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**THE OFFICE OF THE CZECH
FINANCIAL ARBITRATOR**

**ANNUAL REPORT ON THE ACTIVITIES
OF THE FINANCIAL ARBITRATOR
2019**

**(presented pursuant to Section 21 of Act No. 229/2002 Coll.,
On the Financial Arbitrator, as amended)**

October 2020

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I. FINANCIAL ARBITRATOR'S FOREWORD

The annual report on the Financial Arbitrator's Activities in 2019 contains basic information on the Financial Arbitrator as an out-of-court dispute resolution body for certain consumer disputes in the financial market, on the results of the Financial Arbitrator's activities and on the costs of the Financial Arbitrator and the Office of the Financial Arbitrator for the given period.

The simplest way to describe the institute of the Financial Arbitrator is that it is a mock trial for the consumer established by the state, free of charge, free of attorneys' fees, guaranteeing a proper assessment of the case and ensuring satisfaction of the claim or an explanation that the complaint has no chance of success. Only consumers can refer to the Financial Arbitrator. It is obligatory for the financial institutions to participate in proceedings before the Financial Arbitrator.

The state expenditures for the activities of the Financial Arbitrator and for the tasks related to the professional, organizational and technical support of the Financial Arbitrator are executed by the Office of the Financial Arbitrator as an organizational unit of the state and an independent entity whose revenues and expenditures are a part of the budget chapter of the Ministry of Finance.

The Financial Arbitrator has the authority to decide consumer disputes arising from providing of payment services, non-payment accounts and bankbooks, electronic money, consumer credits including mortgage credits and loans from building savings, building savings themselves, collective investments and investment services, money exchange and life insurance. On the contrary, the Financial Arbitrator has no authority to decide consumer disputes arising from financial services such as pension insurance, pension savings, non-life insurance and disputes of shareholders and bondholders, even though all of them are financial services disputes in financial markets.

The Financial Arbitrator first seeks to reach an amicable settlement of the dispute. If the parties to the proceeding reach an agreement and conclude a settlement agreement, the Financial Arbitrator issues a decision on termination of the proceedings. A situation, when the Financial Arbitrator is able to explain to the complainant that from all the gathered evidence it is obvious that the claim is unjustified and it results in withdrawing the complaint by the complainant him/herself, is considered to be an amicable settlement as well. The Financial Arbitrator shall decide the dispute based upon her best knowledge and belief, impartially, fairly, without undue delay and only on the basis of the facts established in accordance with the Financial Arbitration Act and other legislation which means she decides the same way a court would. The Financial Arbitrator's final decision may be judicially reviewed; otherwise it has the same effect as a court decision, i. e. it may be used as an execution title.

The Financial Arbitrator's endeavor fails in mass life insurance disputes, where consumers are represented by attorneys or a group of attorneys cooperating with entrepreneurs, who either acquired the receivable from the insurance contract from the consumer by assignment or bound the consumer with another contract in which a high remuneration for recovery is agreed. These disputes are a harbinger of an attack on insurance companies; consumers often do not even know that any proceedings are held on their behalf (whether before the Financial Arbitrator or a court).

Even consumers without attorneys are sometimes not capable of self-reflection and are not willing to settle the dispute amicably, even though the Financial Arbitrator presents them a detailed and objective preliminary legal assessment. They are unable to withdraw from their unjustified claims (compensation for non-pecuniary damage, etc.) and to proceed to a possible amicable settlement of the dispute submitted by the institution or recommended by the Financial Arbitrator.

The Financial Arbitrator publishes anonymized versions of her decisions in merit (i. e. not rulings) including reasoning in the Collection of Decisions, which is located on the Financial Arbitrator's website. The main aim is to inform the public (consumers and institutions) about current disputes and to allow the predictability of the Financial Arbitrator's decision-making. The number of published decisions does not reflect the real number of heard disputes, because part of the disputes does not even arise thanks to published decisions and another part of them, which is settled amicably, is not published. At the end of 2019, the Financial Arbitrator began with

redesigning the website presentation of the Collection of Decisions. The new version will include complex information about significant disputes and judicial reviews.

It is not always possible to satisfy or help every consumer; quite often consumers come late or complicate their lives and possible solution of a dispute by their own recklessness and tardiness. Institutions are sometimes not happy with the decisions of the Financial Arbitrator, because without its existence, consumers would not sue the institution even at court. Perhaps the Financial Arbitrator may be unpopular among some complainants, whose complaints were dismissed, or among institutions, which are repeatedly taught by the Financial Arbitrator's decisions that their behavior toward consumers, as their clients, is not correct.

According to the responses of the vast majority of consumers, who turn to the Financial Arbitrator and whose opinions the Financial Arbitrator got, the consumers have confidence in this institution and appreciate how the state protects consumers in the financial market through the Financial Arbitrator.

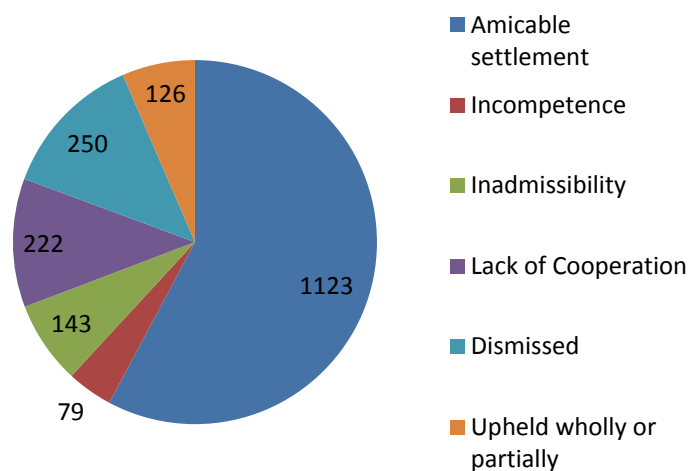
There is still some unwillingness of some consumers to cooperate in the proceedings and they choose to be represented by an attorney or a general representative, even though a commencement and a process of the proceeding is simple and the reason for the Financial Arbitrator's existence is to help to consumer to file a complaint and to exercise his/her rights. The negative impact of using a representative is that a consumer has to pay fees to such person because the Financial Arbitrator cannot grant him these costs, because the costs are borne by each party to the proceedings.

In 2019, the Financial Arbitrator received 1,178 complaints, heard a total of 3,142 disputes (both ongoing and suspended) and the amount of queries from the public exceeded 5,000. Consumers' common questions were about the competence of the Financial Arbitrator and about their own individual disputes.

The Financial Arbitrator managed to resolve 1,944 disputes, which makes a 17% annual increase (in 2018 she resolved 1,656 disputes). The most disputes and queries were related to consumer credits. For the first time since 2014, the most disputes arose from consumer credit instead of life insurance.

Typical disputes arisen in connection with consumer credit happened to be disputes on the invalidity of the credit agreement due to a violation of the duty to duly assess the creditworthiness of the debtor, on a determination of the amount of the debt in relation with a consumer credit (considering an excessive amount of fees or invalid contractual penalty provision) and on the fee for early repayment of the credit. In most life insurance disputes complainants sought the invalidity of an agreement or determination of the amount of insurance benefit. Real reason for these disputes is actually fees (commissions of intermediaries), which are charged by insurance companies in first couple of years after the insurance agreement is concluded.

The Financial Arbitrator is able to reach an amicable settlement in majority of justified cases that are heard before her. In 2019, a total of 1,124 out of 1,944 resolved disputes were settled amicably (58%). The Financial Arbitrator terminated 1,107 proceedings due to a complainant's withdrawal or because a dispute became devoid of purpose. In 5 cases, on request of the parties to the dispute, the Financial Arbitrator approved the amicable settlement concluded by the parties by issuing a decision.



Another 12 proceedings were terminated because a dispute became devoid of purpose, because the financial institution satisfied the consumer's claim completely and brought evidence about it, though the consumer did not withdraw his/her complaint, because for him/her the obtaining of compensation meant the end to the current dispute. A complaint was wholly upheld in 5 cases and partially in 121 cases. On the other hand, a complaint was dismissed in 250 cases, because the Financial Arbitrator decided that the complaint is unjustified.

The only exception is life insurance disputes, where the ideal amicable settlement from the complainant's and the institution's point of view often differs from the Financial Arbitrator's assessment. The consumer seeks a declaration of invalidity of the contract and refund of the already paid premium and the insurance company seeks a declaration of full validity of the insurance contract. The needs of none of them are satisfied, if the Financial Arbitrator decides that the contract is invalid, but only a part of a claim is granted because of the plea of limitation. The life insurance disputes regularly continue with the judicial review of the award issued by the Financial Arbitrator and the Financial Arbitrator is being attacked by consumers and insurance companies.

Regarding the personnel ensuring of the Financial Arbitrator's activities, the total number of systemized positions was 60 posts (not service posts in terms of Civil Service Act) in 2019, including the post of the Financial Arbitrator and his deputy. As of 31 December 2019, 55 systemized posts were actually filled. There was a hiring process going on throughout the whole year. The majority of the employees of the Office of the Financial Arbitrator are graduates in law. The personnel capacity of the Office of the Financial Arbitrator is not sufficient, as there is a lot of ongoing proceedings that require thorough professional assessment.

In 2019, the Financial Arbitrator, via appointing the Deputy Financial Arbitrator with the foreign agenda, cooperated intensively on the international, particularly European, level with representatives of similar foreign institutions united in the European network of the financial ombudsmen FIN-NET and the worldwide INFO Network. The Financial Arbitrator is a notified body within the European Commission according to the European Directive on alternative dispute resolution for consumer disputes and is connected to the European platform for the on-line resolution of consumer disputes.

As in previous years, only necessary costs were spent on the activities of the Financial Arbitrator and of the Office of the Financial Arbitrator. The majority of public contracts, in which the Office of the Financial Arbitrator participates, are public contracts centrally procured by the Ministry of Finance. Neither the Financial Arbitrator, nor the Office of the Financial Arbitrator make use of external legal or advisory services.

The outlook for the following period is more than clear – as many fairly settled disputes as possible in the shortest possible time as well as bringing simple solution of consumer disputes in the financial market.

In Prague on 16 October 2020

Monika Nedelková m. p.
The Financial Arbitrator

II. COMPETENCE OF THE FINANCIAL ARBITRATOR

The Financial Arbitrator, as an out-of-court decision-making public authority constituted by law deciding consumer disputes in financial markets free of charge, is according to section 1(1) of Act No. 229/2002 Coll., On the Financial Arbitrator, as amended (hereinafter the "Financial Arbitrator Act") competent to decide disputes, otherwise falling under jurisdiction of the Czech courts, between consumer and

- a) a payment service provider in connection with offering and providing payment services,
- b) an electronic money issuer in connection with issuing and reverse exchange of electronic money,
- c) a creditor or an intermediary in connection with offering, providing or mediation of consumer credit or other credit, loan or other similar financial service,
- d) a person managing or administering a collective investment fund, or offering an investment in a collective investment fund or in a comparable foreign investment fund in connection with managing or administering a collective investment fund, or with offering an investment in a collective investment fund or a comparable foreign investment fund,
- e) an insurer or an insurance intermediary in connection with distribution of life insurance and in connection with exercising rights and obligations from life insurance,
- f) a money exchange provider in connection with money exchange,
- g) a building savings bank or an intermediary in connection with offering, providing or mediation of building savings,
- h) a person providing investment services in connection with providing investment services,
- i) a person servicing a non-payment account in connection with servicing such account,
- j) a beneficiary of a single deposit in connection with accepting and refunding of such deposit.

The Financial Arbitrator is authorized to decide following disputes in connection with providing payment services:

- ATM withdrawal or payment with a credit card made by a third party (misappropriation of the credit card),
- misappropriation of a payment instrument (online banking),
- malfunction of the ATM – failure to dispense cash,
- money presented to the bank via ATM or personally by the client have not been credited to the account,
- validity of the termination of the payment account,
- deduction of charges from the amount of the payment transaction made by the payment services intermediary,
- non-execution of a payment transaction initiated by the payee (or a refusal to execute it),
- malfunction of the ATM – money debited from the account twice (or several times),
- delayed execution of a payment transaction,
- incorrect exchange rate used for a cross-border wire transfer,
- incorrect fee for providing a payment service,
- payment transaction made without consent of the payment service user.

The Financial Arbitrator is authorized to decide disputes arising in connection with consumer credits (amongst others, non-purpose loans, mortgage loans, building savings loans) or any other credit, loan or other financial service between a consumer and a creditor or an intermediary regarding:

- the validity of the credit agreement, of the provision on penalty for non-compliance with the agreement, or of another provision of the credit agreement,
- the amount of the debt following from the credit agreement,
- the validity of the credit agreement for non-assessment of the creditworthiness of the debtor,
- the amount of the compensation of the creditor for providing the credit,
- the right to a discount interest rate (after being claimed),

- the calculation of the annual percentage rate of charge (APR),
- the right of early repayment,
- the validity of the withdrawal of the credit agreement or intermediary agreement,
- the validity of declaring the whole credit payable,
- the fees following from the credit agreement or intermediary agreement,
- the fee for early repayment;
- damages caused by the creditor to the debtor in relation with the conclusion of the credit agreement.

The Financial Arbitrator is authorized to decide disputes arising in connection with collective investment, therefore disputes between a consumer and a management company or an investment fund regarding:

- the settlement of the buy/sell/exchange of units,
- the value of units,
- the proper execution of the order to buy/sell/exchange units by the investment firm,
- the proper execution of the order to buy/sell/exchange units by the investment intermediary,
- damages caused by an investment advice provided by a management company or an investment intermediary in connection with collective investment,
- the fee charged for buy/sell/exchange of units,
- damages related to the fulfilling of information duties by a management company or an investment fund.

The Financial Arbitrator is authorized to decide disputes arising from providing investment services between a consumer and a person providing investment services, e.g. an investment firm, an investment intermediary, a tied agent or a foreign person authorized by the supervisory authority of another EU member state, for example in the following cases:

- the proper execution of the order to buy/sell a financial instrument,
- damages caused by an investment firm or an investment intermediary in connection with providing investment advice,
- the fee charged for buy/sell of a financial instrument,
- the validity or termination of an investment services agreement.

The Financial Arbitrator may decide disputes arising in connection with money exchange, particularly:

- the fee charged for currency exchange,
- the validity of a currency exchange contract,
- the amount of the exchange rate,
- damages for breach of pre-contractual information duties when providing exchange of currencies.

Financial Arbitrator is authorized to decide disputes arising in connection with life insurance between a consumer and an insurance company or an insurance intermediary regarding:

- the validity of the insurance agreement or its provision,
- the amount of insurance benefit,
- the amount of surrender value,
- damages for breach of duties during the negotiation of the insurance contract.

The Financial Arbitrator may decide disputes not only from already concluded contracts on building savings, but also disputes that arise during the pre-contractual stage or in the mediation of building savings, in particular:

- the validity of the building savings contract or its provision,

- the validity of withdrawal or termination of the building savings contract,
- the validity of an unilateral change of the building savings contract (e.g. decrease of the interest rate on deposits or increase of the fee for keeping the building savings account),
- the fee charged by the building savings bank,
- the amount of State aid for the building savings contract,
- damages for breach of duties in connection with the mediation of the building savings contract.

However, some disputes do not fall within the competence of the Financial Arbitrator, because they are not covered by any of the areas listed in the Financial Arbitrator Act. Even though, the public shows interest in the resolution of such disputes before the Financial Arbitrator by filing a complaint. These are mainly disputes concerning:

- disputes between bond holders and bond issuers,
- disputes between share holders and limited liability companies,
- non-life insurance (property insurance, accident insurance, liability insurance, injury insurance, incapacity work insurance etc.), even if it was negotiated as a supplementary insurance to life insurance,
- pension insurance or pension savings,
- membership in a credit cooperative (dispute on the amount of membership or settlement share),
- disputes between a mobile operator and a client in connection with providing electronic communications service,
- the protection of personal data indirectly connected with financial services.

The Financial Arbitrator also cannot decide a dispute if the complaint does not meet some requirements stated by the Financial Arbitrator Act; therefore the Financial Arbitrator is not authorized to hear the dispute if:

- the dispute has already been decided in merits by the court or the court proceedings have been commenced,
- the dispute is currently being heard or has been decided by the Financial Arbitrator,
- the dispute has been decided in merits in arbitration proceedings or arbitration proceedings have been commenced.

III. RULES OF PROCEDURE BEFORE THE FINANCIAL ARBITRATOR

The Financial Arbitrator leads the proceedings according to the Financial Arbitrator Act and Act No. 500/2004 Coll., Administrative Procedure Code, as amended (hereinafter referred to as “the Administrative Procedure Code”), unless the Financial Arbitrator Act provides otherwise. For example, the Financial Arbitrator Act contains no provisions on the counting of deadlines, the procedure of acquaintance with the evidence of the file prior to delivering a decision, the procedure of deciding on a stay of the proceedings or the termination of the proceedings in specific cases and when assessing if the appeal or the objections against the decision of the Financial Arbitrator were not submitted belatedly.

The proceedings are governed by the investigation principle. Thus, the Financial Arbitrator shall collect all the relevant evidence to decide the dispute based upon her best knowledge and belief, impartially, fairly, without undue delay and only on the basis of the facts established in accordance with the Financial Arbitration Act and other legislation. The complexity of the case and the need of cooperation of the parties as well as third institutions or persons in the proceedings shall always be taken into account. Before issuing a decision, the Financial Arbitrator shall ensure that the established facts of the case are not subject to a reasonable doubt and weigh evidence in her discretion to issue a fair decision.

For that matter, the Financial Arbitrator proceeds as follows: as soon as the complainant amends the complaint so it has no deficiencies, the Financial Arbitrator requests the institution, against which the complaint has been filed, to provide a response to the complaint and to provide evidence. The Financial Arbitrator may request both the complainant and the institution repeatedly and may also address other natural or legal persons to provide it.

The Financial Arbitrator continually assesses the collected evidence and if the consumer’s claim is justified, discusses the case with the complainant or the institution, or gets the parties acquainted with a preliminary legal assessment of the case and seeks to bring the parties to an amicable settlement.

When a dispute cannot be settled amicably, either for the reasons on the part of the complainant or the institution, the Financial Arbitrator issues a decision in merits. Before a decision is issued, parties of a dispute get acquainted with the collected evidence, either by personally inspecting the files or, when requested by a party, by receiving it by post, via email or data box.

The Financial Arbitrator decides a dispute in merits by an award. The complexity of a case needs to be assessed based on a subject of the dispute and collected evidence (in particular the contractual documentation) considering assertions of the parties and their conclusiveness.

The Financial Arbitrator is obliged to decide a dispute by an award without undue delay, but no later than within 90 days of the collection of all evidence necessary to deliver a decision; if, in particularly complicated cases, due to the nature of the dispute, the decision cannot be delivered even within this deadline, the deadline shall be reasonably extended, by no more than another 90 days.

The process of collecting evidence includes amendments of a complaint by the complainant, requesting evidence from the institution or requested persons, assessment of the evidence aiming to make a preliminary legal assessment of the case, notification of the preliminary legal assessment to the parties and providing assistance with discussion of the amicable settlement of the dispute.

The parties to the proceedings may file reasoned objections to the award in writing. The Financial Arbitrator decides on the objections as well. The decision on objections is final, i.e. it is not possible to appeal against it and the decision comes into legal force.

The Financial Arbitrator’s final decision is enforceable as soon as the deadline to comply with it expires and it has the same effects as a court decision. If the institution fails to comply with the decision voluntarily, the complainant may file an application for enforcement of a decision.

Both parties to the proceedings may file an action on judicial review of the decision on objections in a competent court, according to the Part V of Act No. 99/1963 Coll., Code of Civil Procedure, as amended. Only the complainant and the institution are parties to the court proceedings and bear the costs of court proceedings as determined by the court.

IV. FINANCIAL ARBITRATOR, DEPUTY FINANCIAL ARBITRATOR – THE OFFICE OF THE FINANCIAL ARBITRATOR – ORGANIZATIONAL ARRANGEMENTS OF THE FINANCIAL ARBITRATOR’S ACTIVITIES

Financial Arbitrator

As of 1 July 2011 the Financial Arbitrator and the Deputy Financial Arbitrator are appointed or dismissed by the Government on a proposal of the Minister of Finance. The Financial Arbitrator is held responsible for the exercise of her duties to the Government. Only irreproachable, fully legally capable persons with good reputation, sufficient qualifications and experience may be appointed Financial Arbitrator or Deputy Financial Arbitrator. A prerequisite for the appointment of the Financial Arbitrator and the Deputy Financial Arbitrator is also a university degree obtained in the master's program in law at a university in Czech Republic and the proof of a five years' experience in the financial market or in the area of consumer protection in the financial market. The employment relationship and remuneration of the Financial Arbitrator and of the Deputy Financial Arbitrator shall be governed by the Labor Code.

As of 16 November 2011 the function of the Financial Arbitrator shall be exercised by Monika Nedelková.

Monika Nedelková graduated from the Faculty of Law of Charles University in Prague. Since 1995 she has been working almost exclusively in the public administration, focusing on the financial market area. She began her career in the Department for Capital Market Supervision at the Ministry of Finance. She also worked as an associate in a leading Czech law firm. At the Czech Securities Commission she held a position of Head of the Legal Division and Director of the Enforcement Department. After the dissolution of the Czech Securities Commission she worked as the Director of Enforcement Department in the Czech National Bank. Prior to being appointed Financial Arbitrator, she had directed the Financial Market Supervision Department at the Ministry of Finance.

Deputy Financial Arbitrator

As of 7 March 2013 the function of the Deputy Financial Arbitrator shall be exercised by Lukáš Vacek.

Lukáš Vacek graduated from the Faculty of Law of Charles University in Prague and from a joint degree program at the Law Faculty of Masaryk University in Brno and Nottingham Trent University (MPA). In years 2004-2013 he worked at the Ministry of Finance, out of which for more than seven years he held the position of the Head of Retail Financial Services and Consumer Protection in the Financial Market Unit. He was responsible for the preparation of legislation in the area of consumer credit and of the Financial Arbitrator Act, and also for the area of deposit guarantee scheme or distribution of financial services. On behalf of the Czech Republic he negotiated the EU legislative proposals within the EU Council working groups, including e.g. the Mortgage Credit Directive, the revision of the Insurance Mediation Directive and other legislation. He was a member of the Platform for Out-of-court Resolution of Consumer Disputes at the Ministry of Industry and Trade. He has been actively engaged in financial education and in resolving the problems arising from over-indebtedness. He regularly publishes articles in professional journals (Jurisprudence, Law and Family, Commercial Law Revue) and he lectures academics, professionals and public.

Office of the Financial Arbitrator

The Financial Arbitrator is the head of the Office of the Financial Arbitrator. In the Financial Arbitrator's absence, the Deputy Financial Arbitrator acts on behalf of the Financial Arbitrator to the full extent of the competence and responsibilities of the Financial Arbitrator. The employment relationship and the remuneration of the employees of the Office of the Financial Arbitrator are governed by the Labor Code.

Organizational structure of the Office of the Financial Arbitrator was in 2019 formed by its organizational units:

- the Financial Arbitrator,
- the Deputy Financial Arbitrator,
- the Department of Payment Services, Money Exchange and Building Savings,
- the Department of Credits I,
- the Department of Credits II,
- the Department of Investments,
- the Department of Life Insurance I,
- the Department of Life Insurance II,
- the Department of Life Insurance III,
- the Department of Administrative Support,
- the Internal Auditor,
- the Secretary of the Financial Arbitrator.

The organizational structure varies according to actual needs. Due to the increasing number of consumer credit disputes and, in particular, life insurance disputes, and due to the need to settle each and every dispute quickly and efficiently, multiple departments have been created. The distribution of disputes among the departments is usually based on the complexity of the case without considering a particular financial institution, in life insurance departments the distribution is based on insurance company and type of product though.

The structure of the management is:

- the Financial Arbitrator and, in his absence, the Deputy Financial Arbitrator,
- the Deputy Financial Arbitrator, if authorized by the Financial Arbitrator to the permanent exercise of his decision-making powers,
- a department headed by the head of department (each department provides a comprehensive support in the specific area of the competence of the Financial Arbitrator, i.e. in activities that are usually directly related to each other and build on each other, except for decision-making).

In addition to the positions of the Financial Arbitrator and the Deputy Financial Arbitrator there are following positions established to perform the Financial Arbitrator's activities:

- Head of Department,
- Lawyer,
- Methodist,
- Administrative Officer,
- Internal Auditor,
- Accountant, Budgeter and PR Manager,
- Secretary.

The development of job positions since the establishment of the Office of the Financial Arbitrator (including the Financial Arbitrator herself and the Deputy Financial Arbitrator) has been following:

2011	14 systemized posts
2012	14 systemized posts
2013	14 systemized posts
2014	35 systemized posts
2015	35 systemized posts
2016	45 systemized posts
2017	55 systemized posts
2018	55 systemized posts
2019	60 systemized posts (with a budget for 55 systemized posts only)

The Office of the Financial Arbitrator asked for 15 additional systemized posts from 2019 and got 5 posts. During the reference period, the number of systemized posts decreased to 57 based on the

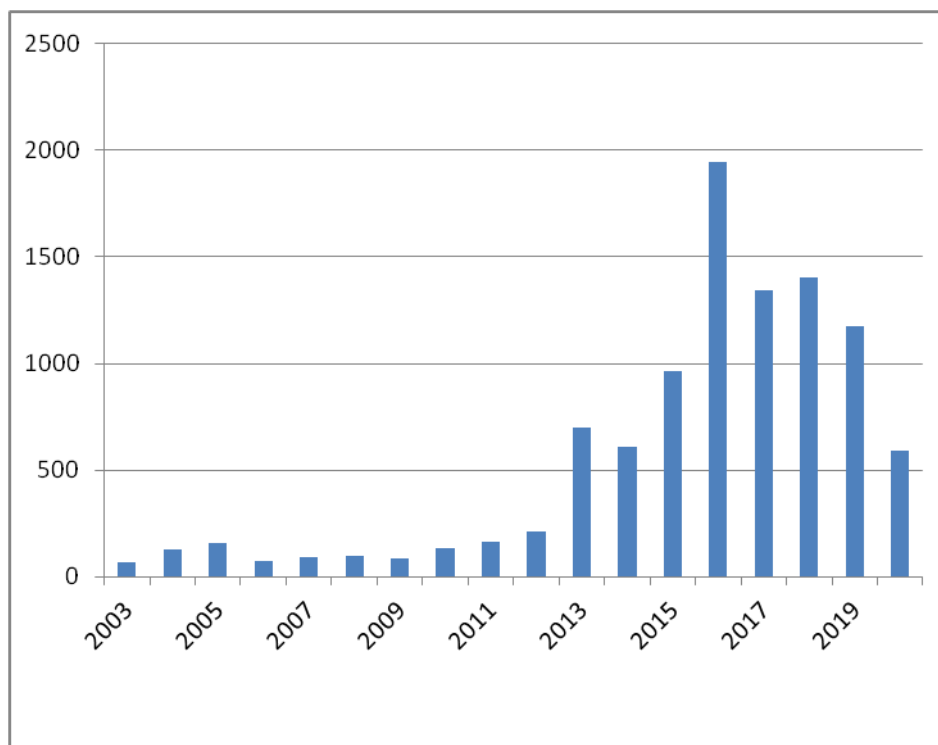
government decision. Considering the overall shortage of qualified workers in private and public sector in Czechia, not all of the systemized posts are occupied. Therefore, the Office of the Financial Arbitrator employs persons on the basis of agreements out of employment relationship with employees on parental leave and orders current employees to work overtime.

V. SUMMARY OF THE FINANCIAL ARBITRATOR'S ACTIVITIES

In 2019, the Financial Arbitrator received 1,178 complaints and commenced 160 proceedings to impose a fine on the institution due to lack of cooperation. In total, 1,338 proceedings have been commenced. As of 30 June 2020 the Financial Arbitrator has already received 590 complaints.

The annual sum of commenced proceedings since the constitution of the Financial Arbitrator (2003 – 2020)

Year	Total
2003	66
2004	128
2005	160
2006	77
2007	92
2008	99
2009	84
2010	134
2011	163
2012	210
2013	698*
2014	612
2015	964
2016	1,948
2017	1,344
2018	1,401
2019	1,178
2020	590**



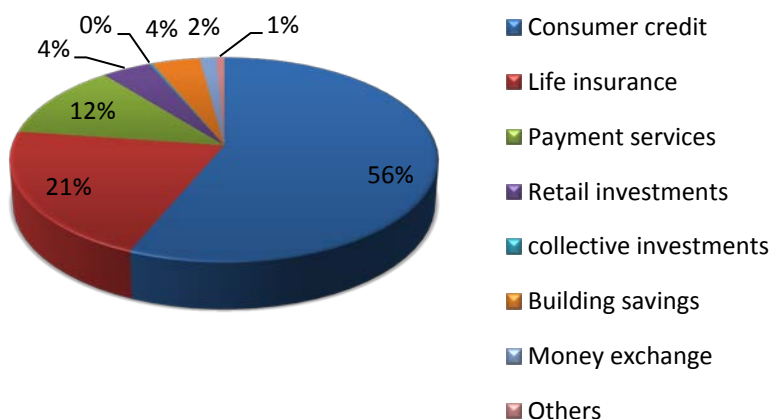
* In 2013, the Financial Arbitrator received 93,139 complaints filed jointly concerning credit administration fee (information about settlement of the disputes was contained in the report on the activities of the Financial Arbitrator 2014).

** state as to 30 June 2020

Proceedings commenced in 2019 divided into specific areas

The majority of complaints received in 2019 consumer credit disputes and the least of them were money exchange and collective investments disputes.

Area	Total
Life insurance	246
Building savings	49
Consumer credit	664
Payment services	141
Collective investments	3
Retail investments	50
Money exchange	17
Other	8
Total	1,178

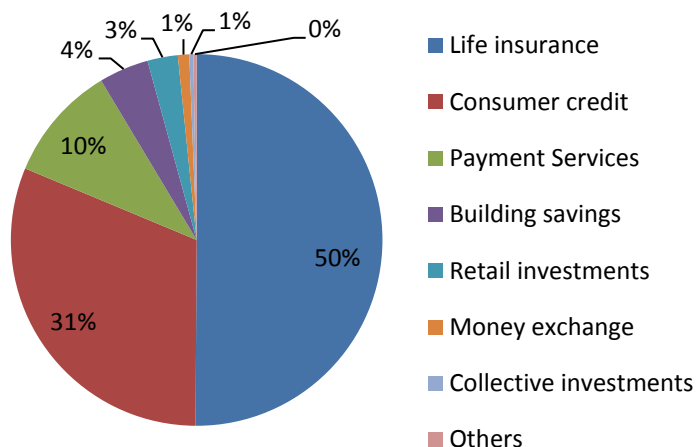


Beside newly commenced proceedings, there were 1,964 ongoing proceedings commenced in previous years, which makes a total of 3,142 ongoing proceedings in 2019.

Ongoing proceedings are also proceedings suspended for legal reasons (e.g. ongoing insolvency proceedings) or at the complainants request (e.g. pending judicial decision or the Financial Arbitrator's decision) and proceedings where a complainant amends a complaint, evidence is collected, dispute is being settled amicably, award or ruling on objections is being prepared, i.e. every proceedings which were not terminated before 31 December 2019.

Ongoing proceedings in 2019 divided into specific areas

Area	Total
Life insurance	1,574
Consumer credit	980
Payment services	318
Building savings	136
Retail investments	83
Money exchange	31
Collective investments	11
Others	9
Total	3,142



Payment services

There were 141 proceedings commenced in 2019 and 119 final decisions were issued, 83 out of them were settled amicably, 8 of them were dismissed, 6 of them were terminated for the lack of competence and 22 of them were terminated for the consumer's failure to provide assistance.

The most common type of payment services dispute is unauthorized payment transaction, usually in connection with the use of payment instruments such as internet banking or credit card, often related to a cash withdrawal from an ATM with a stolen credit card and a PIN code.

Disputes arising from the improper execution of the payment transaction were also frequent, particularly when an ATM was used for the operation, e.g. a dispute on the amount of inserted cash into an ATM, when the complainant claims he inserted a higher amount than the sum the provider of payment services has credited to his account, or a dispute on the amount of withdrawn cash from an ATM, when the complainant claims he/she received different (lower) amount than he/she entered, or that the provider of payment services debited his/her account with different (higher) amount than he/she actually withdrew.

The Financial Arbitrator also dealt with disputes arisen in connection with decision enforcement by assignment of the claim from the account managed by the provider of payment services, which are disputes on the payment of the sum corresponding to the double of the life subsistence minimum from an individual's account, or disputes about the proper amount of money sent by the provider of financial services to the purpose of decision enforcement.

Consumer credit

There were 664 proceedings commenced in 2019 and 490 final decisions were issued, 395 out of them were settled amicably, 7 of them were fully or partially upheld, 7 of them were dismissed, 35 of them were terminated for the lack of competence and 46 of them were terminated for the consumer's failure to provide assistance.

Typical disputes arisen in connection with consumer credit happened to be disputes about the invalidity of the credit agreement due to a violation of the duty to duly assess the creditworthiness of the debtor.

In addition, disputes concerning a determination of the amount of the debt in relation with a consumer credit (considering an excessive amount of fees or invalid contractual penalty provision), especially for low principal credits and short maturity credits, were frequent. Disputes on the fee for early repayment of the credit, particularly the mortgage credit, were also frequent; consumers questioned the amount of the fee and demanded that only purposefully incurred costs in thousands of Czech crowns were charged.

Other objects of disputes were registrations in the registries of debtors. In these cases consumers approached the Financial Arbitrator with requests to review if the institutions were indeed entitled to share information about their commitments in the registries and to determine the amount of debt in relation with non-standard credit products, i.e. product, which are for consumers more difficult to understand (e.g. building savings bridging loans, credit cards).

There were some cases that the Financial Arbitrator could not resolve and had to terminate the proceedings, because she acknowledged that the agreement was not contracted by a consumer and a complainant failed to prove that the credit was in fact a consumer credit.

Building savings

There were 49 proceedings commenced in 2019 and 52 final decisions were issued, 47 out of them were settled amicably, 2 of them were dismissed and 3 of them were terminated for the consumer's failure to provide assistance.

The most common dispute in matter of building savings were disputes about the validity of the unilateral termination of the contract on building savings by the building savings bank, the validity of an unilateral change of the building savings contract by which the interest on deposits was decreased and disputes about the management of the building savings account, particularly about the amount of the fee for the building savings account management, the amount of the State aid or the amount of the interest on the building savings deposits.

Life insurance

There were 246 proceedings commenced in 2019 and 1,210 final decisions were issued, 564 out of them were settled amicably, 119 of them were fully or partially upheld, 221 of them were dismissed, 172 of them were terminated for the lack of competence and 134 of them were terminated for the consumer's failure to provide assistance.

In most life insurance disputes complainants sought the invalidity of an agreement and the reimbursement of premiums. The complainant's argument was that he/she thought that it was a savings agreement and the insurance intermediary or the insurance company misled him/her about the nature of the product during the negotiation of the contract. In numerous life insurance disputes complainants sought the invalidity of the provisions on fees in the agreement (management fees, fees for a conclusion of a contract, fees for the risks taken etc.), because the fees were hidden in the agreement or not contracted at all.

Consumers filed complaints against the majority of the insurance companies in the Czech insurance market.

The Financial Arbitrator resolved disputes about the validity of many insurance agreements with various types of insurance products. Even though the Financial Arbitrator was able to reach an amicable settlement in some cases, the majority of them still ended with issuing an award, in which the invalidity of insurance contracts was confirmed or the complaint was dismissed due to statute of limitations.

The most of the Financial Arbitrator's decisions are judicially reviewed by court on complainant's or institution's request. The complainants disagree mainly with the legal assessment of limitations and institutions disagree with declaration of invalidity of a part of or a full contract.

So far, the results of judicial reviews of the Financial Arbitrator's decisions are not uniform. In majority of cases, courts confirm the Financial Arbitrator's decisions, although some courts do not

confirm the Financial Arbitrator's decisions and decide similar disputes differently even than other courts.

The Financial Arbitrator is convinced that she considered thoroughly all relevant facts she gathered within the proceedings and duly justified, why the complaint was upheld or dismissed, in issued decisions. The decisions contain established facts of the case, legislation and case law including judicial reviews of the Financial Arbitrator's decisions in similar cases.

Hence, it is necessary to wait until the higher courts unify the decision-making in such cases.

Investments

There were 53 proceedings commenced in 2019 and 47 final decisions were issued, 23 out of them were settled amicably, 12 of them were dismissed, 8 of them were terminated for the lack of competence and 4 of them were terminated for the consumer's failure to provide assistance.

Although the number of disputes in collective investments and investment services (retail investments) is lower in comparison with other areas of the Financial Arbitrator's competence, these disputes are more diverse, because an object of each and every dispute differs from the others and the legal assessment reaches across various areas of the financial market. The legislation is fragmented, but vast when joint together. In some cases, a legal relationship between a complainant and an institution is governed by foreign law (e.g. Cyprus law; a foreign broker provides investment services in Czechia via its tied agent or investment intermediary; sometimes even the place, where the agreement was concluded or investment services were provided, is not certain). Due to the large scope of the regulation on the capital market, the diversity of its actors and activities on the financial market and high level of internationalization, the legal assessment of such disputes is significantly more demanding on time and human resources.

Disputes on retail investments are mainly disputes about the amount of the entry fee for the intermediation of the investment in a collective investment product, wrongful investment advice by the investment intermediaries, e.g. to invest into high risk financial products, financial products misselling, damages for violation of the information duties during investment products distribution and disputes on damages for the investment loss suffered by the consumer.

Money Exchange

There were 17 proceedings commenced in 2019 and 25 final decisions were issued, 10 out of them were settled amicably, the rest of them were terminated for the consumer's failure to provide assistance.

The majority of money exchange disputes were disputes about the amount of the currency rate and the amount of the fee for the exchange transaction. The complainants were mostly foreign tourists and the financial institutions were exclusively money exchanges, not any other persons or entities authorized to currency exchange activity. In money exchange disputes, the Financial Arbitrator examines if the money exchange provider has fulfilled its information duty towards the customer about the conditions of the exchange or if the customer failed to get fully acquainted with the provided information.

As of 1 April 2019, an amendment to the Foreign Exchange Act, which stipulates the customer's right to withdraw from the foreign exchange transaction or its part, came into effect. It led to a significant decrease in number of complaints in this area. Rather than resolve disputes, consumer ask the Financial Arbitrator how to withdraw from the exchange.

Disputes out of competence of the Financial Arbitrator

There were 8 proceedings commenced on 2019, where the subject matter was clearly out of competence of the Financial Arbitrator. The Financial Arbitrator is obliged to deal with such complaints as well, despite of later termination of the proceeding due to lack of competence.

Hundreds of consumers and even entrepreneurs turn to the Financial Arbitrator with matters out of its competence. The Financial Arbitrator handles these suggestions and complaints as queries.

Results of the decision making process and length of proceedings

The Financial Arbitrator in an attempt to reach an amicable settlement of the dispute usually presents the parties a preliminary legal assessment of the dispute containing her view of a fair amicable settlement. Should the parties decline to settle a dispute amicably, the Financial Arbitrator issues an award or a decision on objections.

Simpler proceedings, in which both sides of the dispute provided the Financial Arbitrator with assistance, the subject of the dispute was clear from the beginning of the proceedings, legal issues related to the dispute have been already decided by the Financial Arbitrator and applicable case law is available, last, while preserving all procedural rights and obligations, 4 months at minimum. The length of proceedings in more complex cases is roughly 10 to 12 months. In particularly difficult cases, in terms of assessing of legal aspects, the complexity of the gathering of necessary documents and the subsequent seeking of an amicable settlement is even longer; these proceedings are the most frequent.

The average length of proceedings resolved in 2019 was 523 days from commencement of the proceedings till the legal force of the decision. This number is distorted (thus not meaningful) by the average length of life insurance disputes (with average being 703 days) caused by intentional overwhelming of the Financial Arbitrator by groups of lawyers engaging in concerted practices working with debt collection companies and by their lack of cooperation. In other areas, disputes were resolved significantly faster - the average length of proceedings is 207 days for consumer credit disputes, 255 days for payment service disputes and 276 days for building savings disputes. Last but not least, it should be kept in mind that in the case of an amicable settlement of the dispute (58% of all proceedings), the dispute is in fact resolved at the time of conclusion of the agreement between the consumer and the institution, followed by the entry into force of the decision of the Financial Arbitrator couple of weeks later.

A length of the proceedings before the Financial Arbitrator is significantly influenced by the Financial Arbitrator’s effort to bring parties of a dispute to an amicable settlement or to a withdrawal of an unfounded complaint. Resolving a dispute without any prior attempt to reach an amicable settlement could have negative consequences for a consumer such as proceedings at court and its costs and also burdening the court system.

In addition, disputes with a similar subject of claim and against the same financial institution are first heard by the Financial Arbitrator separately within the frame of one case. When the final conditions of an amicable settlement are negotiated between the financial institution and the Financial Arbitrator, the amicable settlement is discussed in and adjusted to other proceedings with regard to individual conditions of each dispute.

Current status of ongoing proceedings in 2019* as of 30 June 2020

Result	Sum
Decision in legal force as of 31 December 2019	1,944
Decision in legal force from 1 January 2020 to 30 June 2020	598
Suspended due to ongoing court proceedings or criminal proceedings	107
Ongoing proceedings as of 30 June 2020 (the evidence is being collected, an amicable settlement is negotiated, results of judicial review or criminal proceedings are expected)	491

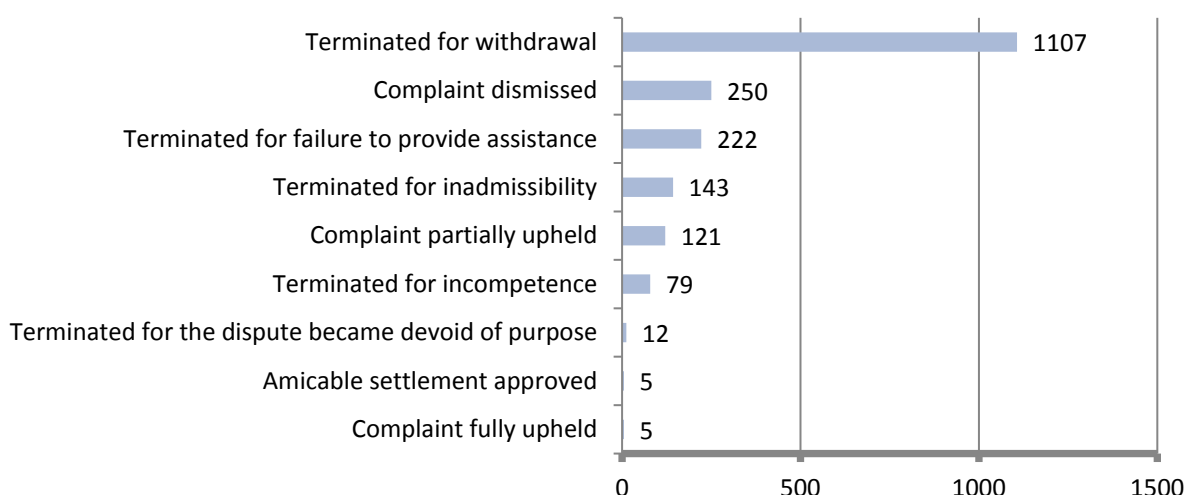
**In 2019, the Financial Arbitrator managed to resolve 1,948 disputes, which means 17% annual growth in comparison with 1,656 disputes in 2018.*

As far as the results of the disputes in competence of the Financial Arbitrator are concerned, out of 1,944 proceedings resolved in 2019, 58% were settled amicably, i.e. financial institution satisfied wholly or in part the consumer’s claim in the proceedings before the Financial Arbitrator. A situation, in which the Financial Arbitrator is able to explain to the complainant that from all the collected evidence it is obvious that the claim is unjustified or that the decision is less favorable to

the complainant than status quo and it results in withdrawing the complaint by the complainant him/herself, is considered to be an amicable settlement as well. Such proceedings were terminated by the Financial Arbitrator for withdrawal of the complaint or because the reason for the dispute has ceased. In 1,107 proceedings a complainant withdraw his/her complaint, another 12 proceedings were terminated by the Financial Arbitrator due to reasons that the dispute became devoid of purpose, because the financial institution satisfied the consumer's claim completely and brought evidence about it, though the consumer did not withdraw his/her complaint, because for him/her the obtaining of compensation meant the end to the current dispute. In 5 cases, on request of the parties to the dispute, the Financial Arbitrator approved by issuing a decision the amicable settlement concluded by the parties. The total of 1,124 proceedings was settled amicably in 2019.

When the parties to the dispute failed to reach an amicable settlement, the Financial Arbitrator issued an award. In 2019, 376 awards were issued out of which 250 were dismissed and 121 upheld partially and 5 were upheld wholly. Not always did the complainants provide the Financial Arbitrator with the necessary assistance to deliver a fair and lawful decision, even though the Financial Arbitrator requested them repeatedly as well as noticed them, what evidence should have been presented and how to correctly formulate their claim against the institution. The Financial Arbitrator terminated the proceedings for complainant's failure to provide assistance in 222 cases. If the Financial Arbitrator ascertained that there was some legal obstacle, she must have terminated the proceeding for inadmissibility; in 2019, it happened in 143 cases. If the Financial Arbitrator was not competent to decide some dispute, she terminated the proceedings for incompetence; it happened in 79 cases.

Result	Sum
Complaint fully upheld	5
Complaint partially upheld	121
Amicable settlement approved	5
Complaint dismissed	250
Terminated for the dispute became devoid of purpose	12
Terminated for inadmissibility	143
Terminated for incompetence	79
Terminated for failure to provide assistance	222
Terminated for withdrawal	1107
Total	1,944



Pursuant to Section 17a article 1 of the Financial Arbitrator Act, if the Financial Arbitrator upholds the complainant's complaint, even partially, he/she shall impose a penalty of 10% of the amount which the financial institution is, pursuant to the decision, obliged to pay to the complainant, but not less than CZK 15,000. The penalty shall be part of the State budget revenue.

In addition, according to Section 23 of the Financial Arbitrator Act, the Financial Arbitrator is authorized to impose a fine if a financial institution breaches its duty to present the requested evidence; the fine may be imposed up to CZK 100,000, even repeatedly, and it is part of the State budget revenue.

VI. EXPENDITURES ON ENSURING THE ACTIVITIES OF THE FINANCIAL ARBITRATOR

In 2019, the Office of the Financial Arbitrator's expenditures formed a part of the State Budget, Expenditure Block VB – Expenditure on ensuring the activities of the Office of the Financial Arbitrator; in terms of sector budget classification, they were included into Section 5471.

Final budget and its execution

The approved budget of expenditures of the Office of the Financial Arbitrator in 2019 was CZK 64,906,000, including current expenditures amounted to CZK 63,856,000 and capital expenditures amounted to CZK 1,050,000. Claims on unused expenditures (CUE) from previous periods were amounted to CZK 12,018,000 as of 31. 12. 2019, including CZK 2,706,000 on profiled CUE (programmed financing), CZK 4,247,000 on profiled CUE (on salaries and other payments for realized work) and CZK 5,056,000 on non-profiled CUE. Out of total CUE, the amount of current CUE was CZK 9,994,000 and the amount of capital CUE was CZK 2,024,000.

The real expenditures on ensuring the activities of the Office of the Financial Arbitrator in 2019 were CZK 61,109,000. The 2019 budget on expenditures was executed up to 79.44% of the final budget on expenditures. Within the budget of the current expenditures the amount of CZK 60,582,000 was used, which makes 82.03% of the final 2019 budget on current expenditures. The capital expenditures were executed up to the amount of CZK 527,000, which makes 17.3% of the 2019 final budget on capital expenditures.

The non-execution of all the funds of the budget of the Office of the Financial Arbitrator planned for 2019 (including the claims on unused expenditures) is principally related to overall lower running office expenditures and to the fact the Office of the Financial Arbitrator still remains in the premises of the Ministry of Finance, in Legerova street in Prague, in the same conditions in terms of space and technical arrangement; therefore the Office of the Financial Arbitrator did not use its funds planned for equipment (furniture, IT equipment, IT services, premises, services related to the use of premises) and due to the fact that some systemized posts were not occupied therefore the planned expenditures cannot be realized, e.g. lectures for employees due to the excessive workload.

The lower drawing of capital expenditures is related to the lower volume of ordered services compared to the budgeted plan, while these services relate to the development of an information system for the management of the file service and the management of proceedings before the Financial Arbitrator. In 2019, the information system was enhanced on the basis of the demand for development and modification of some functionalities by the Office of the Financial Arbitrator, but the total amount of the enhancements did not meet the expected value due to the negotiated reduction of the price of the supplier's work and also due to postponing some services to 2020 with regard to the ongoing development of functionalities by the supplier for another entity.

Expenditures on salaries and other payment

In 2019, the approved budget on salaries was set to an amount of CZK 43,747,000 and CUE to CZK 3,812,000. The approved number of systemized posts was set to 60 (for 5 of them no budget was approved), therefore, we presume the average salary of CZK 66,284. The approved budget on other work expenditures was set to CZK 596,000 and CUE to CZK 434,000.

The budget on salaries and other expenditures together with the CUE made a total of CZK 45,101,000.

In 2019, salary appropriations (funds on salaries and other payments) amounted to CZK 41,280,000 was spent, i.e. 84.96% of the 2019 final budget planned on salaries and other payments. The actual average salary per person was CZK 64,182.

During the reference period, taking into consideration the recalculated number of persons, the Office of the Financial Arbitrator employed 53 employees for 60 systemized posts (57 posts after

government decision). The vacancy of systemized posts was caused by several maternity leaves during 2019 and the current shortage of jobseekers in the public sector and the low quality of jobseekers who expressed interest.

Other current expenditures

The approved budget on other current expenditures of CZK 3,561,000 together with the CUE made a total of CZK 7,120,000. An amount of CZK 4,551,000 was used, i.e. 127.8% of the 2019 final budget on other current expenditures.

The major part of the other CUE consists of the purchase of services, specifically CZK 2,576,000, i.e. 79.46% of the 2019 budget for the purchase of services that is 1.2% less than in 2018. In this category, a budget was used on other services (CZK 911,000), the expenditures on data processing services were CZK 1,089,000, expenditures on training and educational services were CZK 256,000, expenditures on post services were CZK 230,000 and expenditures on telecommunications and radio communications services were to CZK 35,000. None of the expenditures increased in the reference period.

A sum of CZK 372,000 was used for other purchases, i.e. 42.49% of the 2019 final budget on other purchases, 7.6% less than in 2018. Expenditures for the repairs and the maintenance of the assets of the Office of the Financial Arbitrator were amounted to CZK 117,000 (these services are covered on the basis of the Record on the premises between the Ministry of Finance and the Office of the Financial Arbitrator concluded in 2011 and are calculated upon each person and invoiced quarterly), expenditures on domestic and foreign business trips were CZK 180,000, expenditures on conference subscriptions were CZK 73,000 and expenditures on providing amenities were CZK 2,000.

The purchase of materials cost CZK 250,000, i.e. 40.07% of the 2019 final budget for the purchase of materials, 63.5% less than in 2018. The most was spent on the purchase of small tangible fixed assets. Expenditures for the purchase of laptops and computers including the accessories were CZK 75,000, expenditures on the purchase of publications and books were CZK 37,000 and expenditures on the purchase of office paper and office supplies were CZK 138,000. A sum of CZK 295,000 was spent on the consumption of water, fuel and energy, i.e. 42.14% of the 2019 final budget for the purchase of water, fuel and energy, 4% more than in 2018. The consumption depends on the energy calculation and the use of services related to the rent of the premises based on the Record on the premises between the Ministry of Finance and the Office of the Financial Arbitrator concluded in 2011, which specifies the related expenditures paid by the lessor according to the number of persons.

The most significant increase was in other expenditures (in total CZK 1,059,000, 66.10% more than in 2018) consisting of CZK 758,000 on expenditures on payments for failure to employ disabled persons and judicial costs, CZK 117,000 on expenditures on sick leave payments.

In 2019, the employees of the Office of the Financial Arbitrator were on 6 foreign business trips and 11 domestic business trips. In total, an amount of CZK 180,000 was engaged on expenditures on business trips in the reference period.

Expenditures on program financing

The Office of the Financial Arbitrator recorded in the reference period *the Program 012V41, which has been realized in the sub-programs 0112V4110 – Acquisition, renewal and operating of the ICT KFA (the Office of the Financial Arbitrator) – following the needs of security by means of computing and communication techniques and corresponding information systems and the sub-program 012V4120 – Acquisition and renewal of the MTZ KFA (policy of the material and technical means of the Office of the Financial Arbitrator), i.e. the policy of reproduction and renewal of the assets which is necessary to the proper activity of the Office of the Financial Arbitrator; the Program 112V41, which has been realized in the sub-program 112V4110 – Acquisition, renewal and*

operating of the ICT KFA (the Office of the Financial Arbitrator) – following the needs of security by means of computing and communication techniques and corresponding information systems.

Sub-program 012V4110

The approved budget on current expenditures of the program was CZK 764,000 with recording a budget of current expenditures of CZK 1,446,000. In the reference period, the resources on current (non-investment) expenditures of the program were used up to the amount of CZK 1,256,000, i.e. 86.8% of the final budget on current expenditures destined to the program in 2019.

The current expenditures were used mainly to pay contract liabilities to companies, who provide the Office of the Financial Arbitrator ICT services in the amount of CZK 1,089,000. In addition 3 laptops were purchased for CZK 85,000.

The approved budget on capital expenditures of the sub-program 012V4110 was CZK 1,000,000. In the reference period, the final budget was CZK 2,924,000 and the resources on capital (investment) expenditures of the program were used up to the amount of CZK 527,000, i.e. 18% of the final budget on capital expenditures destined in 2019.

Revenues

In 2019, as in previous periods, the revenues were not set out in the budget of the Financial Arbitrator, because the purpose of the Office of the Financial Arbitrator's existence is not collecting revenues to the State budget and at the same time the revenues of the Office of the Financial Arbitrator are unpredictable.

The Office of the Financial Arbitrator revenues was CZK 2,236,268.03 in 2019, including:

- a) sanction payments of CZK 2,166,521.62 representing sanctions imposed in the proceedings held before the Financial Arbitrator (concretely it includes 78 sanctions; pursuant to section 17a article 1 of the Financial Arbitrator Act, the Financial Arbitrator has the duty to impose a fine of 10% of the sum the financial institution is obliged to pay to the complainant, at least CZK 15,000, and this sum is an income of the State budget);
- b) reimbursement of foreign business trips expenditures in total of CZK 46,747.01 (the reimbursement was received from the European Commission for trips to Brussels);
- c) transfer of CZK 20,000 from own funds (this sum represents a reserve in case of unexpected expenditures related to the payment of salaries in the last month of the calendar year. As none unexpected circumstances happened, these funds were returned to the income account as a transfer from own funds);
- d) a revenue of CZK 2,999.40 from the Czech Post for failing to deliver a packet.

VII. INFORMATION DUTIES OF THE FINANCIAL ARBITRATOR AND PUBLIC RELATIONS

Handling of queries

The Financial Arbitrator shall answer to every query, even to those that do not concern the Financial Arbitrator activities; at least the Financial Arbitrator shall provide a notice of the lack of her competence and shall refer to the competent authority, if it is possible.

In answers to queries within the competence of the Financial Arbitrator, each inquirer shall receive a preliminary assessment if the dispute falls or not into the scope of the Financial Arbitrator's competence, a detailed notice about the modalities of the complaint and a list of the evidence that he/she should attach to the complaint.

The Financial Arbitrator received over 5,000 queries (including telephonic queries) in 2019. The Financial Arbitrator managed to answer the queries in writing without undue delay, usually within a few days.

The most frequent queries in relation to consumer credit is insufficient assessment of consumer creditworthiness, which the consumer credit provider is obliged to carry out with professional care before concluding a consumer credit agreement, especially for short-term loans with relatively low principals (i.e. thousand of CZK).

In the area of life insurance, there is still a wrongful practice from the past, where life insurance products were allegedly "sold" to consumers as "savings products" without providing sufficient pre-contractual information, especially as to the cost of the product. In many cases, cost arrangements are also absent in the insurance contract itself.

In the area of foreign exchanges, the major problem was the practice of some exchange offices, which did not provide fair price information (they physically cover information on fees on price lists, etc.), but consumers themselves are not sufficiently attentive and do not seek the real price of the service from pre-contractual information available on data carrier, which they receive before the exchange trade. After the amendment to the Currency Exchange Act has entered into force on 1 April 2019, which allowed consumers to withdraw from an unfavorable foreign exchange transaction within 3 hours of its realization, a decline in the number of new cases can be observed. On the contrary, it is important to answer queries from clients of exchange offices and to draw their attention to the possibility of exercising this right.

In the area of building savings, it was mainly the reaction of building societies to decrease of interest rates in the economy, resulting in unilateral termination of building savings contracts or change of interest rate without any support in the contractual documentation without violating the prohibition of unreasonable arrangements in consumer contracts.

Information duties of the Financial Arbitrator

Annual reports

The Financial Arbitrator has the duty to carry out an annual report on her activities, containing particularly detailed information on the number of heard disputes, the way the disputes are settled, including description of some selected disputes, and to publish it appropriately once a year no later than June 30th of the following calendar year.

All the annual reports on the activities of the Financial Arbitrator are published and accessible on the web pages of the Office of the Financial Arbitrator, at <http://www.finarbitr.cz/cs/informace-pro-verejnost/vyrocnizpravy.html>. There are also English versions of the reports available at <https://www.finarbitr.cz/en/information-for-public/annual-reports.html>.

The Financial Arbitrator also informs the public about her activity by providing annual information in accordance with Act no. 106/1999 Coll., via press releases, through information published on the website and through information provided to the media.

If needs be, the Financial Arbitrator informs the competent authorities supervising or controlling the financial institutions, against which the consumer complaint was directed, about identified deficiencies.

The Financial Arbitrator fulfils its duty to inform the complainants about the possibility of assistance in the proceedings before the Financial Arbitrator and about the steps of the decision making process in compliance with Financial Arbitrator Act, through individual acts in each proceeding, by answering queries of the public and particularly through the website operated by the Financial Arbitrator.

The Financial Arbitrator's website

The Financial Arbitrator uses the website operated by the Office of the Financial Arbitrator in order to comply with its obligation of information and to further inform the laymen and the specialists about her activities.

During 2019, further adjustments on the website were made in order to allow simpler orientation in the information about the Financial Arbitrator and to simplify the inquiry, filing of the complaint to commence proceedings or amend already filed complaint. On the main page, it is possible to get information about the Financial Arbitrator, basic rules for the proceedings, areas and kinds of disputes, which the Financial Arbitrator is competent to decide, including three reference to the legislation and the Collection of Decisions.

Answers to the most frequent inquiries are also available there, both on merit and proceedings, and recommendations, where the consumer should turn in case the Financial Arbitrator is not competent to solve the dispute, as well.

The service "Subscribe to newsletters" allows sending of press releases, updates or information about the publication of anonymized decisions in the Collection of Decisions. Before subscribing to newsletters the subscriber shall fill his/her email address to which the newsletter is sent.

Collection of Decisions

The Financial Arbitrator publishes her decisions in the Collection of Decisions, which is located on the Financial Arbitrator's website.

It is possible to search a decision by full text search of register number or key words. The Financial Arbitrator publishes anonymized versions of at <http://www.finarbitr.cz/cs/reseni-sporu/sbirka-rozhodnuti.html>.

The Financial Arbitrator always publishes decisions in merit, i.e. an award or a decision on objections, which are new or in any way useful to the laymen and specialists. The Financial Arbitrator also publishes decisions imposing fines on financial institutions for not providing assistance in the proceedings. The Financial Arbitrator does not publish rulings on termination of the proceedings due to the withdrawal of the complaint or the complaint became devoid of purpose or the complainant did not provide the necessary assistance. Decisions on termination of the proceedings due to an inadmissible complaint are published only if having the information value for the public.

The published decisions in the Collection of Decisions are identified by the type of the decision (i.e. award, decision on objections, ruling or decision), case number or register number, record number, date of issue and the name of the financial institution against which the complaint was filed. In accordance with Section 8a of the Free Access to Information Act and in accordance with the provisions of Section 21 article 6 of the Financial Arbitrator Act the published decisions do not

contain personal or other identifying data of the complainants. Decisions can be searched according to the specific areas or keywords in the form of full-text search.

The Financial Arbitrator continued to publish the decisions in the online Collection of Decisions and published all essential decisions in full (without mentioning identifying data of the complainants). The Collection allows tracing the predictability of the Financial Arbitrator's decision-making, which serves not only to the financial institutions or their representatives, but also to the complainants or their representatives. Those started to refer more often to the Collection of Decisions and to quote from the decisions of the Financial Arbitrator when filling a complaint or when submitting their observations during the proceedings.

At the end of 2019, the Financial Arbitrator began with redesigning the website presentation of the Collection of Decisions to make searching for individual decisions easier by adding searching by various filters and keywords. Full functionality will require addition of the necessary metadata to all previously published decisions, so it can be expected to launch in the second half of 2020.

VIII. INTERNATIONAL COOPERATION, FINANCIAL EDUCATION

International cooperation with the foreign out-of-court dispute resolution bodies

Under the Financial Arbitrator Act, the Financial Arbitrator shall cooperate on a mutual basis with similar competent authorities of the other Member States of the European Union, countries that constitute the European Economic Area and with the European Union authorities.

ADR/ODR

Since January 2016, the Financial Arbitrator is notified by the Ministry of Industry and Trade to the European Commission as a notified body according to the Directive 2013/11/EU on alternative dispute resolution for consumer disputes (ADR Directive) and since February 2016 the Financial Arbitrator is connected to the European platform for the on-line dispute resolution for consumer disputes, operated by the European Commission within the framework of the Regulation 524/2013 on online dispute resolution for consumer disputes (ODR Regulation) at the website <https://ec.europa.eu/consumers/odr/main/index.cfm?event=main.home.show&lng=CS>. In 2019, the Financial Arbitrator did not record any complaint filed through the ODR platform.

FIN-NET

The Financial Arbitrator has been a long-standing member of FIN-NET, the European network of dispute resolution bodies dealing with out-of-court dispute resolution related to the financial market. The network, founded in 2001, brings together the so-called financial ombudsmen from the majority of the European Union Member States, and also from other countries that constitute the European Economic Area. Its mission is to share experience from the dispute resolution practice of its members and to provide assistance in the resolution of cross-border disputes. The Deputy Financial Arbitrator is a member of the FIN-NET Steering Committee, which is in charge of planning the prospective orientation of the network and preparation of the plenary session's agenda.

A major topic of the FIN-NET meeting in 2019 was the preparation for Brexit and its possible consequences in the area of cross-border provision of financial services and subsequent dispute resolution. New European legislation in the area of dynamic currency exchange, the application of foreign law in out-of-court dispute resolution and, last but not least, the determination of consumer credit costs that may be affected by its early repayment (as a response to the decision of the Court of Justice of the European Union in case C-383/18 Lexitor) was discussed as well.

The members of FIN-NET also continued to deepen cooperation with the global INFO Network.

INFO Network

The Financial Arbitrator is a member of the INFO Network (the International Network of Financial Services Ombudsman Schemes), the international network of dispute resolution bodies dealing with an out-of-court resolution of consumer disputes related to the financial market. In this network, founded in 2007, out-of-court dispute resolution bodies dealing with consumer disputes related to the financial market from virtually every continent are represented.

INFO Network long-term endeavor is to promote the setting of an universal and valid minimum of standards (independence, transparency, fairness, efficiency) when solving a dispute related to the financial market before an out-of-court body, no matter what kind of institution the financial ombudsman is, independently of the nature and the constitution of such institution (Public vs Private, constituted by law vs constituted by other means), the financing, the rules for participation (voluntary participation of providers of financial services vs mandatory) and its powers (possibility to deliver enforceable decisions vs mediation / conciliation, etc.).

Besides the annual conference, the INFO network's activities were intensified by two ad hoc webinars. The former was focused on judicial reviews of financial ombudsman's decisions; the latter was focused on financial ombudsman's effectivity valuation. The annual conference's main

topic was new trends in provision of financial services and resolving disputes arising from them (e.g. use of artificial intelligence, easy access to financial services via smart phones etc.), improvement of consumers' access to out-of-court dispute resolution (simple websites, simple and comprehensible language etc.) and presentation of financial ombudsmen through social network.

As Ger Deering (Ireland), who is a member of the FIN-NET Steering Committee, was elected the new Chairman of the INFO Committee in 2019, further deepening of cooperation between the INFO Network and FIN-NET is expected.

Foreign business trips

In 2019, the Deputy Financial Arbitrator, who is authorized by the Financial Arbitrator to act on her behalf in matter of cross-border cooperation, made foreign business trips to participate in 6 foreign business trips in relation with the membership in FIN-NET and INFO Network.

All realized business trips were beneficial to the activities of the Financial Arbitrator, with regard to the information obtained on the activities of foreign financial ombudsmen and to the forthcoming and implemented amendments to the European legislation.

During his foreign business trips, the Deputy Financial Arbitrator strengthened the cooperation between the members of the community; he lectured about situation in Czechia and collected findings from areas, which were not regulated by the Czech legislature or which were important for resolving of some current disputes (foreign legislature application etc.).

The benefits of the business trips of the Deputy Financial Arbitrator are uncontested, particularly due to the development of relationships with the members of the FIN-NET Network and obtaining relevant information.

Financial Education

The Financial Arbitrator and the Deputy Financial Arbitrator are still interested in taking part in the financial education of the citizens. The Deputy Financial Arbitrator is a member of the Work group for financial education of the Ministry of Finance.

In 2019, within the Work Group, the Deputy Financial Arbitrator participated in the preparation of the National Strategy for Financial Education 2.0 that was approved by the Government in resolution no. 30 of 13 January 2020.

The Deputy Financial Arbitrator lectured on the academic ground, traditionally at the Faculty of Economics and Administration at Masaryk University in Brno within the course of Financial literacy and also at the Faculty of Law at Charles University in Prague within the optional course of Consumer protection.

On the academic ground, the Deputy Financial Arbitrator participated in other specialized and discussion events, such as debate on "Czechia in times of debts" at Charles University in Prague or the conference "European Financial Systems" organized by the Faculty of Economics and Administration at Masaryk University in Brno.

The Deputy Financial Arbitrator hosted three more than 4-hour long lectures on the activities of the Financial Arbitrator and heard disputes for the laymen that were organized as so-called geocaching events. They met with very positive responses from their participants.

The Subcommittee on Consumer Protection of the Chamber of Deputies of the Parliament of the Czech Republic

The Financial Arbitrator and the Deputy Financial Arbitrator are regular guests of The Subcommittee on Consumer Protection meetings, where they actively participate.

IX. FUTURE OUTLOOK

As in previous years, the main activity of the Financial Arbitrator will be deciding individual disputes.

As of 1 January 2021, the competence of the Financial Arbitrator is going to be extended to resolving dynamic exchange of currencies disputes. The draft law amending the Payment System Act and other related laws, which should introduce this extension, is currently in a legislative process and is submitted to the Parliament.

The Financial Arbitrator welcomes the extensions of her competence because the main aim is the possibility to resolve all disputes arising in connection with financial services before the Financial Arbitrator. Hence, the Financial Arbitrator will take steps to broaden her competence to other consumer disputes in the financial market, such as non-life insurance, pension insurance and pension savings.

Steps that should lead public to be more aware of the Financial Arbitrator shall be: an active communication with the public and the medias, a presentation, publishing of press releases and annual reports, information posts on the website (actualities, recommendations, publications, decisions) and social networks.

A permanent task of the Financial Arbitrator is an effective solution of every dispute. The Financial Arbitrator will seek to reduce the length of the proceedings to a minimum.