

92 of 100 Consumers Involved in Negotiations Have Their Problems with Banks Solved | ABDRC Calls upon Judges to Recommend Conciliations to the Parties

20 July, Bucharest. In the first half of the year, the **Alternative Banking Dispute Resolution Centre (ABDRC)** has seen approximately 40% more negotiations between consumers and banks compared to the same period of last year. Lower instalments, shifting from ROBOR to the Consumer Credit Reference Index (IRCC) or closure of the court proceedings are the top issues consumers and banks have negotiated on in conciliations in the first half of the year. **ABDRC recommends** consumers to consider deferral of the loan instalment payment only as a last resort. Such deferral comes with additional costs, which only add to the lack of predictability as to what the economic conditions would be when instalment payment is resumed. On the contrary, consumers are urged to turn to the banks, the NBFIs and/or ABDRC when they are faced with financial difficulties that can have a bearing on their loan agreements, and search together for customized solutions that can be applicable throughout the entire term of the loan.

Conciliation is possible also during the court proceedings

In the first six months of the year, 63 court cases were closed because the underlying disputes had been amicably settled via ABDRC, compared to 67 such instances reported for the entire 2021. Thus, **ABDRC asked the High Court of Cassation and Justice and the 15 Courts of Appeal** across the country to inform their judges about the possibility for consumers to have the disputes with banks/NBFIs settled amicably.

Basically, ABDRC wanted the judges to apply the provisions of Article 21(2) of the Code of Civil Proceedings reading that *"Throughout the proceedings, the judge shall attempt to reconcile the parties, providing them with the necessary guidance, according to the law"*. Ideally, judges would **recommended conciliation before proceedings** are commenced, i.e. before the first hearing. But this peace-making avenue can be pursued also by the parties, at any time during the proceedings, including and even in the appeal phases (first/higher appeal).

Its key benefit is the 33 days representing the average case settlement time with ABDRC (in 2021), which is shorter than even the time needed to hold the first court hearing (regularly).

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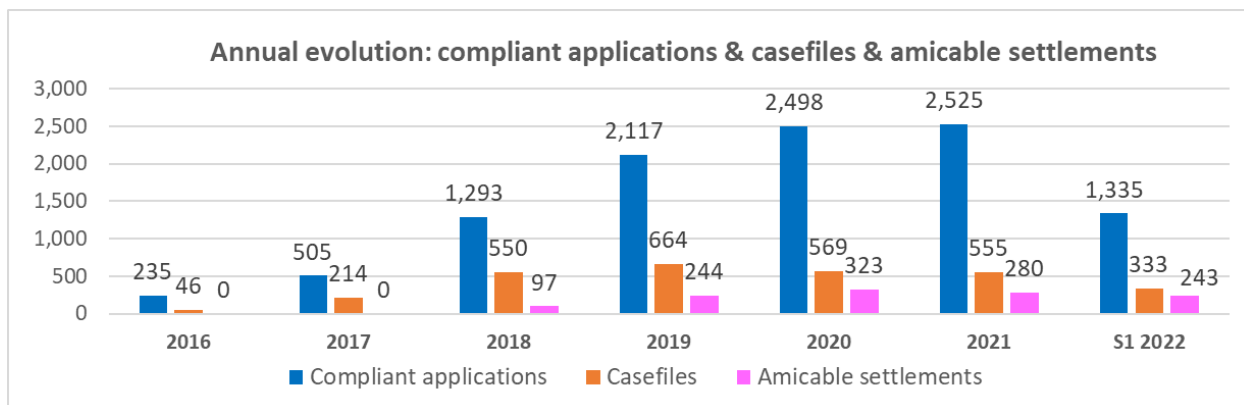
Alexandru Păunescu, representative of the National Bank of Romania in the ABDRC's Steering Board: *"92% of the negotiations conducted in the first half of this year concluded with the parties coming to terms. So, not only that the banks accepted more claims from consumers, but the high percentage of reconciliations shows the maturity reached by the negotiation process. Banks have been more and more willing to offer solutions to their consumers in distress, as shown by both the more than one third increase in the number of claims they accept to negotiate on, but also the number of direct settlements, with no involvement whatsoever of the ABDRC conciliators, the number to date of which has almost doubled compared to the entire last year. However, another comparison would not reveal the same*

high increase also in the number of applications compared to the same period of last year, where the increase is of only 10%. We would rather see a similar trend also when it come to the **applications for instalment payment deferral**, and people taking a closer look in their options **before applying for a deferral**. A 9-month deferral can add significant costs to the loan, especially when we are in the first years of a loan.

Fortunately, however, ABDRC is an alternative. Having reviewed the data, we see that, over the first six months, more than **9 of 10 applications submitted to ABDRC and eligible for negotiation receive some settlement from banks**. This is a strong enough argument for the confidence needed in the financial and banking system. While the banks' appetite for negotiation via ABDRC has increased, the NBFIs seem more willing to settle disputes directly with consumers, with no intervention of a conciliator. These cases are addressed directly, but still after a referral to the Centre, are simpler and do not require the expertise of a conciliator. This is the case, for instance, of the applications for deregistration from the Credit Register. As we have already pointed out, the parties share the interest of conducting negotiations to find a solution to a given problem, regardless of the avenue pursued to reach an amicable settlement.

One of the benefits of the confidence I was mentioning before is that increasingly more consumers want to come to terms with banks, even if they have been fighting their legal battles in court already. For some of them, this request come after years of waiting for a judgment, or spending important amounts in the proceedings. We have also reached out to courts, and **called upon the judges to recommend conciliation to the parties**, before the court commences the actual try, or even while the proceedings are in progress. We believe that this would save money and time to both parties, and would take an important load, that hinders justice, off the courts."

Banks fancy negotiation via ABDRC, while NBFIs are more found of direct settlements with consumers



In the first half of 2022, ABDRC received 1,335 compliant applications, *i.e.* 10% more than in the similar period of last year. The negotiation cases have seen an important increase. In H1 2022, Banks entered 331 negotiations, *i.e.* **approximately 100 more than in the same period of last year**, while NBFIs only accepted two cases for negotiation.

The higher increase is seen in case of direct settlement between banks/NBFIs and consumers. Compared to the first half of last year, direct settlements (after a referral to ABDRC) have increased by 150%. **Most direct settlements involved NBFIs** (160 in S1 2022 v only 22 in the first half of 2021). Thus, this year to date, one third of the applications intended at NBFIs have been settled directly by the parties. Most of the applications filed with NBFIs (85%) concerned deregistration of entries in the Credit Register. Such applications account for approximately 20% of the total number of applications intended to banks.

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).