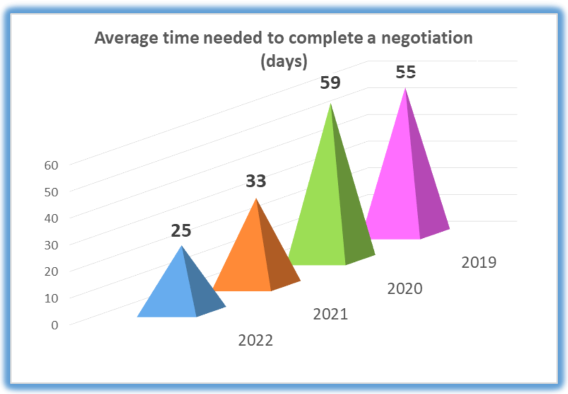
CSALB
Centrul de soluționare alternativă a litigiilor în domeniul bancar
7 ani

Consumers and banks make peace in only 25 days, i.e. twice faster than in 2020 | More than EUR 90,000 written off from a consumer's debt

28 February, Bucharest. The negotiations between consumers and banks were addressed in only 25 days in 2022, being the best average time since the establishment of the **Alternative Banking Dispute Resolution Centre (ABDRC)**. This is proof of the parties' willingness to find a fast solution, by mutual compromise, as well as to fine-tune the conciliation mechanisms by shortening the response times on the part of both the banks, and the consumers.



While the maximum time allowed for settlement of a negotiation in ABDRC is 90 days, or longer for more complex negotiations (pursuant to the Government Ordinance no. 38/2015), over the last four years, we have been witnessing a shortening of the average time needed to complete a negotiation. Thus, as compared to 2019 and 2020, a solution is now reached twice faster. 90% of the 658 negotiations that took place last year between consumers and banks via ABDRC concluded with both parties accepting the solutions proposed by the Centre's conciliators.

The **fastest settlements** needed only **one single day** in 2022 (10 cases), but 13 negotiations proved much more difficult, and required 150 days to complete. Negotiations are free of charge for consumers, the decision reached (even in such a short period of time) had the power of a court judgment.

The champions of speed conciliation negotiations are **Alexandru Ambrozie** (with an average of 12.4 days), followed by **Septimiu Stoica** (12.8 days) and **Mihaela Budișteanu** (13.2 days). The conciliators with most negotiations addressed in 2022 are **Camelia Popa** (52 conciliation cases), **Roxana Mustățea** (51 cases) and **Mihaela Budișteanu** (48 cases).

Mihaela Budișteanu, ABDRC conciliator and lawyer: "*The short **settlement time** relates to two factors: fast and consistent response of the banks, and better information of increasingly more consumers. While some consumers know better what they are after, banks prepare a first offer as early as appointment of the conciliators. Such an early approach saves a lot of time that would be otherwise spent in conciliations in the previous years, when we were not aware of the bank's position, and used to wait for days or even months for an answer. Now, negotiations kick off quickly, the preliminary offer leaves more room and time for negotiation and improvement, and the odds of a better account are higher.*

*In the almost 50 negotiations I worked in last year, I noticed different **approaches of consumers**: some come better prepared, have become familiar with the contract and make well articulated claims, such as reduction or removal of fees. Other only claim a reduction of the instalment, but are not sure about how this could be done. Here, we step in, review the loan agreement and make proposals of solutions to banks to reduce the payment effort. It is important to says that the **banks' negotiation limits** are underpinned* *by very thorough calculations made by the bank for each contract. Therefore, there are banks which value good payers and this can be a negotiation upper-hand, while for other, being a bad payer increases the settlement chances because the bank wishes to mitigate the risk of default, and this relies again on economic calculations.*

I want to point out certain instances *where consumers, driven by the desire to obtain as much as possible, go beyond the limits of a win-win negotiation. For example, I recently had a case where the bank removed the fees, awarded the amounts claimed by the consumer, and wrote off the payment default penalties. While the consumer had all his initial claims satisfied, he raised legal arguments and increased his claims above the bank's negotiation limit. As a result, the bank withdrew from the procedure, and the consumer was left without the benefits he had obtained in the first negotiation phase."*

More than EUR 90 thousand written off by the bank from a loan principal

In an ABDRC-led conciliation, a bank agreed to writing off **RON 446,000 of a consumer's loan principal**, however, conditional upon the two co-debtors paying RON 800,000 and, thus, repaying a loan taken back in 2007.

Alina Radu, ABDRC conciliator and lawyer: "*It is a unique case, not only because of the amounts involved, but also for the efforts made by both parties to reach a compromise.*

The ***consumer applied*** *for conciliation after this loan had been restructured repeatedly, and he was still unable to meet the repayment terms. In fact, he could not pay the high instalments he had committed to any longer.*

The scenario proposed by the consumer was for the bank to reduce the principal from RON 1.2 million down to RON 960 thousand, and the remaining principal to be paid in the next ten years. The ***initial scenario put forward by the bank*** *in conciliation was to extend the payment term by only a few months, and not to give any reduction, considering that the enforcement proceedings had already been set in motion for this loan. This was the starting point of the 165-day and 10-round negotiations.*

The ***uniqueness of this case*** *does not come only from the reduction offered by the bank, but also from the efforts employed by the consumer. I can state that we literally met halfway in the negotiation: we obtained a shorter payment term for the RON 800 thousand, as the bank wanted, and a consistent reduction of the principal by more than RON 400 thousand, as the consumer wanted. Fortunately, the consumer was able to get another loan from another bank, and repaid the RON 800 thousand in full, as the bank had requested. It was one of the very few cases where both parties made serious compromises and important financial efforts."*

Alexandru Păunescu, representative of the National Bank of Romania in the ABDRC's Steering Board: *"The case settled via ABDRC, with an important amount written off by a bank from the principal of a consumer, shows two things: firstly, that banks are open to negotiation with all categories of consumers, since even those with a good financial situation can experience difficulties in paying their debts. Secondly, the case depicts an economic reality where our warning about delaying the taking of a mortgage loan in a time of high interest rates takes relevance depending on the consumer typology: for those with limited financial means, the decision to take a loan could prove risky for their down situation. This is not the case with those who take investment loans, or enjoy high income.*

Since there are people eligible to get the needed financing to pay RON 800 thousand to repay another loan, getting a new loan will cause them less difficulty, even if we now speak of high interest rates and difficult macroeconomic conditions.

However, for consumers with medium income, any RON 100 added to their instalment count. While ROBOR is decreasing, and the inflation rate seems to be on a downward trend, the current context urges to remain cautious, at least this year. Instead of taking a loan now, at a high interest rate and wishfully thinking that this rate would reduce in a difficult to predict future, you'd better go now for a more advantageous option and start saving in a bank the amounts of the instalments you'd pay for the desire purchase. This can prove a good practice for the ease or difficulty, as the case may be, you'd experience paying the instalments in the near future, train yourself a saving and loan repayment discipline, and gain a more consistent down-payment for the desire loan, as well as safety in these times of uncertainty.

The urge to temperance (as some media publications described it), cautiousness and thorough analysis before taking a long-term loan does not come as a shock at all! So much the more than this recommendation comes in a time of lack of financial predictability, and the history of the last 15 years shows that all that have happened at international level was strongly felt by the Romanian consumers, too: starting with the 2008-2009 financial crisis, moving on to the difficulties caused by the appreciation of the Swiss franc of 2015 and, eventually, ending with the 2020 healthcare crisis and the significant price rises caused mainly the war fought at our borders, in full swing."

In the first two months of this year, we received **550 negotiation applications** (355 intended to banks and 195 to NBFIs), which turned into **130 conciliation cases** (128 with banks and 2 with NBFIs). Other 75 applications were **settled directly** by the parties, after having referred the disputed matter to ABDRC (25 with banks and 50 with NBFIs).

***Proactive* financial education**

Starting this year, ABDRC adopted a proactive strategy towards consumers, with a view to providing them with information about financial education topics. Thus, those who consent in forms filled out on social media platforms to be contacted by ABDRC, receive additional information by phone – **are called by the ABDRC call-centre operators** – and email. In February alone, more than 370 consumers were contacted and provided information about how they can solve their problems occurred under their contracts with banks and NBFIs.

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 17 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).