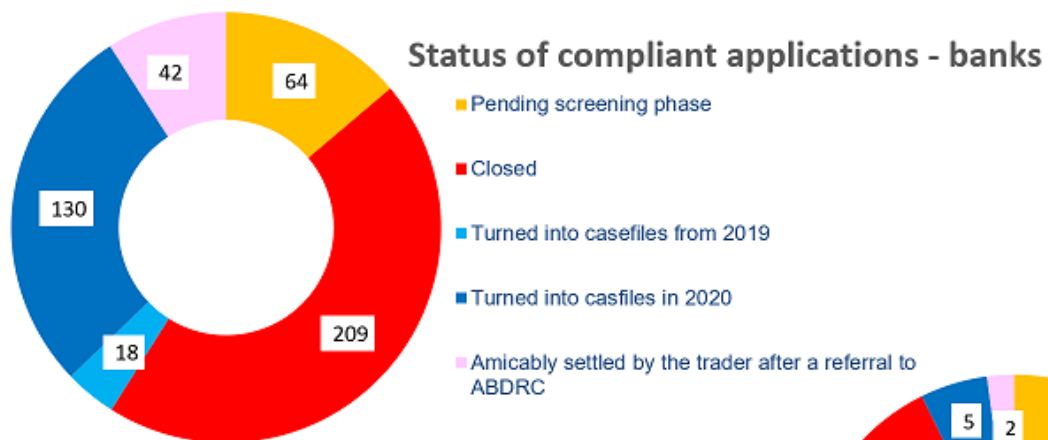
The interest of consumers in ABDRC has raised compared to last year (even under the current pandemic conditions). The figures for the end of Q1 this year, compared to those of the same period of last year, are approximately 10% better in terms of the number of applications received. If we are to look into the cases addressed (under resolutions, or by amicable settlement after an initial referral to ABDRC), the situation is similar to that of last year.

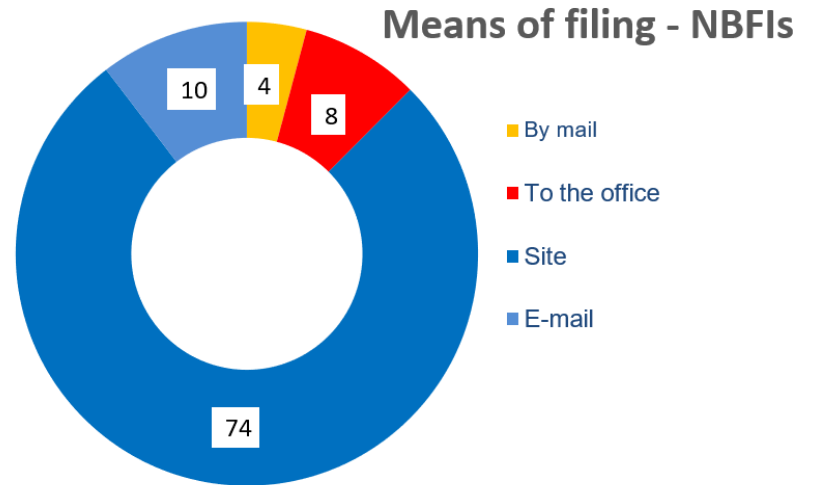
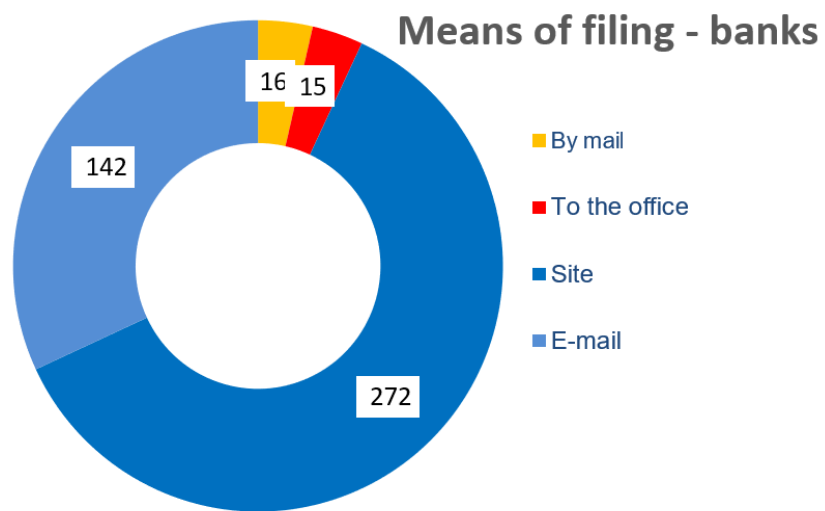
Q1 2020 enjoys a monthly average better the average of 2019, in respect of the number of applications.

Q1 2019 in figures:	Q1 2020 in figures:
<ul style="list-style-type: none"> • 494 compliant applications – 165 applications per month; • 200 applications admitted by banks: <ul style="list-style-type: none"> ○ 147 casefiles (an average of 49 casefiles/month); ○ 53 applications settled amicably by the parties after an initial referral to ABDRC – (an average of 17 amicably settled applications/month). <p>2019 in figures (entire year):</p> <ul style="list-style-type: none"> • 2,117 applications – 176 applications per month; • 664 casefiles – 55 casefiles per month. 	<ul style="list-style-type: none"> • 541 compliant applications – 180 applications per month; • 199 applications admitted by banks: <ul style="list-style-type: none"> ○ 155 casefiles (an average of 52 casefiles/month); ○ 44 applications settled amicably by the parties after an initial referral to ABDRC – (an average of 15 amicably settled applications/month).

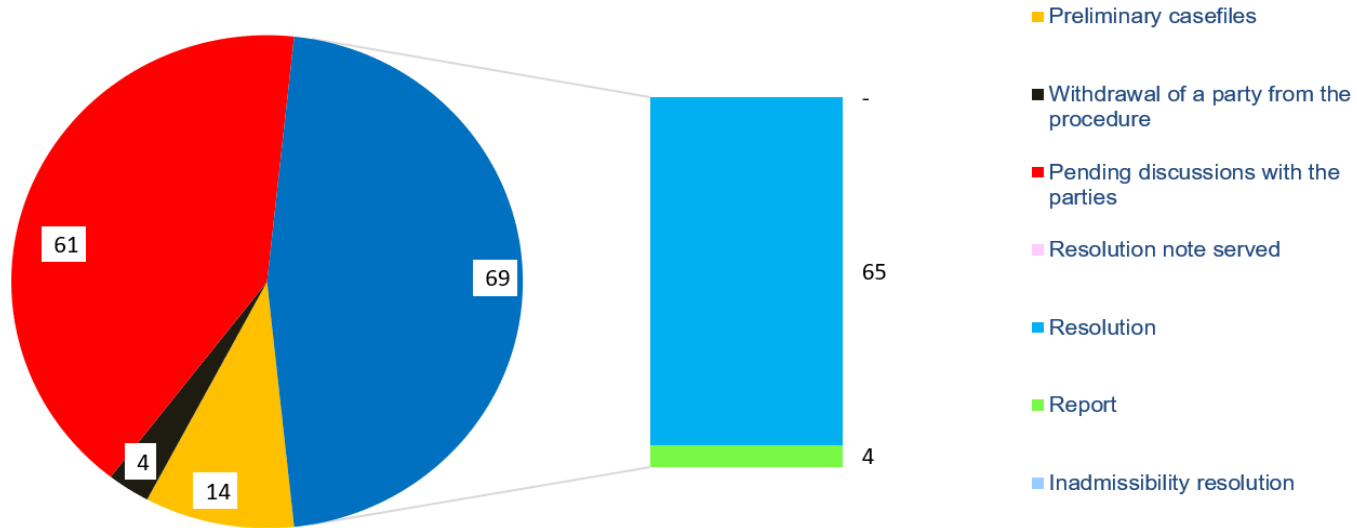
Statistical information about Q1 2020:



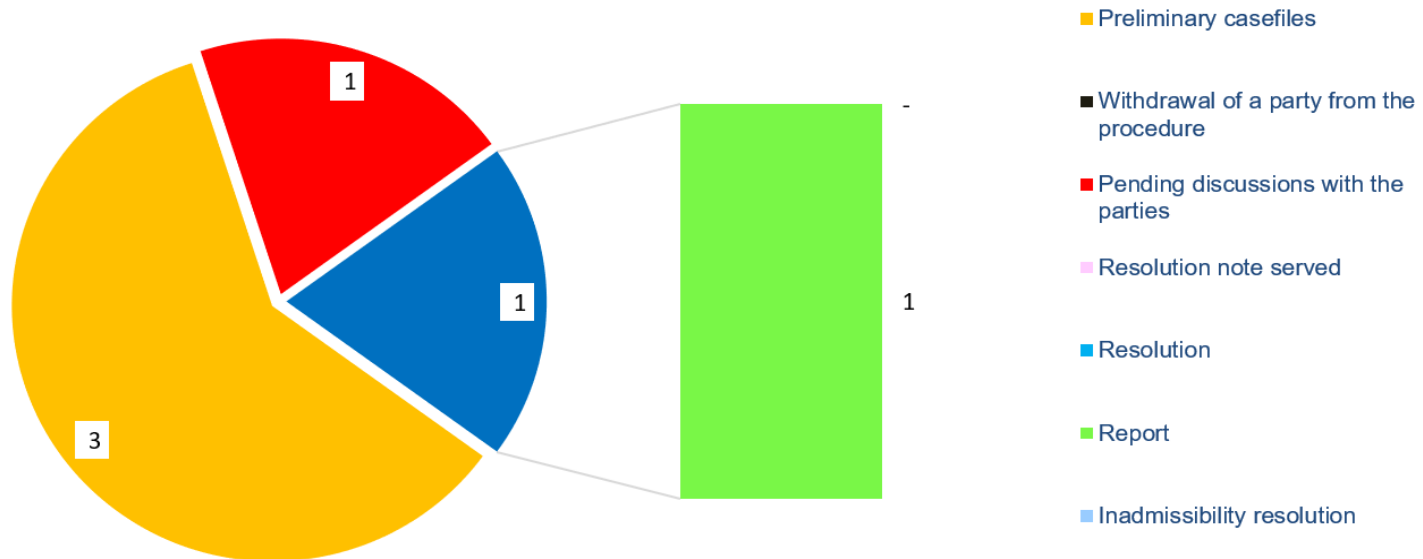




Status of casefiles in progress - banks



Status of casefiles in progress - NBFIs



CONCLUSIONS:

The ABDRC services continue to be accessed by increasingly more Romanians. Benefits of conciliation: the court proceedings avoided and the continued contractual relations between parties, the short case settlement time (less than 90 days), the procedure is free of charge for consumers, and the expertise of conciliators are important benefits for both consumers and the financial and banking institutions involved in these negotiations, particularly during economically difficult times, like the ones we had to cope with during the first quarter of the year. In this context, the conclusions drawn for the first three months of the year are as follows:

- The high number of applications reported in Q1 2020 vs. Q1 2019 (+10%) was supported by the first two months of this year (January - February 2020). The outset of the pandemics-triggered crisis did not materially affect either the number of applications referred to ABDRC (an average of 40 applications/week before the pandemics, and approximately 35 applications/week after the outset of the pandemics), or the number of casefiles formed (the weekly average staying flat at approximately 12 casefiles). Many consumers became unemployed, or were sent on temporary leave with reduced pay, or their work was suspended, which could lead to an increase in the number of applications referred to the Centre (during the upcoming period), in an attempt to find solutions, together with the bank/NBFIs, to the difficult economic situation we all go through.
- The number of casefiles settled and amicable settlement reached remained flat v Q1 2019, which shows the availability of the financial and banking institutions to continue to negotiate with consumers, even if the professional activity of both consumers and the banks/NBFIs was affected by the state of emergency instituted, and the movement restrictions enforced. The ADR departments of the commercial bank expeditiously processed the applications, and they appeared more financially available to address the problems occurred.
- During the first month of the year, ABDRC saw all-time-high figures in terms of the benefits obtained by the consumers further to applications concerning loan agreements in RON and CHF. Thus, a consumer from Bucharest had a debt of RON 298,000 (approximately EUR 62,000) written off further to negotiations with the bank, with the mediation of ABDRC. In this particular case, the bank accepted to write off the entire debt that the consumer had still to pay. The same happened also in another social case of Oradea, where the bank wrote off CHF 51,930.
- During the first quarter of the year, ABDRC adjusted its work to the conditions demanded by authorities. Thus, more than 90% of the Centre's work was moved online, and conciliators continued to remotely facilitate the negotiations between consumers and banks/NBFIs (via email and over the phone). Additionally, the IT tool (which went live in July 2018, and is used to manage the applications and casefiles directly on the ABDRC website) proved its efficiency during this time when the Centre was able to continue to smoothly mediate the relation between consumers and traders.
- The developments of the past years point to a significant reduction in the number of applications registered with ABDRC, but refused by banks (no casefile formed): from 60% in 2016 down to 40% in

2018, and to only 31% in 2020. For the running year, one of the objectives pursued is to reduce the rate of applications rejected by the banks below 30%. This is an actionable objective, so much the more that there are already large banks the rejection rate of which ranges between 16% and 22%.

- The share of casefile concluded with a resolution following negotiations (in which the parties accepted the solution proposed by the conciliator) has already went above 90%.
- As of Q1 2020, ABDRC can also address conciliation applications received from legal entities related to payment services and electronic money issuing. While two such applications have already been received by ABDRC, unfortunately these were not accepted by the recipient financial institutions. We believe that, as it had happened with natural persons back in 2016, conciliation for legal entities is on to a slow start. Nevertheless, the economic conditions left behind by the pandemics would render necessary, if not even critical, resolution of such cases outside the courts of law, with significantly lower financial and time efforts.

The WEBSITE www.csalb.ro makes available also for legal entities an online tool, which allows for faster and smoother submission of the conciliation applications. On the first page of the website, consumers are prompted to access this application by filling in an application. **The documents entered in the registration form are uploaded into the app, and their processing time is approximately one hour. By email, the classic procedure, documents used to be processed in approximately one day.** The online application was setup in observance of the principles of the General Data Protection Regulation (GDPR).

The **Alternative Banking Dispute Resolution Centre (ABDRC)** is an independent non-governmental, apolitical, and not-for-profit legal entity of public interest established under the Government Ordinance no. 38/2015 on alternative resolution of disputes between consumers and traders, which transposes at domestic level Directive 2013/11/EU on alternative dispute resolution for consumer disputes and amending Regulation (EC) no. 2006/2004 and Directive 2009/22/EC.