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**3**

## Financial consumer protection

**282**

complaints resolved voluntarily



**€460,000**

repaid to customers

**8**

sanction decisions

**2**

NBS Decisions on the APRC

# Financial consumer protection

The Bank responded quickly and flexibly to the government's statutory loan moratorium scheme and provided consumers with a high-quality information service on this issue. Consumer protection supervision was responsible for ensuring the conditions for the moratoria and that people were not hindered in exercising their right to them

## 3.1

### Supervision

#### New supervisory themes in the pandemic year

The supervision of financial consumer protection in the area of consumer credit and housing loans in 2020 was originally to entail the continuation of the supervisory cycle in selected banks and in non-banks specialising mainly in debt recovery.

Because of the COVID-19 pandemic, however, it was necessary to change the supervisory plan in regard to consumer protection and to ensure that on-site inspections by NBS supervision staff were kept to the necessary minimum. As a result, off-site supervision came to the fore. Supervision activity focused on compliance with loan moratorium rules, on advertising and promotional activity, on financial scams, and on checking the content of contractual documentation.

#### 3.1.1 Moratoria on loan repayments for consumers

#### Government measures to ease the impact of the pandemic on households

In 2020 the principal government measure to contain the spread of COVID-19 was the imposition of lockdowns to reduce people's mobility. The lockdowns had a direct downward impact on people's economic ac-

tivity, while at the same time many people continued to have debts in the form of housing loans, consumer credit, and car leasing arrangements. In April the government responded to this situation with the “Lex Corona” legislation, under which borrowers could request a moratorium on loan repayments – for up to nine months in the case of bank loans and three months (extendable for a further three months) in the case of non-bank loans. Consumer protection supervision had the task of ensuring that people were not hindered in exercising their right to a loan moratorium.

## Addressing loan moratoria

The Bank was fast and flexible in its response to the new legislative moratoria on loan repayments and provided consumers with a high-quality source of information on this issue. Since the Lex Corona legislation imposes a considerable number of moratoria-related obligations on banks and non-bank lenders, the Bank’s supervisory activity in this area focused on monitoring compliance with these obligations.

**The Bank checked 19 banks engaged in consumer lending and 21 non-bank lenders for whether they were following correct procedures in regard to pandemic-related loan moratoria.**

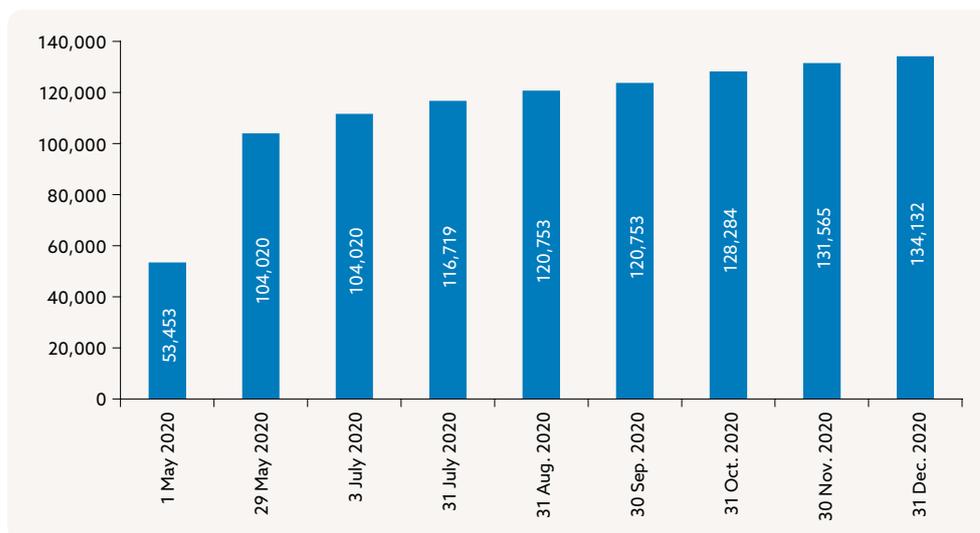
This supervisory activity identified less significant shortcomings, concerning mainly moratorium applications, the fulfilment of statutory information obligations, the provision of information about the moratoria’s consequences and the method of paying interest for the period of moratorium. When asked to do so by the Bank, all of the banks and non-bank lenders in question voluntarily rectified the shortcomings.

As regards consumers’ moratorium applications, most of them were made between mid-April and around mid-June 2020. Moratorium applications had to be processed within 30 days, and, as Chart 27 shows, the bulk of these applications were made in the early part of the pandemic crisis.



**Chart 27:**  
Cumulative  
number of  
approved  
applications  
for Lex Corona  
moratoria on loan  
repayments  
(consumers only)

Sources: Slovak Banking  
Association, and NBS.



## The Bank issued an opinion on loan moratorium agreements

An issue that came under discussion later in the year was how to create conditions for borrowers that would allow them to smoothly resume loan repayments following the expiry of their moratoria. For many borrowers facing the resumption of their repayments, economic conditions had still not returned to normal. As many as 4% of households ([according to an NBS survey](#)) expected to experience significant difficulty in resuming their loan repayments at the end of the year.

In response to this situation, the Bank issued an [opinion](#) enabling simplified moratorium agreements outside the Lex Corona framework for all types of consumer credit.

### 3.1.2 Fraudulent advertising and financial fraud during the pandemic

## The Bank is tracking fraudulent advertising in the online space

As part of its systematic monitoring of advertising targeted at financial consumers, the Bank in 2020 paid increasing attention to potential scams. In doing so, it also closely monitored advertising by entities not under its supervision which nevertheless have a strong presence in the advertising space aimed at financial consumers. The Bank was tracking mainly online forms of such advertising – on websites and social media.

As regards fraudulent advertising whose originator is unidentifiable, the Bank recorded an increasing incidence of such advertising in 2020, particularly in the area of various credit and investment offers. **A total of 53 such advertisements were recorded in 2020, representing an 89% increase compared with 2019.** This increase was partly caused by the pandemic crisis.

In 2020 the Bank also recorded an increase in complaints from financial consumers who had become victims of financial fraud in various guises. Enticing advertising was a major part of these scams. People ask the Bank for information about whether such advertising is for a genuine product or service or whether it is a scam, and they report to the Bank their suspicions of financial fraud.

On the [Warnings](#) page of its website, the Bank regularly draws the public's attention to its findings in the area of financial scams. The Bank points out how scams work, so as to make as many people as possible aware of the problem. **In 2020 a total of 14 warnings were published on the NBS website, including four about different fraudulent practices (the Bank also had a social media campaign on this issue).**

### 3.1.3 Annual percentage rate of charge (APRC)

#### Two new NBS Decrees governing the APRC

Although the APRC is governed by the Consumer Credit Act and Housing Loan Act, supervisory practice has shown that the APRC calculation procedures are not always applied correctly or uniformly. The Bank regularly receives from state institutions requests to calculate annual percentage rates of charge, or validate APRC calculations. The Bank is also regularly asked by consumers to check annual percentage rates of charge. The main reason for these requests is that no universal certified APRC calculator – such that consumers or government authorities could use to check APRC calculations for themselves – are published in Slovakia.

On the basis of enabling provisions in the above-mentioned laws, the Bank in 2020 issued two Decrees laying down detailed provisions on the calculation of the APRC, one for consumer loans<sup>9</sup> and one for housing loans.<sup>10</sup> The Decrees will also bring consistency to court rulings and increase legal certainty in this area.

<sup>9</sup> [Decree No 5/2020 of Národná banka Slovenska of 24 November 2020 laying down detailed provisions on the calculation of the annual percentage rate of charge for consumer loans](#)

<sup>10</sup> [Decree No 4/2020 of Národná banka Slovenska of 24 November 2020 laying down detailed provisions on the calculation of the annual percentage rate of charge for housing loans](#)

## 3.2

# Complaints handling

## Complaints handling is an important source of information for NBS supervision

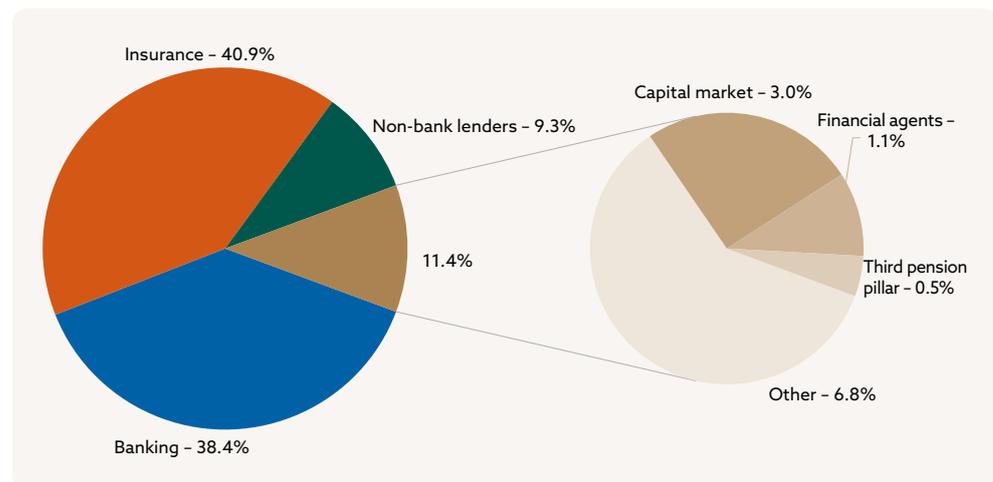
The complaints about supervised entities which it receives from financial consumers and other customers of supervised entities mostly require the Bank to examine compliance with statutory rules and with financial contract arrangements. **In 2020 the Bank received a total of 2,015 complaints**, representing a year-on-year drop of 7%.

Complaints concerning insurers made up the largest share (41%) of that total, though the number of such complaints was 438 lower in 2020 than in the previous year. As for complaints about banking products and services, they increased by 43% (from 539 to 773), owing partly to complaints about the new pandemic-related loan moratoria.



**Chart 28:**  
Financial consumer complaints in 2020 broken down by financial market segment (percentages)

Source: NBS.



Note: The number of complaints about financial agents is low, since any complaints from their customers are usually less about the agent and more about the financial institution whose product or service is provided through the agent.

As regards the proportion of complaints that are justified – i.e. the number of cases in which the Bank finds the supervised entity to be in breach of its obligations – **almost 25% of the complaints made to the Bank in 2020 were assessed to be justified**. In 282 cases, representing 56% of the justified complaints, the supervised entity rectified the breach voluntarily after being asked by the Bank to do so. Compared with the previous year, that share was higher by eight per-



centage points. The consumers who made the complaints resolved in this way were repaid €460,000 by the financial institutions concerned, which was 12% more than the corresponding figure for the previous year.

**Unjustified complaints are generally an indicator of lower financial literacy** (in the case of three-quarters of the unjustified complaints in 2020, the problem was either that the customer had misunderstood the contract or the nature of the financial product or that the product was not what the customer had expected).

Out of the total number of justified complaints, the share resolved by the financial institution itself at the Bank's request typically ranges between 50% and 60%. A more detailed summary of the number of complaints and the proportion of justified complains is given in Table 5.

  
**Table 5:**  
**Summary of complaints in regard to justification and voluntary rectification**

Source: NBS.

Complaints made in 2020 (situation as at 31 December)	Number of complaints in total	Complaints being handled	Justified complaints	
			without rectification	with rectifications
<b>Banking</b>	<b>773</b>	<b>76</b>	<b>52</b>	<b>107</b>
current accounts	309	37	15	42
consumer credit	200	18	16	25
other (banking sector)	147	11	11	25
housing loans	117	10	10	15
<b>Insurance sector</b>	<b>825</b>	<b>130</b>	<b>143</b>	<b>153</b>
non-life insurance – MTPL and windscreen	367	44	73	73
non-life insurance – civil liability	42	10	7	4
personal insurance	195	46	31	39
non-life insurance – comprehensive motor insurance	107	8	17	25
non-life insurance – property	87	19	12	8
non-life insurance – other	27	3	3	4
<b>Non-bank lenders</b>	<b>188</b>	<b>24</b>	<b>22</b>	<b>9</b>
consumer credit	117	21	12	5
debt collection companies	36	3	10	4
other (outside the scope of NBS)	35	0	0	0
<b>Other <sup>1)</sup></b>	<b>137</b>	<b>3</b>	<b>1</b>	<b>1</b>
Capital market	58	8	2	3
Supplementary pension scheme (third pillar)	11	2	0	4
Financial agents	23	5	1	5
<b>Total</b>	<b>2,015</b>	<b>248</b>	<b>221</b>	<b>282</b>

Note: <sup>1)</sup> This category includes complaints where it was not possible to identify the institution (bank/non-bank lender) or the type of loan (consumer loan/housing loan).

The Bank receives a large number of complaints about windscreen in-

insurance claims. The persisting problem of such claims being made under motor third party liability (MTPL) insurance needs to be addressed by an amendment to the MTPL Act. On this matter, to ensure that claims for windscreen damage are settled more smoothly, the Bank has initiated discussions with the Ministry of Finance in 2020.

By contrast, the Bank receives few complaints about financial agents. This may be surprising given that most insurance contracts are concluded through agents and that as much as 60% of new housing loan business is arranged through agents.<sup>11</sup>

## The number and breakdown of complaints made in 2020 was partly affected by the COVID-19 pandemic.

Of the total number of complaints made to the Bank in 2020, almost 8% (153) were related to the pandemic crisis. A more detailed summary of these complaints is given in Table 6.

The pandemic crisis brought an increase in the number of online scams,



**Table 6:**  
Summary of  
pandemic-related  
complaints

Source: NBS.

Financial institution	Subject matter of complaint					Total
	Consumer loan	Housing loan	Phishing	Travel insurance	Other	
Banks	42	32	8	0	24	106
Non-bank lenders	7	0	0	0	3	10
Insurers	0	0	0	15	0	15
Not stated	4	5	0	0	13	22
<b>TOTAL</b>	<b>53</b>	<b>37</b>	<b>8</b>	<b>15</b>	<b>40</b>	<b>153</b>

which was reflected in a higher number of consumer complaints about the misuse of payment data. In this regard, the Bank identified a special type of phishing scam in which fraudsters managed to misuse customers' payment data.

In the area of travel insurance, the Bank received 15 complaints about insurers either not paying claims or not reimbursing the insurance premium following the pandemic-related cancellation of a trip. In ten of these cases, the insurer resolved the complaint at the Bank's request. In 2020 the Bank actively participated in discussions about transferring insurance for trips that were postponed in 2020 because of the pandemic.

<sup>11</sup> See page 44 of the Bank's [Financial Stability Report, May 2020](#).

**A total of eight NBS decisions concerning financial consumer protection took effect in 2020.** In accordance with the Financial Market Supervision Act, the Bank publishes such decisions on its website only when they are valid and enforceable.

### 3.3.1 Consumer loans – unfair commercial practices

Under an NBS supervision [decision](#) that became valid and enforceable on 3 March 2020, a supervised entity – KRUK Česká a Slovenská republika, s.r.o., organizačná zložka – was assessed to have engaged in an unfair commercial practice by misinforming consumers about the amount of their debt and was fined €10,000 for doing so.

### 3.3.2 Insurance sector – unfair commercial practices and unfair terms

This part provides information about final sanction decisions against seven insurers which took effect in 2020 and followed interim measures issued in 2019 against the same supervised entities. All the decisions concerned insurers that had unilaterally increased policy premiums on grounds of the introduction of an insurance tax. Because the information they sent to policyholders about the increase included incorrect information about the price of the insurance, the insurers were assessed to have committed a misleading action constituting an unfair commercial practice. In setting the level and type of sanction, the Bank took account of whether the insurer voluntarily refrained from pursuing the increase before the sanction proceedings commenced as well as whether, before the proceedings were concluded, it had begun to redress the identified shortcoming or to actively cooperate in clarifying the situation.

**The decisions were issued against [Union poisťovňa, a.s.](#), [ČSOB Poisťovňa, a.s.](#), [KOOOPERATIVA poisťovňa, a.s.](#) Vienna Insurance Group, [KOMUNÁLNA poisťovňa, a.s.](#) Vienna Insurance Group, [Generali Poisťovňa, a.s.](#), [UNIQA poisťovňa, a.s.](#) and [Poštová poisťovňa, a.s.](#)** The fines imposed thereunder ranged between €10,000 and €100,000.