

ABDRC: Reconciliations between Consumers and Banks Are Worth EUR 1.24 Million in the First 9 Months

27 October 2021, Bucharest. In the first nine months of the year, as many as 445 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 the **Alternative Banking Dispute Resolution Centre (ABDRC)**. The benefits stemming from consumers' negotiations with banks amounted to EUR 1.24 million in the first three quarters, whereas the total amount of the benefits over the five years of operation has exceeded EUR 5.25 million.

Debt in CHF completely written off by the bank

Ioana Dodenciu, Roșiorii de Vede - *"In September, I received the good piece of news that the bank was writing off my entire CHF 44,330 debt that I had related to a loan I got back in 2007 to buy a three-room apartment. As long as my husband was still alive, we could pay the instalments, him being the loan holder, and I only a co-debtor. When I filed my application to ABDRC, I only asked at least a for a reduction of the monthly rate, because my older boy was just starting college this year, and I couldn't cope with the costs. I have three children to raise and I could only manage with the help of my parents living in the countryside. In fact, more than half of my nurse pay went to the bank instalment. The last instalment was CHF 294. When I received the piece of news, I was attending the vaccination programme and I asked a co-worker to tell me if what I was seeing in the email from the conciliator Mihaela Budișteanu, confirming me that the debt I had been written off, was right. I want to thank the conciliator for her involvement and how fast she acted to find a solution to my situation. Less than two months passed since I filed my application and until I agreed with the bank on the solution proposed by the conciliator".*



"What we have been noticing after the first nine months of the year is a more willingness on the part of both consumers and banks to reach a compromise. 90% of the negotiations conducted this year via ABDRC concluded with reconciliation of the parties. For instance, over three quarters, we only had two cases where parties withdrew from negotiations, compared to 21 such situations during the same period of last year. While the number of applications accepted for negotiation is about 10% lower than in 2020, the high value of benefits and the high percentage of reconciliations show a deeper understanding of conciliation mechanisms, on the part of both the banks, but particularly on the part of consumers, whom we can qualify as being more result-oriented and more pragmatic than in the past. This attitude can be also the outcome of the desire of consumers dealing with financial problems to have their current difficulties addressed as fast as possible. The uncertainties revolving around the developments of the pandemic, its effects on the economy, the rising interest rates, and the significant increase in the electricity, gas and fuel prices put a lot of pressure on their capacity to repay bank loans. Under such circumstances, we can expect the share of bad loans to increase, and this should be a warning for consumers to prevent any outstanding debts.

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Our recommendation to consumers is to get in touch with their bank whenever they have difficulties in paying their instalments, and under no circumstances to allow these to be overdue by more than 90 days, when the entire loan falls due. And if they cannot reach an agreement with the creditor, there is always the alternative of an amicable settlement via ABDRC", says Alexandru Păunescu, member of ABDRC's Steering Board.

Less applications for negotiation with banks, more for negotiations with NBFIs

Over the first nine months, consumers sent 1,837 negotiation applications (an average of 47 applications per week), of which 1,152 were intended for banks and 685 for NBFIs.

We seen an increase in the number of applications intended for NBFIs, these accounting for 37% of the total v 24% during the same period of last year. Unfortunately, around 80% of the applications intended for NBFIs aim to have consumers deregistered from the Credit Office, which are beyond negotiation and, as a result, the largest majority of such cases are closed further to traders' refusal to enter negotiation.

On the other hand, the number of applications intended for banks decreased in the first three quarters of this year compared to the same period of 2020: from 1,557 applications in the first 9 months of 2020 down to 1,152 applications in the first 9 months of this year.

Banks close fewer cases

The developments of the past years point to a significant reduction in the number of applications received by ABDRC, but in respect of which the banks refused to enter negotiations: from 80% in 2016 down to 45% in 2018, and further down to 28% in 2020. During the first nine months of 2021, the share of applications closed further to the unreasonable refusal of banks dropped down to 17% of the total applications filed, and the recommendation that ABDRC makes to both banks and NBFIs is to strive to keep this percentage below 20% by the end of the year. This is an actionable objective, so much the more that there are already large banks the rejection rate of which ranges has already dropped below 10%, or even below 5%.

Things are different for NBFIs: out of 685 applications, only 5 were accepted for negotiation, and another 21 applications were settled directly between the consumer and the trader, having first given notice thereof to ABDRC, but eventually without going through the conciliation process.

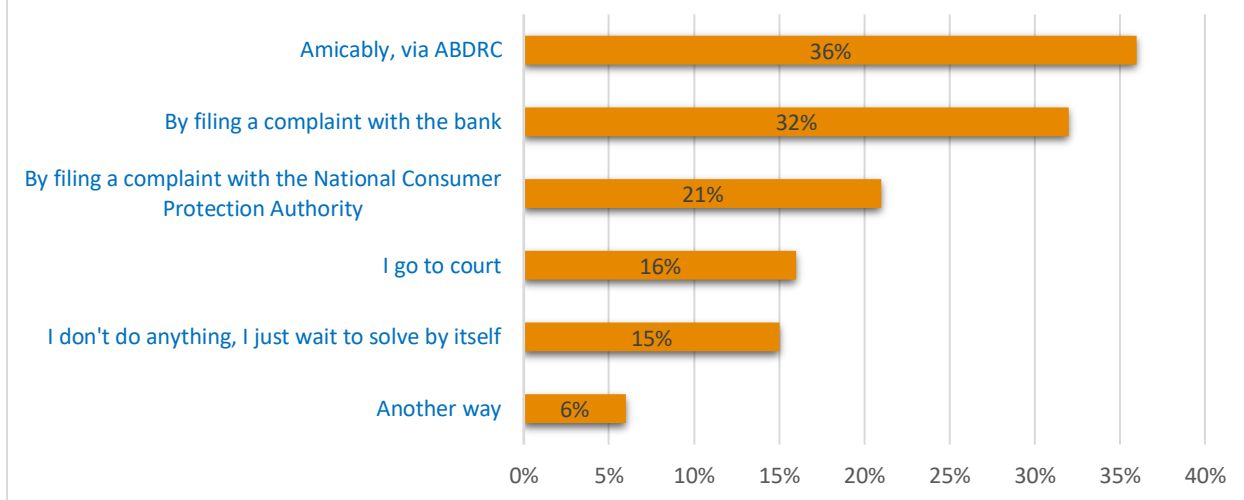
CSALB, the option of choice for addressing a problem with the bank

In a market survey conducted by iSense Solutions - Back to the Future (not commissioned by ABDRC), only 18% of respondents said they had problems with banks, and 82% claimed not to have any disagreements with these institutions. For those who have grievances, amicable settlement is the alternative of choice:

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How do you consider addressing your problems with the bank/NBFI



The consumers of the South-Western Oltenia region appear the most willing to negotiate (59% would go for the amicable avenue), followed by those living in Bucharest-Ilfov (45% would first use the services provided by ABDRC). The survey took place in September on a sample of 504 respondents and had multiple-choice answers.

About ABDRC: ABDRC is an entity set up under a European Directive, and intermediates, free of charge and in not more than three months, negotiations between consumers and banks or NBFIs, for contracts/agreements in progress. Consumers from any county of the country may file applications with the Alternative Banking Dispute Resolution Centre (ABDRC), filling-in an online form directly on the website www.csalb.ro. When the bank accepts to enter the conciliation/negotiation procedure, a conciliator is appointed. ABDRC works with 19 conciliators, of the best specialists in law and with relevant experience also in the financial and banking field. Everything is settled amicably, and the understanding between the parties has the power of court judgment. More information about the work of the Centre is available by phone at 021 9414 (charged a normal rate).