The Banking System Proposes a Number of Solutions to OVERCOME the Financial Difficulties Faced by Consumers

16 May, Bucharest. One of the solutions proposed by banks to consumers is to stay the court proceedings, and attempt to find an amicable settlement, by negotiation with the aid of the **Alternative Banking Dispute Resolution Centre (ABDRC)**. Besides measures, such as adjustment of interest and fee costs, instalment suspension, or loan restructuring, banks also recommend their consumers to turn to ABDRC, even when they have court proceedings with banks in progress. In 2021 and early this year, more than **120 court cases between consumers and banks came to an end** because the parties applied for amicable settlement via ABDRC.

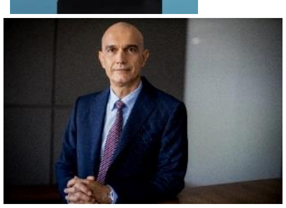
"Here, the interest is not just of consumers and banks, but there is an impact on the overall economic since the provisions banks are required to set up for pending disputes are actually money that can be used instead for financing purposes", says **Alexandru Păunescu, the NBR representative in the ABDRC Steering Board**.

Video story: https://youtu.be/cifz9L4m6J0

In a time marked by increases in the cost of credit and higher prices of food, utilities and transport, consumers of financial services can rely on the support of the banking system. This is the message conveyed by the commercial banks in the ***ABDRC Podcasts*** – a financial education project available on the ABDRC YouTube channel and in the financial education section on the website www.csalb.ro

Solutions that banks can make available to consumers

Dana Dima, Vice-President of Banca Comercială Română: *Time is of the essence, but court proceedings are time-intensive. This comes against the immediate need to find a solution for a financial problem. We are involved in more than 1,000 negotiations via ABDRC, and we've seen the process improving year after year, and we have become more efficient. My message to consumers is that, regardless of a visible fluctuation in their current income, when they have good reasons to expect such a situation, they'd better advise their bank thereof, and talk to us, either directly or via ABDRC.*



Vladimir Kalinov, Vice-President of Raiffeisen Bank: *If we look at the courts' calendar, any new case brought before them is discussed after one or two years, during which time both parties stand to lose. They lose money, time and energy, not to mention the stress. And all of these can be avoided. The dialog that ABDRC facilitates is very important precisely because it advances this practice of dialog in the society. In other countries, only the very complex cases that cannot be otherwise solved get to court. There is this myth that the bank stalks and waits for a client to get into trouble, and taken their home. No, we are not a real estate institution, nor are we interested in becoming one.*

Roxana Maria Hidan, Vice-President of OTP Bank: *The second a consumer is prevented, for whatever reason, from repaying the loan under the terms assumed at contract signing, ideally, they should come to the bank and say: I have this problem! And we will find solutions: instalment negotiation, rescheduling, staging-out, or instalment suspension. The best prevention is to think whether the step you take today is sustainable, and over what time period, and which are the factors beyond your control. For instance, inflation. Or that after two years of pandemic, we are at the border with an armed conflict! We cannot control these things, but they do affect us, and we need to respond.*

Virginia Oțel, Director in Garanti BBVA: *The interest of the bank is to find solutions for the consumers who approach us directly or via ABDRC. We don't want to end up in forced execution, so much the more that this is a difficult time, and we want to overcome it well, together with our clients. At the client's request, the bank can open a restructuring case for consumers experiencing problems in performance of their contracts, and we can offer them periods of graces for instalment payment. In fact, we try to devise customized solutions, depending on the problem each customer faces. Otherwise, too much standardization would make responding to specific need very difficult.*

Alexandru Păunescu, representative of the National Bank of Romania in the ABDRC Steering Board: *Fortunately, number of court cases between consumers and banks has decreased under one third of their number before ABDRC establishment. Now, there are approximately 13,000 cases, and we hope that the parties involved in this time- and cost-intensive disputes will also consider and test amicable settlement. Court proceedings will always be there, but choice of negotiation can provide significant benefits in a very short period of time, dozens of time faster than in court. Here, the interest is not just of consumers and banks, but there is an impact on the overall economic since the provisions banks are required to set up for pending disputes are actually money that can be used instead for financing purposes".*

Recommendations made by conciliators for the relation between the consumer and the bank

Valentin Cocean, ABDRC conciliator: We had a consumer very unhappy with his banking and financial institution, we preferred to go to court hoping to obtain things that, to my then mind, were completely unrealistic. Eventually, he came to ABDRC where, of course, negotiation ran much smoother and the parties reached an amicable settlement since they accepted the conciliation solution I proposed them.

Ionuț Ștefan, ABDRC conciliator: May times, I tell consumers that enter negotiations with the bank: I'd better take now one Leu than nothing! Instead of thinking that I would take 10 Lei in court after 5 years, but without an analysis that would tell me I shall have spent 15 Lei by that time! First of all, despite all costs, nobody can guarantee me the outcome, while conciliation via ABDRC is free of charge for consumers.

Dragoș Gheorghe, ABDRC conciliator: There have been instances where consumers went to court, were awarded the case on substance and in appeal, but the bank lodged higher appeals and eventually all previous solutions were reversed. And eventually, they had to pay the court expenses, too. So after three and a half years of lawsuit, they were back where they started. Why? When they could have approached the Alternative Resolution Centre, received information, and made an informed decision not to harness to a lawsuit they could eventually lose. In court, judges see only the spirit of the law, and abide by the principle *Pacta sunt servanda* – agreements must be kept. The freedom and ease that come with conciliation cannot be matched by the courts of law!

ROBOR or Consumer Loan Benchmark (CLB)?

Further to the increasing requests to have ROBOR replaced by CLB, we added also this option to the application form available on the website www.csalb.ro, for consumers who fill out online the application form to negotiate with their bank. We remind consumers that the shift to CLB is not a statutory obligation of the banks. This can only be done with the agreement of the parties documented in an addendum, valid for all types of loans, including the First House loan. Moreover, consumers need to consider that the CLB is expected to increase in the next quarters, too. On the other hand, CLB could overtake ROBOR in the future, particularly once the inflation eases, and CLB will be applied with a two-quarter delay.

ABDRC financial education podcasts

Consumers, representatives of the Romanian Association of Banks, presidents or vice-presidents of commercial banks take part, together with ABDRC conciliators, in a series of meetings aimed at tackling **financial education** of consumers and making conciliation the alternative their alternative of choice when it comes to addressing their financial problems with the banks. A section of the ABDRC website addresses financial education specifically, and **the messages of the awareness campaign** that ABDRC initiates revolve basically around the key benefits of conciliation when addressing problems stemming from contracts, that is: the process is fast, free of charge and efficient.

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. Once 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).

www.csalb.ro; 021.9414 (charged a normal rate); secretariat@csalb.ro; Address: 24 Sevastopol St., 2nd floor, District 1, Bucharest.