



FAI

**THE OFFICE OF THE CZECH
FINANCIAL ARBITRATOR**

**ANNUAL REPORT ON THE ACTIVITIES
OF THE FINANCIAL ARBITRATOR
IN 2020**

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

October 2021

CONTENT:

	FINANCIAL ARBITRATOR'S FOREWORD	3
I.	SUMMARY OF KEY INFORMATION ON THE ACTIVITIES OF THE FINANCIAL ARBITRATOR AND THE ECONOMIC ACTIVITIES OF THE OFFICE OF THE FINANCIAL ARBITRATOR IN 2020	5
II.	COMPETENCE OF THE FINANCIAL ARBITRATOR	8
III.	RULES OF PROCEDURE BEFORE THE FINANCIAL ARBITRATOR	14
IV.	SUMMARY OF THE FINANCIAL ARBITRATOR'S DECISION-MAKING ACTIVITY	16
V.	FINANCIAL ARBITRATOR, DEPUTY FINANCIAL ARBITRATOR – OFFICE OF THE FINANCIAL ARBITRATOR – ORGANIZATIONAL ARRANGEMENT OF THE FINANCIAL ARBITRATOR'S ACTIVITIES	25
VI.	COSTS RELATED TO THE FINANCIAL ARBITRATOR'S ACTIVITIES	28
VII.	INFORMATION DUTIES OF THE FINANCIAL ARBITRATOR, PUBLIC RELATIONS	32
VIII.	INTERNATIONAL COOPERATION, FINANCIAL EDUCATION	34
IX.	OTHER ACTIVITIES OF THE FINANCIAL ARBITRATOR	36
X.	FUTURE OUTLOOK	37
Annex No. 1	– More detailed information on some selected decisions of the Financial Arbitrator issued (and published in the Collection of Decisions) in 2020	38

FINANCIAL ARBITRATOR'S FOREWORD

Dear readers,

The Financial Arbitrator and the Office of the Financial Arbitrator present to you a report on their activities for the year 2020.

Aware of the still turbulent times brought by the covid-19 pandemic, we have prepared a user-friendly overview of our activities. It is focused particularly on the competence of the Financial Arbitrator as an out-of-court dispute resolution body for certain consumer disputes in the financial market, the results of her decision-making activity and information on the costs related to her activities, or rather on the economic results of the Office of the Financial Arbitrator in 2020.

The annual report on the Financial Arbitrator's activities in 2020 begins with a summary of key information on the activities of the Financial Arbitrator and the economic activities of the Office of the Financial Arbitrator in the period under review, with links to the detailed text of the report itself. It is therefore sufficient to read the opening 3 pages and, in case of interest, to follow the links for further information.

If you are a consumer and a user of (or an interested party in) financial services provided by banks, credit providers, building savings banks, investment firms, management companies, life insurers, investment or insurance intermediaries or money exchange providers, and you are in dispute with a natural or legal person who has offered or already provided you with a financial service and you are unable to settle the dispute, you can turn to the Financial Arbitrator free of charge.

The Financial Arbitrator's purpose is to enable you as a consumer to resolve a dispute amicably without having to retain a lawyer. It is simple to file a complaint to commence the proceedings, just fill out the form which the Financial Arbitrator has available for everyone, and which includes instructions on how to formulate your complaint. It is then necessary to gather all documents that could be relevant to the dispute and afterwards merely to cooperate with the Financial Arbitrator (such as answer requests or ask questions if you do not understand something). The Financial Arbitrator will guide you through the entire procedure, point out the deficiencies of the complaint, as well as inform you should the claim you are staking be unjustified or, on the contrary, help you to consider whether to accept the settlement or not.

Of course, if either you or the financial institution is not satisfied with the decision of the Financial Arbitrator, you both can submit it to a competent court for a judicial review. That is why the Financial Arbitrator must consider each case impartially and only according to the law, so that neither the consumer nor the financial institution could be harmed by her incorrect decision.

If you have never had a dispute with a financial service provider, you are invited to read at least the basic information about the competence of the Financial Arbitrator and other out-of-court consumer dispute resolution bodies in the Czech Republic in order to learn about your options.

If you are a representative of the financial institution against which the consumer's complaint is directed, then it is appropriate to emphasize that the Financial Arbitrator never favours either party to a dispute. Only an objective and correct assessment of the dispute can benefit both parties. Therefore, whenever the Financial Arbitrator finds a consumer's claim to be justified, she approaches the financial institution with a preliminary legal assessment of the dispute. It contains an explanation of why, after a preliminary legal assessment of the evidence collected so far, the Financial Arbitrator would partially or fully satisfy the consumer, and the institution has the opportunity to settle the dispute amicably.

The Financial Arbitrator and the entire staff of the Office of the Financial Arbitrator wish you a successful and dispute-free financial experience. And if a dispute does arise and cannot be settled, we are all prepared to enable you to pursue your claims and achieve the best possible resolution in the proceedings before the Financial Arbitrator.

In Prague on 12 October 2021

Monika Nedelková, the Financial Arbitrator
And everyone from the Office of the Financial Arbitrator

I. SUMMARY OF KEY INFORMATION ON THE ACTIVITIES OF THE FINANCIAL ARBITRATOR AND THE ECONOMIC ACTIVITIES OF THE OFFICE OF THE FINANCIAL ARBITRATOR IN 2020

The Financial Arbitrator is a free of charge state-established (by the Financial Arbitrator Act) out-of-court dispute resolution body competent to decide certain consumer disputes in the financial market, in particular disputes arising from the provision of payment services, building savings, non-payment accounts and bankbooks, electronic money, consumer credits, including mortgage credits and credits from building savings, collective investment and investment services, money exchange and life insurance. ([🔗 More about the competence of the Financial Arbitrator on p. 8](#))

The dispute can only be dealt with by the Financial Arbitrator in duly initiated proceedings, and only if a consumer files a complaint. The financial institution against which the complaint has been filed is obliged to participate in the proceedings and provide sufficient assistance to the Financial Arbitrator.

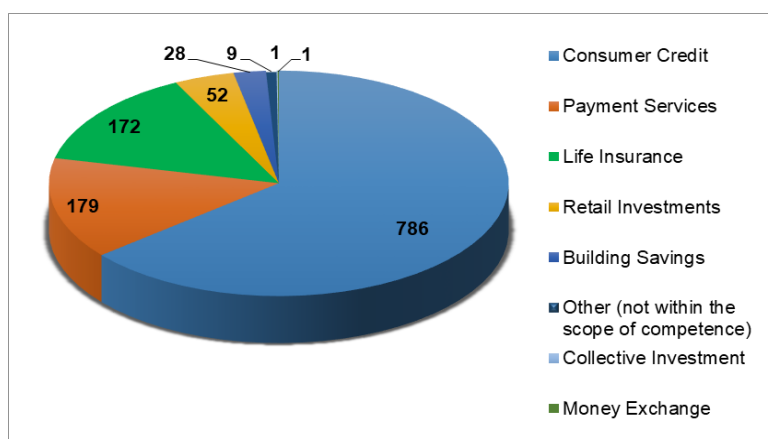
The primary objective of the Financial Arbitrator, when the consumer is in the right, is to bring the parties to the dispute to an amicable settlement so that the consumer does not have to go to court and pay costs of the court proceedings. The proceedings before the Financial Arbitrator are free of charge and the consumer is not required to be legally represented (legal costs are not awarded in proceedings before the Financial Arbitrator). ([🔗 More about the rules of procedure on p. 14](#))

In the proceedings, the Financial Arbitrator (like a general court) can assess whether the financial institution has breached any of its legal obligations towards the consumer, either under the law or stipulated by a contract. The consumer may seek a declaration that the contract or its terms are invalid, or he/she may request that the Financial Arbitrator orders the financial services provider to pay a sum of money to the consumer, either as payment under the contract or as damages, etc.

The Financial Arbitrator must, as a matter of principle, assess the dispute in accordance with the law. She cannot act in favour of either party to the dispute. If the dispute cannot be settled amicably, the Financial Arbitrator issues a decision which the disputing party may challenge in court. A decision by the Financial Arbitrator that unreasonably favours a party to the dispute would have to be overturned by the court and the unsuccessful party would very likely be ordered to pay the costs of the court proceedings.

An amicable settlement is a situation where a consumer and a financial institution reach a settlement agreement, but also where it becomes clear during the proceedings before the Financial Arbitrator that the consumer's claim is unjustified, and the Financial Arbitrator is able to explain to the consumer that his/her complaint should be withdrawn. ([🔗 More about the decision-making activity on p. 16](#))

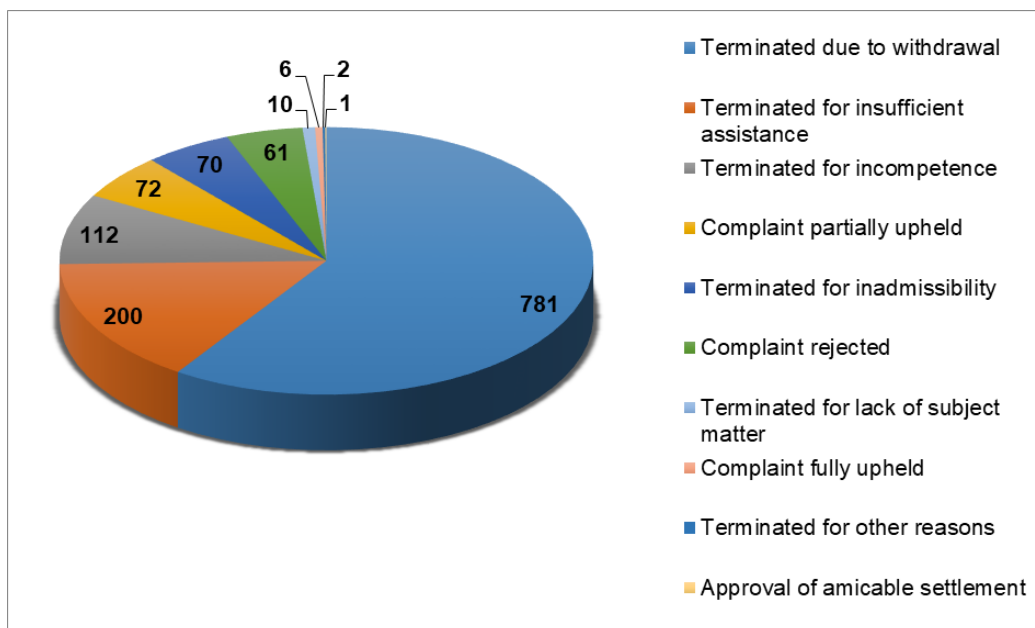
In 2020, a total of 1,228 new proceedings were initiated before the Financial Arbitrator, with a total of 2,425 disputes heard by the Financial Arbitrator during this period. The Financial Arbitrator also handled over 5,000 inquiries from the public concerning the Financial Arbitrator's competence or an individual consumer dispute.



In the period under review, the Financial Arbitrator managed to bring a total of 1,315 proceedings to a final conclusion.

In most cases, the Financial Arbitrator succeeds in reaching an amicable settlement of the dispute. Out of the total number of the disputes finally concluded in 2020, the Financial Arbitrator reached an amicable settlement in 792 cases, i.e., in almost two thirds (60%): 781 proceedings were terminated due to a withdrawal of the complaint, 10 proceedings were terminated for lack of subject matter and 1 proceeding was terminated by the approval of the amicable settlement.

The Financial Arbitrator fully upheld the consumer's complaint (the financial institution refused to settle the dispute amicably) in 6 proceedings and partially in another 72 proceedings, on the other hand 61 proceedings ended with a rejection of the consumer's complaint because the Financial Arbitrator did not find the complaint justified.



Consumer credit was the most frequent subject of disputes and inquiries in 2020, as in the previous year. In particular, disputes arising from early repayment of a consumer mortgage credit or disputes over the validity of a credit agreement due to a failure to assess the debtor's creditworthiness prior to its conclusion were mostly dealt with.

The Financial Arbitrator publishes her decisions in anonymised form in the [Collection of Decisions](#) on her website. ([♣ More about the information duties of the Financial Arbitrator on p. 32](#))

The report also includes a brief description of typical disputes that the Financial Arbitrator resolved in 2020. ([♣ More information in Annex No. 1 on p. 38](#))

The interest in out-of-court dispute resolution before the Financial Arbitrator is growing, with 780 new complaints accepted by the Financial Arbitrator from 1 January to 15 June 2021. Compared to the same period last year, when 536 complaints were filed, there has been an increase of more than 40% in 2021.

The Financial Arbitrator must positively highlight the change in the attitude of the consumers as parties to proceedings before the Financial Arbitrator that she has observed in the past period, as the consumers try to act more independently in the proceedings (without paid representatives). They also provide more assistance to the Financial Arbitrator and better accept her legal assessment that she unfortunately cannot help them, or her recommendations regarding the settlements offered by the financial institutions.

There are, of course, still consumers who are dissatisfied despite a proper legal assessment of their case supported by the established decision-making practice of the general courts. However,

these are usually those who are really to blame for their losses, who sign without reading, do not read the preliminary legal assessment or the decision of the Financial Arbitrator and then complain about the Financial Arbitrator.

Unfortunately, even in 2020, there are advocates of the consumers (including attorneys) who, instead of referring the consumers to the Financial Arbitrator (because it will be free of charge and the consumers can handle the proceedings before the Financial Arbitrator by themselves) represent them in the proceedings before the Financial Arbitrator for a success fee of up to 30% of the amount awarded, unnecessarily prolonging the proceedings and often complicating an amicable settlement of the dispute.

Even in 2020, the Financial Arbitrator, or more precisely the Deputy Financial Arbitrator permanently in charge of the foreign agenda, cooperated intensively at the international, especially European, level with the representatives of similar institutions abroad associated in the European network of financial ombudsmen FIN-NET and in the global INFO Network. ([♣ More about the international cooperation of the Financial Arbitrator on p. 34](#))

As far as the staffing for the activities of the Financial Arbitrator is concerned, the total number of systemized posts authorised for 2020 was 57 posts (non-service posts in terms of Civil Service Act), including the Financial Arbitrator and the Deputy Financial Arbitrator. The majority of the employees of the Office of the Financial Arbitrator has a university degree in law, with 35 full-time equivalents dedicated to specialist dispute resolution activities. The average number of ongoing disputes per full-time specialist employee was almost 70 proceedings during the period under review. Taking into account the rules of the proceedings before the Financial Arbitrator (the obligation of the Financial Arbitrator to help the consumer with asserting his/her claims, to provide assistance to him/her, to decide within the statutory time limits, to decide even beyond the scope of the consumer's complaint, to act actively during the consumer's negotiations with the financial institution on amicable settlement of the dispute) and the results of the activities of the Financial Arbitrator and the Office of the Financial Arbitrator since 2011, the optimal (maximum) number of ongoing disputes per one specialist employee appears to be 25 ongoing disputes.

Thus, the current number of employees providing specialist activities for the Financial Arbitrator is insufficient in relation to the number of the disputes and their complexity. ([♣ More about the Office of the Financial Arbitrator on p. 25](#))

As in previous years, the Office of the Financial Arbitrator spent only the necessary expenses for the activities of the Financial Arbitrator and the Office of the Financial Arbitrator. It did not, as in the previous periods, use external legal or consultancy services. ([♣ More about the costs related to the Financial Arbitrator's activities on p. 28](#))

The covid-19 pandemic has of course also affected the work of the Financial Arbitrator, or rather the Office of the Financial Arbitrator. However, it has in no way jeopardised the deciding of the disputes or other professional activities. It did, nevertheless, bring additional activities that needed to be ensured, regardless of the staffing capacity of the Office of the Financial Arbitrator. Thus, all the staff of the Office of the Financial Arbitrator carried out its operation in accordance with the government measures (restrictions on contact with the public, hygiene and epidemiological measures, etc.) in addition to their normal work tasks.

It is also necessary to point out that the disputes arising from financial services such as non-life insurance, private pension insurance, supplementary pension savings and shareholder and bondholder disputes, are not yet within the scope of competence of the Financial Arbitrator, although they are financial services or financial market disputes, and consumers are interested in resolving them before the Financial Arbitrator. ([♣ More about the future outlook on p. 37](#))

II. COMPETENCE OF THE FINANCIAL ARBITRATOR

The Financial Arbitrator is pursuant to Section 1(1) of the Financial Arbitrator Act competent to decide a dispute otherwise falling under jurisdiction of the Czech courts, if it is a dispute between a 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 any other credit, loan or 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 in 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.

Disputes under the competence of the Financial Arbitrator

The Financial Arbitrator is therefore competent to decide, for example, the disputes in connection with providing payment services regarding:

- misuse of a payment card by a third party to withdraw from an ATM or to make a purchase at a merchant,
- misuse of a payment instrument (internet banking),
- malfunction of an ATM – failure to dispense cash,
- failure to credit money deposited via an ATM or personally at a cash desk,
- validity of a payment account termination,
- deduction of charges from the amount of a payment transaction made by an intermediary payment service provider,
- non-execution of a payment transaction (or a refusal to execute it),
- multiple money debiting from an account when withdrawing from an ATM or making a purchase at a merchant,
- delayed execution of a payment transaction or failure to provide direct debit,
- incorrect exchange rate used for a cross-border wire transfer,
- incorrect fee for providing a payment service,
- payment transaction made without consent of a payment service user.

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

- validity of a credit agreement, of a provision on penalty for non-compliance with the agreement, or another provision of the credit agreement,
- determination of the amount of debt under a credit agreement,
- invalidity of a credit agreement due to non-assessment of a creditworthiness of a debtor prior to its conclusion,
- amount of a creditor's remuneration for providing a credit,
- right to a discount interest rate (after being claimed),

- calculation of the annual percentage rate of charge (APRC),
- right to early repay a credit, in particular the amount of costs reasonably incurred in connection with the early repayment of the credit or the amount of the early repayment fee,
- validity of a withdrawal of a credit agreement or an intermediary agreement,
- validity of declaring the whole credit payable,
- fees under a credit agreement or an intermediary agreement,
- damages caused by a creditor to a debtor in connection with a conclusion of a credit agreement.

The Financial Arbitrator is also competent to decide disputes arising in connection with a collective investment such as disputes between a consumer and a management company or an investment fund regarding:

- settlement of an executed order to buy/sell/exchange a unit,
- value of a unit,
- proper execution of an order to buy/sell/exchange a unit by an investment firm,
- proper execution of an order to buy/sell/exchange a unit by an investment intermediary,
- damages caused by an investment advice provided by an investment firm or an investment intermediary in connection with providing investment advice on collective investment,
- fee charged in connection with a purchase/sale/exchange of a unit,
- damages caused in connection with a fulfilment of information duties by a management company or an investment fund.

The Financial Arbitrator is competent to decide disputes arising from a provision of investment services between a consumer and a person providing investment services, e.g., an investment firm, an investment intermediary, a tied agent, a foreign person authorised by the oversight authority of another EU Member State, regarding for example:

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

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

- withdrawal from a currency exchange contract,
- fee charged for currency exchange,
- validity of a currency exchange contract,
- calculation of an exchange rate,

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

- validity of an insurance agreement or its provision,
- amount of an insurance benefit,
- amount of a surrender value,
- damages caused by a breach of duties during a negotiation of an insurance contract.

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

- validity of a building savings contract or its provision,
- validity of withdrawal or termination of a building savings contract,

- validity of a unilateral change of a building savings contract (e.g., decrease of the interest rate on deposits or increase of the fee for keeping the building savings account),
- fee charged by a building savings bank to a building savings account,
- amount of state support for a building savings contract,
- damages caused by a breach of duties in connection with a mediation of a building savings contract.

Legal impediments to the proceedings before the Financial Arbitrator

The Financial Arbitrator cannot decide a dispute between a consumer and a financial institution that would otherwise fall within her competence if one of the legal impediments to the proceedings has occurred, i.e.:

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

Consumer disputes in the financial market out of competence of the Financial Arbitrator

Some disputes between consumers and financial institutions, even though they concern the financial market, are not yet within the scope of competence of the Financial Arbitrator. These are mainly disputes:

- arising out of securing or corroboration of a consumer credit debt,
- concerning non-life insurance (property insurance, car insurance, accident insurance, liability insurance, injury insurance, incapacity work insurance etc.), even if it was negotiated as a supplementary insurance to a life insurance,
- concerning private pension insurance or supplementary pension savings,
- between bond holders and bond issuers,
- concerning personal data protection connected with a provision of financial services.

Despite that, the public is bringing such disputes to the attention of the Financial Arbitrator. Unfortunately, the Financial Arbitrator must refuse these consumers and refer them to the Czech Trade Inspection Authority, which handles consumer disputes that do not fall within the scope of competence of the Financial Arbitrator. Thus, the Czech Trade Inspection Authority has to deal with complex disputes between consumers and financial institutions in its simplified and non-binding procedure.

Other out-of-court consumer dispute resolution bodies

Other out-of-court consumer dispute resolution bodies are the Czech Telecommunication Office, the Energy Regulatory Office, the Czech Trade Inspection Authority, or the bodies authorised by the Ministry of Industry and Trade.

Czech Telecommunication Office

The Czech Telecommunication Office is an out-of-court consumer dispute resolution body in the field of electronic communications and postal services. It decides disputes between a person carrying out a communication activity and a subscriber or a user of such activity, at a request of either party.

The Czech Telecommunication Office also supervises consumer protection in the field of electronic communications services. Furthermore, the Czech Telecommunication Office decides on objections to the handling of a postal service complaint.

Further information on out-of-court resolution of consumer disputes through the Czech Telecommunications Office can be found here: <https://www.ctu.eu/which-disputes-does-ctu-solve-and-when-you-can-contact-ctu>. Contact: Český telekomunikační úřad, Sokolovská 219, Praha 9, P.O. Box 02, 225 02 Praha 025, phone number: +420 224 004 111, email: podatelna@ctu.cz, data box ID: a9qaats.

Energy Regulatory Office

The Energy Regulatory Office is an out-of-court consumer dispute resolution body in the field of electric power industry, gas industry and heat supply industry, within the scope of competence established by the legislation governing the electric power industry, gas industry and heat supply industry.

The Energy Regulatory Office thus resolves consumer disputes arising from contracts for the provision of services involving the supply of electricity, gas, heat, or their distribution. These are usually contracts for a compound supply of electricity or gas, or contracts for the supply of heat.

Further information on out-of-court resolution of consumer disputes through the Energy Regulatory Office can be found here: <https://www.eru.cz/en/informacni-centrum>. Contact: Energetický regulační úřad, oddělení sporných řízení, Masarykovo nám. 5, 586 01 Jihlava, phone number: +420 564 578 658, email: podatelna@eru.cz, data box ID: eeuaau7.

Czech Trade Inspection Authority

If the Financial Arbitrator, the Czech Telecommunications Office, or the Energy Regulatory Office are not competent to decide a dispute, the Czech Trade Inspection Authority shall decide such dispute.

The Czech Trade Inspection Authority conducts proceedings initiated at the request of a consumer. In case that the parties to the dispute do not reach an agreement within the statutory time limit or if the consumer does not withdraw from the proceedings, the proceedings shall end at the expiry of the time limit. That implies that the Czech Trade Inspection Authority does not issue any decisions in merits.

Further information on out-of-court resolution of consumer disputes through the Czech Trade Inspection Authority can be found here: <https://www.coi.cz/en/information-about-adr/>. Contact: Česká obchodní inspekce, Ústřední inspektorát ČOI, Štěpánská 796/44, 120 00 Praha 2, advice line phone number: +420 222 703 404, email: adr@coi.cz, data box ID: x7cab34.

The Czech Trade Inspection Authority also inspects legal and natural persons who offer, sell, supply or market products, offer or provide services or carry out other activities pursuant to the Act on the Czech Trade Inspection Authority, unless another administrative authority exercises supervision pursuant to special legislation. Within the framework of supervision, the Czech Trade Inspection Authority may conduct an investigation to determine whether there has been a violation of the Consumer Protection Act in the above-mentioned cases and, where appropriate, impose a public law sanction. The complaint may be sent directly to the inspectorate competent for the place where the action in question occurred. A list of inspectorates can be found here: <https://www.coi.cz/en/about-ctia/contacts-inspectorates/>.

Out-of-court consumer dispute resolution entities authorised by the Ministry of Industry and Trade

Aside from the Czech Trade Inspection Authority, the Office of the Ombudsman of the Czech Association of Insurance Companies is, as an entity authorised by the Ministry of Industry and Trade, also competent for out-of-court resolution of consumer disputes arising from non-life insurance.

Further information on out-of-court resolution of consumer disputes through the Office of the Ombudsman of the Czech Association of Insurance Companies can be found here: <https://www.ombudsmancap.cz/>. Contact: Kancelář ombudsmana České asociace pojišťoven z. ú., Elišky Krásnohorské 135/7, 110 00 Praha 1, phone number: +420 602 273 096, email: kancelar@ombudsmancap.cz, data box ID: i4ymwu8.

Courts and law enforcement authorities

Anyone who feels that their rights have been violated has the possibility to turn to the general courts of the Czech Republic (more details on: <https://www.justice.cz>). The right of consumers to claim their rights in the proceedings before the general courts is not affected by the above-mentioned information.

In case of suspicion that a crime has been committed, it is advisable to contact the Police of the Czech Republic (contacts to the relevant department: <https://www.policie.cz/imapa.aspx>). It is also possible to contact the prosecutor's office (contacts to the relevant prosecutor's office: <https://verejnazaloba.cz/en/overview-of-public-prosecutors-offices/>).

For court proceedings in cases where it is not possible to resolve the matter before out-of-court consumer disputes resolution authorities, commercial legal assistance can be used (list of attorneys: <https://vyhledavac.cak.cz>). In some situations, it is possible to obtain free legal advice provided by the Czech Bar Association (<https://www.cak.cz/scripts/detail.php?id=2617>).

Public oversight or state supervision authorities

In addition to the out-of-court dispute resolution bodies, consumers can contact the state authorities exercising public oversight or supervision with initiatives to carry out a supervision or a control.

Czech National Bank

The Czech National Bank exercises public oversight of the Czech financial market. The Czech National Bank cannot decide a dispute between a consumer and a financial institution, nor can it make a legally binding assessment of the existence of rights or obligations arising from a private-law relationship. However, on the basis of a complaint received, the Czech National Bank is entitled to carry out an investigation and, where appropriate, to initiate administrative proceedings to impose a public law sanction on the overseen entity. The Czech National Bank shall inform the complainant of the outcome of the investigation, including the possible initiation of administrative proceedings, at the request of the complainant within 30 days of the date on which it received the complaint.

Further information on the performance of oversight by the Czech National Bank can be found here: <https://www.cnb.cz/en/supervision-financial-market/conduct-of-supervision/>. Contact: Česká národní banka, Na Příkopě 28, 110 00 Praha 1, phone number: +420 224 411 111, email: info@cnb.cz, data box ID: 8tgaiej.

Ministry of Finance

The Ministry of Finance supervises pension companies and pension funds in connection with the provision and management of the state contribution and it also supervises compliance with the conditions for the provision of state support for building savings. The Ministry of Finance cannot decide a dispute between a consumer and a pension company, pension fund or building savings bank, nor can it make a legally binding assessment of the existence of rights or obligations arising from a private-law relationship. However, on the basis of a complaint received, the Ministry of Finance is entitled to carry out an investigation and, where appropriate, to initiate administrative proceedings to impose a public law sanction on the supervised entity.

Further information on the performance of supervision by the Ministry of Finance can be found here: <https://www.mfcr.cz/cs/soukromy-sektor/stavebni-sporeni/kontroly-u-stavebnich-sporitelen-a-penzi>. Contact: Ministerstvo financí, odbor 36 – Státní kontrola a dozor na finančním trhu, Letenská 15, 118 10 Praha 1, phone number: +420 257 041 111, email: podatelna@mfcr.cz, data box ID: xzeaauv.

Office for Personal Data Protection

The Office for Personal Data Protection supervises compliance with the obligations in the management and processing of personal data. The Office for Personal Data Protection cannot decide a dispute between private entities, nor can it legally assess the existence of rights or obligations arising from a private-law relationship. However, on the basis of a complaint received, it is entitled to investigate whether there has been a violation of the Personal Data Protection Act and, if appropriate, to impose a public law sanction.

Further information on the supervisory and decision-making activities of the Office for Personal Data Protection can be found here: https://www.uoou.cz/en/vismo/zobraz_dok.asp?id_org=200156&id_ktg=1111&p1=1111. Contact: Úřad pro ochranu osobních údajů, Pplk. Sochora 27, 170 00 Praha 7, phone number: +420 234 665 555, email: posta@uoou.cz, data box ID: qkbaa2n.

III. RULES OF PROCEDURE BEFORE THE FINANCIAL ARBITRATOR

The proceedings shall be commenced once a consumer files a complaint; a financial institution cannot request commencement of the proceedings. A financial institution is obliged to participate in the proceedings before the Financial Arbitrator and to provide sufficient assistance to the Financial Arbitrator. The Financial Arbitrator conducts the proceedings in accordance with the Financial Arbitrator Act, which contains comprehensive basic rules on special out-of-court proceedings, and the Administrative Procedure Code, unless the Financial Arbitrator Act provides otherwise.

For example, the Financial Arbitrator Act does not contain the calculation of time limits, the procedure of acquaintance with the collected 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, or the consideration of late appeal and objections to the decision of the Financial Arbitrator.

The complainant is entitled to have the proceedings conducted in the language in which the contract between him/her and the financial institution has been written, or in the language in which he/she has usually communicated with the financial institution in writing.

The proceedings before the Financial Arbitrator are governed by the investigation principle. Thus, the Financial Arbitrator is obliged to collect all relevant evidence in order to decide the dispute to the best of her knowledge and belief, impartially, fairly, without undue delay and solely on the basis of the facts established in accordance with the Financial Arbitration Act and other legislation.

Therefore, the Financial Arbitrator always proceeds as follows: as soon as the complainant amends the complaint, so it has no deficiencies preventing the dispute from being heard, the Financial Arbitrator invites the financial institution, against which the complaint has been filed, to provide a response to the complaint and to submit the evidence necessary. The Financial Arbitrator may request both the complainant and the financial institution repeatedly to file a response or to submit evidence. She may also address third parties.

The Financial Arbitrator continually assesses the collected evidence and if the consumer's claim is justified, she discusses the matter with the complainant or the financial institution or informs the parties to the dispute of the preliminary legal assessment of the case and seeks to bring the parties to an amicable settlement.

If an amicable settlement cannot be reached in the proceedings, whether for reasons on the part of the complainant or the financial institution, or if the Financial Arbitrator does not terminate the proceedings due to the complainant's insufficient assistance or the existence of a legal impediment to the proceedings, the Financial Arbitrator shall issue a decision in merits in the form of an award.

Before an award is issued, both parties to the dispute get acquainted with the collected evidence, either by inspecting the file personally or, when requested, by receiving the copies of the evidence by post, email or data box. The process of collecting evidence includes amendments of a complaint by the complainant, requesting evidence from the financial institution or other natural or legal person addressed, assessment of the evidence in order to make a preliminary legal assessment of the case, notification of the preliminary legal assessment to the parties and providing assistance to the parties in negotiating an amicable settlement of the dispute.

The Financial Arbitrator is obliged to decide a dispute by an award without undue delay, but no later than 90 days from the collection of all evidence necessary to deliver a decision (not from the commencement of the proceedings); 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 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, thus 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 time limit to comply with it expires and it has the same effects as a court decision. If the financial institution fails to comply with the decision voluntarily, the complainant may file an application for an enforcement of the decision.

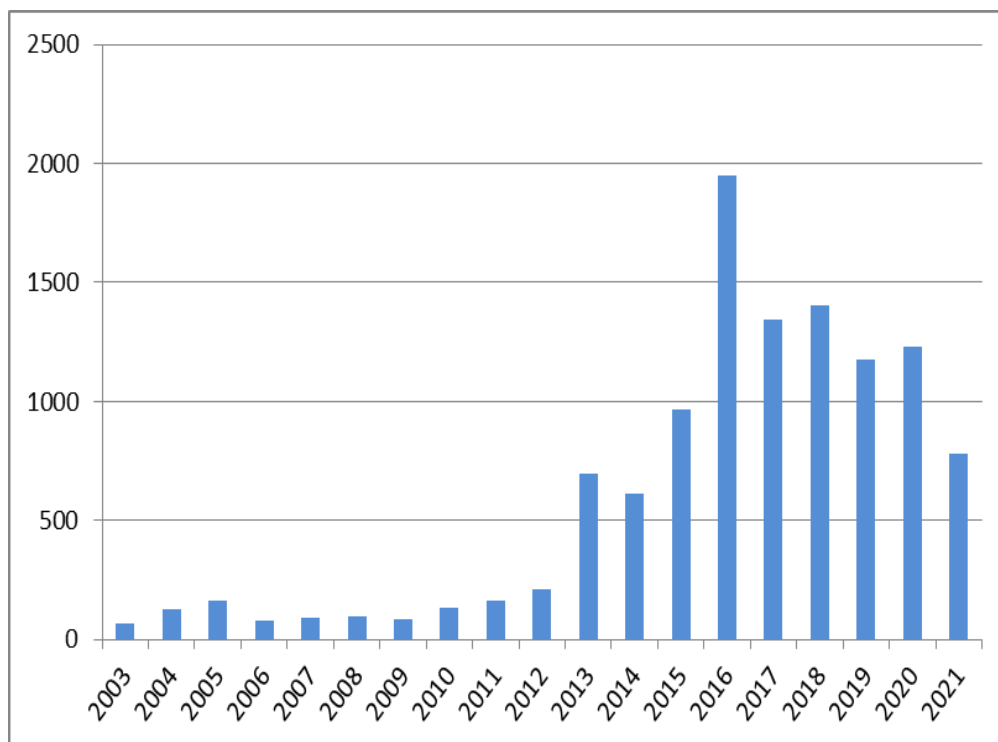
Both parties to the proceedings may file an action for a judicial review of the decision on objections in a competent court, according to the Part V of the Act No. 99/1963 Coll., Code of Civil Procedure, as amended. Only the complainant and the financial institution are parties to the court proceedings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

IV. SUMMARY OF THE FINANCIAL ARBITRATOR'S DECISION-MAKING ACTIVITY

In 2020, the Financial Arbitrator received a total of 1,228 complaints. In the period from 1 January 2021 to 15 June 2021, the Financial Arbitrator received 780 new complaints.

Number of proceedings commenced in each year since the establishment of the Financial Arbitrator (2003-2021)

Year	Proceedings
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	1228
2021	780**



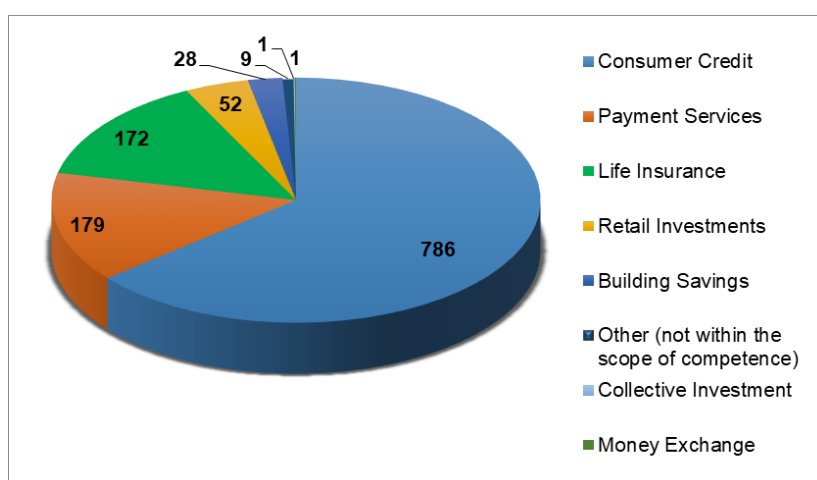
* In 2013, the Financial Arbitrator also handled 93,139 complaints filed jointly and concerning a credit administration fee (information about the settlement of these disputes was contained in the Annual report on the activities of the Financial Arbitrator 2014)

** As of 15 June 2021

Consumer credit disputes accounted for the largest number of complaints received in 2020. Meanwhile, the lowest number of disputes was from money exchange and collective investment.

The proceedings commenced in 2020 divided into specific areas

Area	Proceedings
Consumer Credit	786
Payment Services	179
Life Insurance	172
Retail Investments	52
Building Savings	28
Collective Investment	1
Money Exchange	1
Other	9
Total	1.228



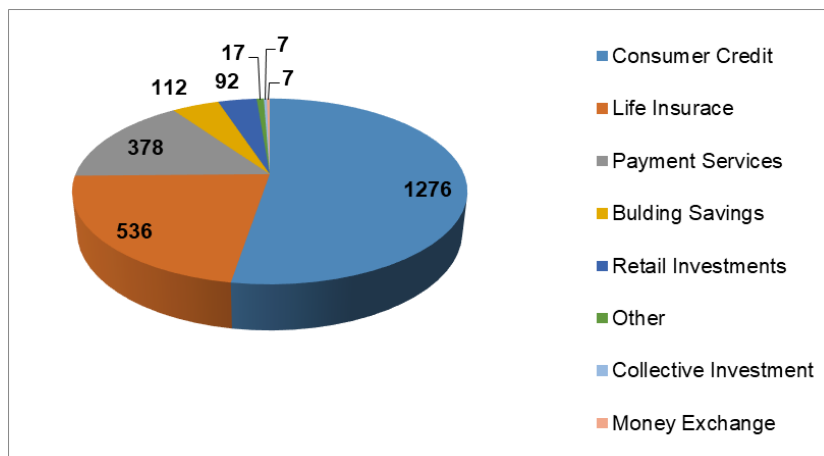
In addition to the proceedings commenced in 2020, there were another 1,197 proceedings ongoing (commenced in the previous periods), which makes a total of 2,425 proceedings.

The ongoing proceedings include proceedings which have been suspended for legal reasons

(pending insolvency proceedings of the financial institution or of the complainant) or at the complainant's request (pending judicial review of another decision of the Financial Arbitrator in a similar case); proceedings in which the complainant is amending the complaint and requests the deadline to be extended; and also proceedings in which the collecting of evidence, negotiations for an amicable settlement of the dispute, preparation of a decision or proceedings on objections are in progress.

Ongoing proceedings in 2020 divided into specific areas

Area	Proceedings
Consumer Credit	1276
Life Insurance	536
Payment Services	378
Building Savings	112
Retail Investments	92
Collective Investment	7
Money Exchange	7
Other	17
Total	2.425



Consumer Credit

In the area of consumer credit, 786 proceedings were commenced in 2020. In total, the Financial Arbitrator handled 1,276 consumer credit disputes in 2020 and finally concluded 683 of them, of which 505 proceedings were settled amicably (501 withdrawn, 3 no longer relevant due to the lack of subject matter, 1 amicable settlement approved), in 12 cases the Financial Arbitrator fully or partially upheld the complaint, in 10 cases she had to reject the complaint, in 50 cases the Financial Arbitrator terminated the proceedings for lack of competence or inadmissibility, and in 105 cases she had to terminate the proceedings due to the consumer's insufficient assistance.

The most frequent type of consumer credit disputes were disputes concerning the assessment of the validity of a credit agreement due to violation of duty to duly assess the creditworthiness of the debtor prior to the conclusion of the credit agreement. In this type of disputes, the Financial Arbitrator draws on the decision-making practice of the general courts, as the courts have already reviewed the decisions of the Financial Arbitrator and confirmed the decisions in which she assessed the credit agreements as invalid and ordered the credit providers to make restitution of the unjust enrichment exceeding the paid principals of the credits.

The second most frequent type of consumer credit disputes were disputes arising from early repayment of a credit (usually mortgage credit). In a dispute over the amount of the costs reasonably incurred in connection with the early repayment of the credit, the consumer may seek reimbursement of the difference between the early repayment fee already paid and the reasonable costs to which the credit provider is entitled. The consumer may also seek a correct calculation of the amount needed to repay the consumer credit early, including the early repayment fee corresponding to the provider's reasonable costs incurred in connection with the early repayment of the credit. These disputes are new and have not yet been decided by the general courts.

Other frequent disputes were disputes over the determination of the amount of the debt under a credit agreement when the amount of the agreed remuneration was contrary to good morals, or in the case of so-called bridging credits from building savings.

The entries in the registers of debtors also remain a subject of disputes, with consumers approaching the Financial Arbitrator with requests to review whether credit providers have legitimately shared information about their liabilities in the registers. Other disputes include

damages for unprofessional credit mediation or for a failure to provide credit to a credit applicant, and the determination of the amount of a fee for failure to draw a granted credit.

In some cases, the Financial Arbitrator could not resolve the dispute and had to terminate the proceedings as the proceedings revealed that the agreement had been negotiated as a business agreement and the complainant failed to prove his/her claim that it was in fact a consumer credit and not a business one.

In some cases, the Financial Arbitrator had to terminate the proceedings during its course because there was a legal impediment to the proceedings in the form of pending court proceedings initiated at the financial institution's request or pending insolvency proceedings on the consumer's property.

Payment Services

In the area of payment services, 179 proceedings were commenced in 2020. In the same year, 165 proceedings were finally concluded, of which 100 proceedings were settled amicably, in 7 cases the Financial Arbitrator had to reject the complaint, in 11 cases the Financial Arbitrator terminated the proceedings for lack of competence, in 2 cases for inadmissibility, and in 45 cases she had to terminate the proceedings due to the consumer's insufficient assistance.

The most frequent type of payment services disputes remain disputes arising from unauthorised payment transactions, usually in connection with the use of payment instruments such as internet banking or credit/debit card.

Other frequent disputes were disputes over the improper execution of a payment transaction, particularly when an ATM was used for the operation, e.g., disputes over the amount of cash deposited into an ATM, where complainant claims that the amount he/she deposited was higher than the amount credited to his/her account by the payment service provider, or disputes over the amount of cash withdrawn from an ATM, where the complainant claims that he/she received a different (lower) amount than he/she requested or that the payment service provider debited his/her account with a different (higher) amount than he/she actually withdrew.

Chargeback disputes formed a large group as well, with consumers seeking refunds through their payment service providers for money paid for services not provided or goods not delivered, most often for missed flights or cancelled foreign holidays.

The Financial Arbitrator dealt with several disputes concerning the validity of the termination of a payment services contract or damages in connection with the settlement of an inheritance.

Disputes arising from payment services are very diverse, require the examination of many documents, not only contractual documentation, but also outputs from various information systems of payment service providers as well as documents from third parties, and are therefore among the most complex in terms of proper fact-finding.

Life Insurance

In the area of life insurance, 172 proceedings were commenced in 2020. In total, the Financial Arbitrator finally concluded 386 proceedings, of which 144 proceedings were settled amicably (withdrawal), in 43 cases the Financial Arbitrator had to reject the complaint, in 65 cases she fully or partially upheld the complaint, in 94 cases the Financial Arbitrator terminated the proceedings for lack of competence or inadmissibility, and in 39 cases she had to terminate the proceedings due to the consumer's insufficient assistance.

The most frequent type of life insurance disputes were disputes for reimbursement of insurance premiums paid by the consumers under the investment life insurance contracts to the insurance companies. According to their claims, the consumers were not interested in investment life insurance but were interested in savings, and the insurance intermediary or the insurance company misled them when concluding the insurance contract about the nature and the

expensiveness of the product. They also objected various flaws in the insurance contracts and contractual documentation for which the insurance contracts should have been invalid.

Another large group of disputes are disputes over the amount of insurance benefits upon reaching the end of the insurance period of so-called endowment life insurance, where consumers seek payment of the return modelled by insurance intermediaries prior to the conclusion of insurance contracts, which the insurance companies did not actually achieve. Alternatively, consumers claim a lump-sum pay-out from the endowment life insurance contracts, even though they have only validly negotiated a lifetime annuity.

Some decisions of the Financial Arbitrator issued in life insurance disputes are further submitted by the parties to the dispute for a judicial review when the consumers, or their legal representatives, disagree with the Financial Arbitrator's conclusion that their claim is time-barred or partially time-barred. The insurance companies, on the other hand, usually disagree with the Financial Arbitrator's conclusion that the insurance contract or its provision is invalid.

Based on the results of the judicial review of the Financial Arbitrator's decisions executed by the courts of first instance, it is certainly not possible to infer a settled decision-making practice of the general courts. In majority of the decisions reviewed, the general courts have confirmed the opinion of the Financial Arbitrator, but there are also decisions which are diametrically opposed to the Financial Arbitrator's decisions and the decisions of other courts or judges who have dealt with similar subject matter.

As regards the admissibility of a limitation objection in life insurance contracts and the possibility of giving priority to a limitation objection over the claim itself, the decisions of the Financial Arbitrator have already been reviewed by the courts of appeals, which have found in favour of the Financial Arbitrator and her practice.

The Financial Arbitrator is convinced that in the disputes she decided, she took very careful account of everything that came to light in the proceedings. She is also of the belief that in the decisions she issued, she duly justified why she decided to reject or uphold the complaint, while at the same time she always referred to the relevant findings of fact, legal rules and the conclusions of the general courts, even the court that had reviewed similar decisions of the Financial Arbitrator.

Building Savings

In the area of building savings, 28 proceedings were commenced in 2020. In total, the Financial Arbitrator finally concluded 32 disputes, of which 30 disputes were settled amicably, in 1 case the Financial Arbitrator terminated the proceedings for inadmissibility, and in 1 case she had to terminate the proceedings due to the consumer's insufficient assistance.

The most frequent type of building savings disputes were disputes concerning the validity of a unilateral termination of a contract on building savings by the building savings bank, the validity of a unilateral reduction of the interest rate on building savings deposits, and disputes about the management of the building savings account, particularly about the amount of the fee for such management, the amount of the state support paid out, or the amount of the interest rate on the building savings deposits.

The building savings bank, which had been ordered by the Financial Arbitrator in 10 disputes to reinstate a building savings account because the conditions for its cancellation had not been met, sought the decision of the Financial Arbitrator to be overturned by a general court. The building savings bank has repeatedly defended itself before the Supreme Court against the decision of the Financial Arbitrator, and now also against the decision of the general courts which upheld the decision of the Financial Arbitrator. The bank has announced that it will defend itself even before the Constitutional Court.

There are currently 59 ongoing proceedings before the Financial Arbitrator against this building savings bank, but these proceedings are suspended as consumers await decisions by the Supreme Court and the Constitutional Court in similar disputes.

Investments

In the area of collective investment and provision of investment services, 53 proceedings were commenced in 2020. In total, the Financial Arbitrator finally concluded 30 disputes in this area, of which 12 disputes were settled amicably (withdrawal), in 1 case the Financial Arbitrator rejected the complaint, in 1 case she upheld the complaint, in 9 cases the Financial Arbitrator terminated the proceedings for lack of competence, and in 7 cases she had to terminate the proceedings due to the consumer's insufficient assistance.

The number of disputes in the area of collective investment and investment services (so-called retail investments) was lower compared to other areas of the Financial Arbitrator's competence, however, these disputes are factually more complex as the subjects of individual disputes vary considerably and as their assessment affects many areas of the financial market. Investment services are often provided in the Czech Republic at a distance by foreign entities (with or without the authorisation of the competent supervisory authority), who need to be properly served with the proceeding's documentation, which is often problematic. In some cases, the legal relations are also governed by foreign law.

Retail investment disputes range from disputes over the amount of the entry fee for the intermediation of an investment in a collective investment product, wrong investment recommendations provided by investment intermediaries or providers to invest in high-risk financial products, misselling of financial products or damages for breach of the information duties during their distribution, to disputes for damages for the investment loss suffered by the consumer.

Money Exchange

In the area of money exchange, only 1 proceeding was commenced in the period under review. In total, the Financial Arbitrator finally concluded 4 disputes, of which 1 dispute was settled amicably (withdrawal) and in the rest of the cases she had to terminate the proceedings due to the consumer's insufficient assistance.

After 1 April 2019, when the amendment to the Act on Currency Exchange came into force, which regulated the customer's right to withdraw from an exchange transaction or a part of it, the number of new disputes decreased significantly. Of course, the number of currency exchange disputes may also have been influenced by the effects of the covid-19 pandemic, in this case primarily by the travel restrictions and associated low number of foreigners exchanging their currency for Czech crowns in the Czech Republic.

Disputes outside the scope of competence of the Financial Arbitrator

In 2020, the Financial Arbitrator received 9 complaints in which the subject matter of the dispute obviously did not fall within the Financial Arbitrator's competence. These were disputes relating to private pension insurance, bonds, non-life insurance and telecommunications. The Financial Arbitrator had to terminate these proceedings for inadmissibility.

Hundreds of consumers have approached the Financial Arbitrator with similar disputes outside the Financial Arbitrator's competence, either in the form of written or telephone inquiries. The Financial Arbitrator provided each consumer with a proper explanation and a link to the relevant out-of-court dispute resolution body with contacts.

Length of proceedings

Some disputes end amicably within weeks of the commencement of the proceedings, while other more complex disputes last for more than 2 years. The usual length of the entire proceedings (i.e., the procedure on the complaint, the amending of the complaint on the part of the complainant, the securing of documents from the financial institution and other natural or legal persons addressed, the preliminary legal assessment of the case, the coordination of the amicable settlement of the dispute, the procedure on objections) is approximately 12 months.

The average length of proceedings concluded in 2020 was 360 days from the commencement of the proceedings to the moment when the decision terminating the proceedings came into force. Year-on-year, the Financial Arbitrator reduced the average length of the proceedings by one third.

Consumers themselves also influence the length of proceedings by failing to submit errorless complaints that do not need to be amended or supplemented and by extending the time limits for submitting documents or statements. The same applies to the financial institutions.

The methodology used to calculate the average length of proceedings also does not take into account the period of suspension of proceedings, which leads to a factual increase.

It is not uncommon for a consumer or his/her representative to file a complaint that does not correspond in a fundamental way with the actual situation, especially as regards the quantification and proof of the required payment. The Financial Arbitrator only discovers later in the course of the proceedings that the legal relationship, that is the subject of the proceedings, had ceased to exist before the proceedings were commenced, although the complainant's representative claims otherwise, etc. The Financial Arbitrator thus usually discovers the actual state of affairs after several requests to the complainant and the financial institution to submit supporting evidence.

Moreover, it should be taken into account that in the case of an amicable settlement of a dispute (60% of all terminated proceedings in 2020), the dispute is effectively resolved at the moment of conclusion of a settlement agreement between the consumer and the financial institution, but the ruling on termination of the proceedings follows with a delay of several weeks.

Length of the proceedings finally concluded in 2020 by area

Area	Number of finally concluded proceedings (2020)	Average length of proceedings in days (2020)	Number of finally concluded proceedings (2019)	Average length of proceedings in days (2019)	Number of finally concluded proceedings 2020/2019	Average length of proceedings 2020/2019
Consumer Credit	683	227	490	206	+39%	+10%
Life Insurance	386	667	1210	703	-68%	-5%
Payment Services	165	247	119	255	+39%	-3%
Building Savings	32	311	52	276	-38%	+13%
Retail Investments	27	266	42	290	-36%	-8%
Money Exchange	4	373	25	204	-84%	+83%
Collective Investment	3	392	5	668	-40%	-41%
Other	15	52	1	31	+1400%	+68%
Total	1315	360	1944	523	-33%	-31%

Results of the decision-making activity

In terms of decision-making outcomes, the Financial Arbitrator reached an amicable settlement in almost two-thirds (60%) of the 1,315 proceedings finally concluded in 2020, meaning that the financial institution settled the claim (or part of it) brought by the consumer before the Financial Arbitrator.

In attempt to reach an amicable settlement, the Financial Arbitrator will normally first provide the parties to the dispute with a preliminary legal assessment of the dispute outlining her idea of an

equitable amicable solution. Only if the parties reject the amicable solution, the Financial Arbitrator issues a decision in merits in the form of an award or a decision on objections to the award.

The proceedings in which the consumer withdraws his/her claim because the Financial Arbitrator's assessment of the collected evidence convinces him/her that his/her claim is unjustified, or because the outcome of the proceedings would be less favourable to him/her (e.g., as a result of a limitation objection raised by the financial institution), should be also considered as an amicable settlement of a dispute.

In the period under review, the Financial Arbitrator terminated the proceedings in 781 cases due to the withdrawal of the complaint. Another 10 proceedings were terminated by the Financial Arbitrator for lack of subject matter because the financial institution had fully satisfied the complainant's requirements and proved this fact to the Financial Arbitrator, but the complainant did not withdraw his/her claim as the receipt of the financial compensation had "ended the matter" for him/her. In 1 case, the Financial Arbitrator approved an amicable settlement by decision at the request of the parties to the dispute.

In total, 792 proceedings ended amicably in 2020.

Where the parties to the dispute did not find a willingness to resolve the dispute amicably even in the proceedings before the Financial Arbitrator, the Financial Arbitrator issued an award partially or fully upholding or rejecting the complaint. In total, the Financial Arbitrator issued 139 decisions in merits, of which she rejected the complaint in 61 cases, partially upheld the consumer's complaint in 72 cases and fully upheld the consumer's complaint in 6 cases.

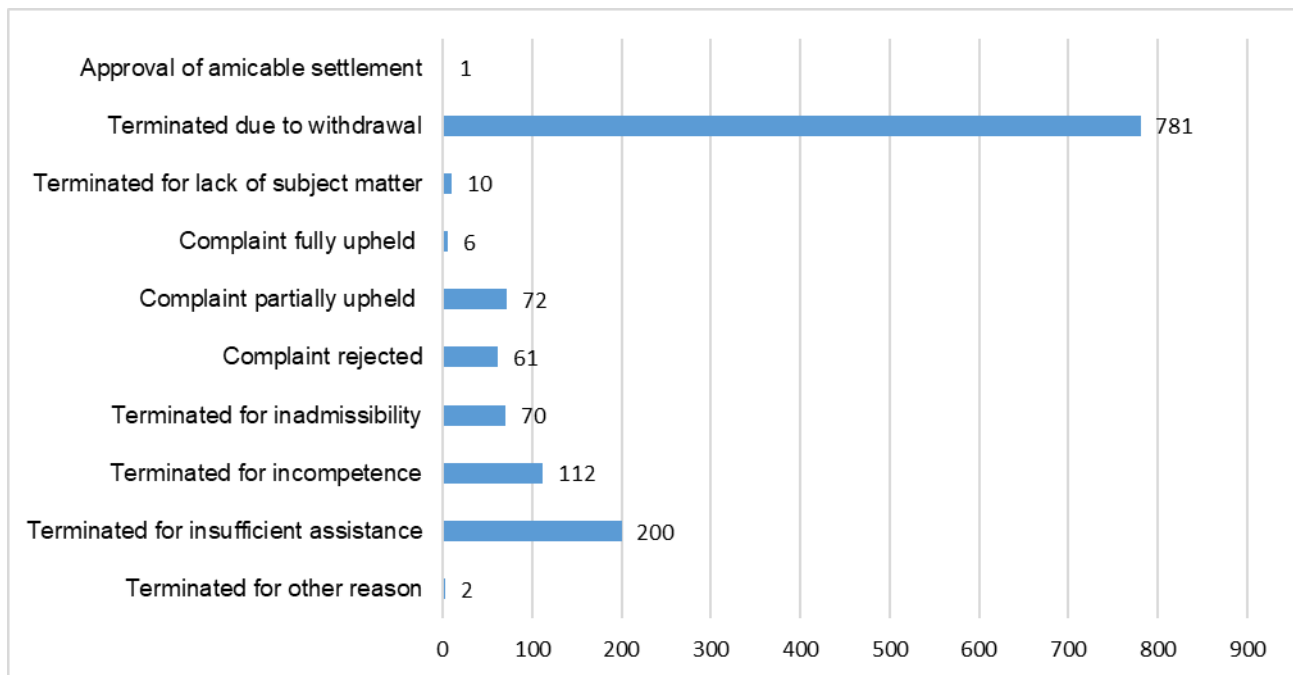
The consumers (complainants) have not always provided the Financial Arbitrator with sufficient assistance to enable the proceedings to be decided fairly and in accordance with the law. This is despite the fact that the Financial Arbitrator repeatedly invites and instructs a complainant on what evidence to provide in support of his/her claims or how to formulate his/her claim against the financial institution. The Financial Arbitrator had to terminate a total of 199 proceedings due to the insufficient assistance of the complainant.

If the Financial Arbitrator finds a legal impediment to the proceedings, she is obliged to terminate the proceedings for inadmissibility. In 2020, she did so in 70 cases.

If the Financial Arbitrator finds out during the proceedings that she is not competent to resolve the dispute (she usually finds out that the complainant acted as a businessman in the legal relationship which he/she has made the subject of the proceedings, or the dispute is not within the scope of the Financial Arbitrator's competence, most often it is a non-life insurance dispute), the Financial Arbitrator shall terminate the proceedings for lack of competence. In 2020, a total of 112 proceedings were terminated for lack of competence of the Financial Arbitrator.

Results of the proceedings finally concluded as of 31 December 2020 by the method of dispute settlement

Result	Number
Approval of amicable settlement	1
Terminated due to withdrawal	781
Terminated for lack of subject matter	10
Complaint fully upheld	6
Complaint partially upheld	72
Complaint rejected	61
Terminated for inadmissibility	70
Terminated for incompetence	112
Terminated for insufficient assistance	200
Terminated for other reason	2
Total	1315



Current status of pending proceedings in 2020 as of 15 June 2021

Status	Number
Decisions in legal force as of 31 December 2020	1.315
Decisions issued from 1 January 2020 to 15 June 2021	600
Proceedings suspended	110
Ongoing proceedings as of 15 June 2021 (collecting of evidence, amicable settlement negotiations, awaiting the outcome of judicial review or conclusion of criminal proceedings)	400

Non-cooperation of the financial institutions or other natural or legal persons addressed

In the event that the Financial Arbitrator decides the case by an award and fully or partially upholds the consumer's complaint, she is obliged under Section 17a of the Financial Arbitrator Act to impose a penalty on the financial institution of 10% of the amount which the financial institution is obliged to pay to the complainant, but not less than CZK 15,000. This amount shall be an income of the state budget.

In addition, the Financial Arbitrator is entitled under Section 23 of the Financial Arbitrator Act to impose a fine up to CZK 100,000 on a financial institution for a breach of the obligation to present the demanded evidence in the proceedings before the Financial Arbitrator. The fine may be imposed repeatedly and it is also an income of the state budget.

In 2020, the Financial Arbitrator initiated a total of 44 fine proceedings due to lack of cooperation of a financial institution and in 29 cases she imposed a fine on the institution.

Actions against inactivity of the Financial Arbitrator

Between 2017 and 2019, the Financial Arbitrator was challenged by actions against her inactivity brought pursuant to Section 79 et seq. of Act No. 150/2002 Coll., Code of Administrative Justice, as amended. The actions against inactivity were filed by a group of cooperating attorneys in life insurance disputes in order to secure a positive decision in these disputes. By their conduct, they have completely negated the purpose of the institute of the Financial Arbitrator, whose primary objective is the amicable settlement of the dispute, not the adjudication of the case. The result of the courts proceedings was a rejection of the action or its refusal because the conditions for bringing it were not met. In many cases, the courts then awarded the costs of proceedings

regardless of the hearing of the claim as the plaintiff had withdrawn his/her action. The courts awarded the costs by a decision which the Financial Arbitrator could not defend against.

V. FINANCIAL ARBITRATOR, DEPUTY FINANCIAL ARBITRATOR – OFFICE OF THE FINANCIAL ARBITRATOR – ORGANIZATIONAL ARRANGEMENT OF THE FINANCIAL ARBITRATOR'S ACTIVITIES

Financial Arbitrator

As of 1 July 2011, the Financial Arbitrator and the Deputy Financial Arbitrator are appointed and 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 qualification 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 the Czech Republic and a proof of a 5 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 Labour 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 7 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 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 (Masaryk University in Brno, Charles University in Prague), 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 Labour Code.

In 2020, organizational structure of the Office of the Financial Arbitrator was 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 Credits III,
- the Department of Investments,
- the Department of Life Insurance,
- the Department of Administrative Support,
- the Internal Auditor,
- the Secretary of the Financial Arbitrator.

The organizational structure of the Office of the Financial Arbitrator varies according to actual needs.

Due to the increasing number of consumer credit disputes and due to the need to settle each and every dispute quickly and efficiently, three Departments of Credits have been created.

The structure of the management is:

- the Financial Arbitrator and, in her absence, the Deputy Financial Arbitrator,
- the Deputy Financial Arbitrator, if authorized by the Financial Arbitrator to the permanent exercise of her 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:

Year 2011	14 systemized posts
Year 2012	14 systemized posts
Year 2013	14 systemized posts
Year 2014	35 systemized posts
Year 2015	39 systemized posts
Year 2016	45 systemized posts
Year 2017	55 systemized posts
Year 2018	55 systemized posts
Year 2019	60 systemized posts
Year 2020	57 systemized posts

During 2020, the Office of the Financial Arbitrator employed between 50 and 54 employees. The vacancy of the systematized positions was due to the lack of interest of applicants for temporary employment as a substitute for parental leave, as well as due to the situation caused by the covid-19 pandemic, and the departure of two additional employees on maternity/parental leave. At the end of the reporting period, the Office of the Financial Arbitrator recorded a total of 10 employees on maternity/parental leave, while 2 recruitments were successfully completed with a start date of

January 2021, with 1 employee returning from parental leave during 2021 and further recruitments to be conducted.

The staff of the Office of the Financial Arbitrator (actual or budgeted) are insufficient with regard to its status of an independent organisational unit of the State, i.e., to the activities ensuring its operation (budgetary, accounting, economical, economic, labour law), and with regard to the professional activities (dispute resolution and related professional activities).

Currently, the operational support activities in the Office of the Financial Arbitrator are provided by the staff members who have been hired for specialist activities or are performed by the Financial Arbitrator and Deputy Financial Arbitrator themselves, as well as by other management staff on an overtime basis (meaning beyond the acceptable range of managerial overtime).

Naturally, the dispute resolution requires completely different expertise (Czech and European financial market and consumer protection law, general civil and commercial law, administrative law, as well as insolvency and enforcement law, etc.) and skills than the Office's operational support activities (labour law, budget rules, accounting, public procurement, archiving and filing services, freedom of access to information, cybersecurity, digital services law, etc.).

In addition, there is a need for increased daily professional contact with the public, which is currently provided by administrative or specialist employees outside working hours.

New staff are needed to ensure activities related to cybersecurity as the Office of the Financial Arbitrator will operate several important information systems (the Information System for the File Management Service and the Management of the Proceedings before the Financial Arbitrator, as well as the information system used to keep the official board in a manner allowing remote access) according to the amended implementing decree to the Act on Cybersecurity. That entails increased obligations under the legislation governing cybersecurity, both materially and in terms of staff (qualified staff for the relevant security roles), as the Office of the Financial Arbitrator currently has no systemized post dedicated to this area.

Likewise, the Office of the Financial Arbitrator does not have staffs for a highly monitored area – public procurement.

Therefore, there is a critical need to create and fill the positions of HR Officer, Lawyer – Public Procurement Specialist, Lawyer – IT Support Specialist, Lawyer – PR Officer, and at least 6 additional positions of Lawyer – Dispute Resolution.

VI. COSTS RELATED TO THE FINANCIAL ARBITRATOR'S ACTIVITIES

As regards the costs incurred by the State for the activities of the Financial Arbitrator, the tasks related to the professional, organisational and technical support of the activities of the Financial Arbitrator are performed by the Office of the Financial Arbitrator as organisational unit of the State and independent accounting unit whose revenues and expenditures fall under the budget chapter 312 – Ministry of Finance.

In 2020, 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.

Revenues

For 2020, as in previous periods, no revenues were set in the budget of the Office of the Financial Arbitrator because they cannot be predicted by the nature of the matter (sanctions, fines, reimbursement of business trips, etc.).

Nevertheless, the revenues of the Office of the Financial Arbitrator for 2020 totalled CZK 1,239,000 and consisted of:

- a) sanction payments received in the amount of CZK 1,210,000, representing sanctions imposed pursuant to Section 17a of the Financial Arbitrator Act and procedural fines imposed pursuant to Section 23 of the Financial Arbitrator Act;
- b) reimbursement of a foreign business trip in the amount of CZK 1,000 (the sum represents a cancellation fee in connection with a foreign business trip to Brussels which did not take place due to the cancellation of a meeting because of the covid-19 pandemic; the reimbursement was received from the European Commission);
- c) transfer from own funds of CZK 25,000 (the sum represents a reserve for any unexpected expenses related to the payment of salaries for the last month of the 2019 calendar year, paid in January 2020; as there were no unforeseen events, these funds were returned to the revenue account as a transfer from own funds);
- d) income of CZK 3,000 as compensation for non-delivery of parcels from the postal service provider Česká pošta, s.p.

Expenditures

The approved expenditure budget of the Office of the Financial Arbitrator for 2020 amounted to CZK 69,623,000 with CZK 69,423,000 allocated to current expenditures and CZK 200,000 allocated to capital expenditures. As of 1 January 2020, the claims from unspent expenditures totalled CZK 19,849,000. The final budget for 2020 therefore totalled CZK 85,442,000. As of 31 December 2020, the claims from unspent expenditures totalling CZK 15,819,000 were entered with CZK 1,331,000 allocated to programme financing, CZK 7,200,000 allocated to salaries and other payments for work and CZK 7,288,000 allocated to other expenditures.

Within current expenditures, wage expenditures were set at CZK 48,250,000, of which CZK 47,654,000 were for salaries and CZK 596,000 for other payments, related insurance premiums were set at CZK 16,308,000 and allocation to the cultural and social needs fund was set at CZK 953,000. The claims from unspent expenditures of previous periods were included for salaries in the amount of CZK 6,740,000, for other payments of CZK 460,000 and for compulsory insurance claims of CZK 3,256,000. The final budget for 2020 was therefore CZK 55,450,000 for salaries and other payments, of which CZK 53,394,000 were for salaries and CZK 1,056,000 for other payments, and CZK 19,565,000 for compulsory insurance premiums.

The number of systemized posts was set at 57, the average salary from the approved budget totalled CZK 69,669.

The expenditures on the operation of the Office of the Financial Arbitrator for 2020 totalled CZK 55,488,000. The final budget was thus utilized from 64.94%. Within current expenditures, a total of CZK 54,902,000 was spent, i.e., 64.97% of the final budget for current expenditures. Within capital expenditures, a total of CZK 586,000 was spent, i.e., 62.67% of the final budget for capital expenditures.

In the period under review, the funds for salaries and other payments for work were used in the total amount of CZK 37,187,000, which represents 67.06% of the final budget. The actual average salary in 2020, based on the average recalculated number of employees, was CZK 61,059.

The largest share of the spending on other current expenditures was the purchase of services, with a spending of CZK 2,603,000, i.e., 66.96% of the final budget (1.10% more than in 2019). Within this subgroup, expenditures on other services (CZK 889,000), data processing services (CZK 1,071,000), training and education services (CZK 248,000), postal services (CZK 312,000) and telecommunication services (CZK 28,000) were covered. During the period under review there was no increase in expenditures on services and the associated payments for operation, maintenance, development and technical support, etc.

For other purchases, a total of CZK 300,000 was spent, i.e., 49.25% of the final budget (19.00% less than in 2019). From this item, a total of CZK 257,000 was spent for repairs and maintenance of the property of the Office of the Financial Arbitrator (this subgroup covered services based on the 2011 Record on the Premises and it is calculated per person and invoiced quarterly), repairs of the official car, conference attendance fees and refreshment costs.

Expenditures on the purchase of materials totalled CZK 550,000, i.e. 52.88% of the final budget (120.10% more than in the same period of 2019). Most of the funds were spent on the purchase of small tangible fixed assets – the purchase of laptops including accessories and multifunctional printers (CZK 375,000), the purchase of publications and books (CZK 18,000), as well as office supplies and other consumable materials for the operation of ICT (CZK 156,000).

Expenditures on water, fuel and energy totalled CZK 310,000, i.e., 60.89% of the final budget (4.90% more than in the previous period). The spending on this subgroup is connected to the calculation of energy and services related to the rental of non-residential premises on the basis of the Record on the Premises, which specifies the related costs paid to the landlord according to the number of persons in the period under review.

Another CZK 691,000 were spent on other items. That is 35.00% less than in the previous year on this subgroup. The most significant item is sick pay, which amounted to CZK 248,000 followed by levies for breaches of the obligation to employ the disabled, which amounted to CZK 176,000 and costs of the court proceedings, on which the Office of the Financial Arbitrator spent CZK 210,000.

In the period under review, a total of 4 domestic business trips were made, on which the Office of the Financial Arbitrator spent a total of CZK 5,340, and the purpose of which was the participation of the employees of the Office of the Financial Arbitrator in oral hearings ordered by non-Prague general courts during the review of the Financial Arbitrator's decisions. There were no foreign business trips during the reporting period.

In the period under review, the Office of the Financial Arbitrator paid the costs of court proceedings in the total amount of CZK 210,500. These were the costs of the proceedings and legal representation of the plaintiffs in the disputes against the Financial Arbitrator's inactivity in life insurance cases.

In terms of programme financing, the Office of the Financial Arbitrator records a total of 2 programmes as of 31 December 2020, namely Programme No. 01241 – Development and Renewal of the Material and Technical Base of the KFA (the Office of the Financial Arbitrator) and Programme No. 01242 – Acquisition and Renewal of the MTZ of the Office of the Financial Arbitrator.

In the period under review, the Programme No. 01241 was implemented under the sub-heading 012V4110 – Acquisition and Operation of ICT KFA, monitoring the needs of the security of computer and communication technology and the corresponding information systems (the budget for 2020 was approved in the amount of CZK 100,000), and the sub-heading 012V4120 – Acquisition and Renewal of the KFA's Material and Technical Base, i.e., ensuring the reproduction and renewal of assets necessary for the KFA's own activities.

The approved budget for current expenditures under sub-heading 012V4110 was CZK 100,000. The final budget for current expenditures for 2020 totalled CZK 695,000. In the period under review, the sub-programme's current (non-investment) expenditures were spent to a total of CZK 595,000, representing 85,61% of the final budget.

Current expenditures were used to pay monthly obligations under the contract with Solitea, a.s., which provides technical support services to the Office of the Financial Arbitrator on the basis of the concluded Contract for the Supply of the Information System for the File Management Service and the Management of the Proceedings before the Financial Arbitrator for the Office of the Financial Arbitrator, which includes payment of monthly technical support in the amount of CZK 49,610.

The approved budget for capital expenditures of sub-heading 012V4110 was CZK 0, the final budget for capital expenditures totalled CZK 355,000 in the period under review. The funds in the amount of the final budget were used for capital (investment) expenditures to pay for Orders No. 5 and No. 6 under the General Contract for Works of 18 July 2018, the subject of which is the modification of the Information System for the File Management Service and the Management of the Proceedings before the Financial Arbitrator for the Office of the Financial Arbitrator.

The Office of the Financial Arbitrator has requested the Ministry of Finance, as the program administrator, to approve the investment plan and register action 012V412000003 for the purchase of 3 multifunction printers due to the termination of existing service contracts and due to the expected achieving of the life expectancy of the installed machines. In order to acquire the new machines, the Office of the Financial Arbitrator carried out a market survey and, on the basis of the preliminary offers submitted, estimated the purchase price of the 3 new machines at CZK 380,000 including VAT.

In this context, the Office of the Financial Arbitrator has submitted a request to the programme administrator for a budget measure and a transfer of funds in order to finance the purchase of the multifunction printers, as follows

- a) a budget measure from action 012V411000002 Telecommunications of the KFA in the amount of the balance of unspent funds of CZK 230,420 to action 012V411000003 Aggregation of the KFA on budget item 6122, document number EDS/SMVS 2020/312/1/00173;
- b) a budget measure from action 012V412000001 KFA's office equipment in the amount of the balance of unspent funds of CZK 150,000 to action 012V411000003 Aggregation of the KFA on budget item 6122, document number EDS/SMVS 2020/312/1/00172.

After the inclusion of claims from unspent expenditures and the transfer made, a total of CZK 380,420 was recorded on budget item 6122 for action 012V411000003 Aggregation of the KFA.

The approved budget for sub-heading 012V4120 for current (non-investment) expenditures was CZK 0. The approved budget for this sub-programme for investment (capital) expenditures was CZK 0.

In the period under review, programme No. 01242 was registered under sub-headings 012V4210 – Acquisition and Development of KFA's ICT and 012V4220 – Acquisition and Renewal of KFA's MTZ.

The approved budget for the sub-heading 012V4210 amounted to CZK 150,000 in total, while no budget funds were used in the period under review. The approved budget for sub-heading 012V4220 totalled CZK 50,000, while no budget funds were used in the reporting period.

The capital expenditures are related to the volume of works ordered on the basis of Contract for the supply of the Information System for the File Management Service and the Management of the Proceedings before the Financial Arbitrator for the Office of the Financial Arbitrator and the General Contract for Works; the works concern the development of the Information System. In 2020, there has been an appreciation of the Information System based on the demand for development and modification of sub-functionalities by the Office of the Financial Arbitrator, however, the total amount of this appreciation did not reach the expected value due to the negotiated reduction in the price of the contractor's work as well as the postponement of some work to 2021.

The underspending of the 2020 budget (including claims from unspent expenditures from previous years) is principally related to lower expenditures on the operation of the Office of the Financial Arbitrator as a consequence of the declared state of emergency in relation to the covid-19 pandemic. As a result of the implementation of the government measures taken, the intended spending did not take place because the complex situation and the high level of risk and uncertainty complicated the realization of public procurements and the continued performance by suppliers of some of the contracts concluded.

Another reason for the underspending of the budget is the operational situation of the Office of the Financial Arbitrator, which has long been seeking to relocate its offices to more suitable premises and has budgeted funds for related expenses for this purpose. Given the failure of these efforts to date, the budget funds could not have been used, in particular for the purchase of furniture. The amount of the operating costs associated with the use of the premises in which the Office of the Financial Arbitrator resides is in line with the fact that it is a building used by the Ministry of Finance.

In connection with the covid-19 pandemic, the Office of the Financial Arbitrator incurred costs of disinfectants, protective equipment and disinfection of offices in the total amount of CZK 13,000.

VII. INFORMATION DUTIES OF THE FINANCIAL ARBITRATOR, PUBLIC RELATIONS

Handling of inquiries

The Financial Arbitrator shall answer any inquiry, including those that do not relate to the activities of the Financial Arbitrator, at least to the extent of advising about the lack of her competence and, where possible, referring to the relevant body.

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

The Financial Arbitrator received over 5,000 inquiries (including telephonic inquiries) in 2020. The Financial Arbitrator managed to answer the inquiries in writing without undue delay, usually within a few days.

Information duties of the Financial Arbitrator

The Financial Arbitrator is obliged to carry out an annual report on her activities for the public. The annual report shall particularly include detailed information on the number of proceedings conducted, the way in which the disputes were resolved, including a description of selected disputes, and it shall be published once a year, by 30 June of the following calendar year at the latest, in a suitable manner allowing remote access.

All the annual reports on the activities of the Financial Arbitrator are published and accessible on the website 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 activities through the annual report on the information provided pursuant to Act No. 106/1999 Coll., through press releases, information published on her website or through social networks and information provided to the media.

The Financial Arbitrator shall, as appropriate, inform the public oversight or state supervisory authorities of the financial institutions, against which the Financial Arbitrator has conducted the proceedings, of the deficiencies identified.

The obligation to inform complainants about the possibility of getting assistance in the proceedings before the Financial Arbitrator, about her decision-making procedure under the Financial Arbitrator Act and the pending proceedings is fulfilled by the Financial Arbitrator through individual acts in individual proceedings, responses to questions from the public and, above all, through the website operated by the Office of the Financial Arbitrator.

Financial Arbitrator's website

The Financial Arbitrator uses the website <https://finarbitr.cz>, which is operated by the Office of the Financial Arbitrator in both Czech and English language, to fulfil her information obligations and to further inform the general and professional public about her activities and current topics.

A widely used functionality of the website is the Complaint Filing Tutorial, which can be accessed here: <https://finarbitr.cz/en/dispute-resolution/complaint-filing-tutorial.html>.

In response to numerous public inquiries, detailed and clear information for debtors (who have had problems repaying their consumer credit due to the covid-19 pandemic) on how to proceed when negotiating with a creditor to defer repayments was published on the website immediately after the adoption of the relevant act of law.

During the period under review, further significant modifications were made to the website to ensure that the information about the Financial Arbitrator is as easy to find as possible. Thanks to the modifications, the main page provides easy access to information about the Financial Arbitrator, basic rules of the proceedings before the Financial Arbitrator, different areas and types of disputes that the Financial Arbitrator is competent to resolve, including links to the legislation and the Collection of Decisions.

The complainants can now amend their complaints through the website via the Complaint Amending Tutorial, which can be accessed here: <https://finarbitr.cz/cs/reseni-sporu/pruvodce-doplnenim-navrhu.html> (*Financial Arbitrator's Note: This feature is at the moment available only on the Czech version of website*).

There are also answers to frequently asked questions, both substantive and directly related to the proceedings before the Financial Arbitrator, as well as recommendations on where to turn if the Financial Arbitrator is not competent to resolve the dispute.

The "Newsletter subscription" service is used to send press releases, updates or information about the publication of an anonymised decision in the Collection of Decisions. The interested party can subscribe to the newsletter by simply entering his/her email address, where the information will be sent.

Collection of Decisions

The Financial Arbitrator's website also includes the Collection of Decisions, in which the Financial Arbitrator publishes selected decisions. The Collection of Decisions was upgraded in 2020, and consumers can now use a more sophisticated search facility to help them find the decision they want. The searching has been enhanced with several input fields.

The Collection of Decisions can be searched using a full-text search by entering a file tag or keyword. All published decisions are available in the Czech language in anonymised form here: <https://finarbitr.cz/cs/reseni-sporu/sbirka-rozhodnuti.html>.

The Financial Arbitrator always publishes the decision in merits, i.e., the award or the decision on objections, which are new or in any way useful to the general and professional public with regard to the claim on which the Financial Arbitrator has ruled. Decisions imposing a fine for a breach of the obligation to present the demanded evidence in the proceedings before the Financial Arbitrator are also published. The rulings terminating the proceedings on the grounds that the complaint has been withdrawn or lacked a subject matter are not published in the Collection of Decisions, nor are the rulings terminating the proceedings for insufficient assistance of the complainant. The rulings terminating the proceedings for inadmissibility of the complaint shall be published only if they are of information value to the public.

The published decisions are identified in the Collection of Decisions by the type of decision (award, decision on objections, ruling, decision), the registration number or file mark, the date of the decision and the business name or name of the financial institution against which the complaint was directed. In accordance with Section 8a of the Freedom of Information Act and in accordance with Section 21(6) of the Financial Arbitrator Act, the published parts of the decisions do not contain personal or other identifying information of the complainants. The decisions can be searched by area, sub-area, name of the financial institution, year of the decision, file mark, keyword or by full-text search.

The Financial Arbitrator has continued to fill the Collection of Decisions on her website and has published all her major decisions in full (without identifying the complainants). In the Collection, the predictability of the Financial Arbitrator's decision-making activity can be traced, which serves not only the financial institutions or their legal representatives, but also the complainants themselves (the consumers). They increasingly refer to the Collection of Decisions and cite the decisions of the Financial Arbitrator in their complaints and other statements during the proceedings.

VIII. INTERNATIONAL COOPERATION, FINANCIAL EDUCATION

Cooperation of the Financial Arbitrator with similar out-of-court consumer dispute resolution bodies in other countries

Under the Financial Arbitrator Act, the Financial Arbitrator shall cooperate on a mutual basis with similar out-of-court consumer dispute resolution bodies in other states, in particular in the states forming the European Economic Area, and with the authorities of the European Union.

ADR/ODR

Since January 2016, the Financial Arbitrator has been notified by the Ministry of Industry and Trade as a competent body under the ADR Directive to the European Commission.

Since February 2016, the Financial Arbitrator has been connected to the European online consumer dispute resolution platform operated by the European Commission under the ODR Regulation. The online resolution platform can be accessed here: <https://ec.europa.eu/consumers/odr/main/?event=main.home2.show>.

In 2020, the Financial Arbitrator did not record any complaint filed via the ODR platform.

FIN-NET

The Financial Arbitrator has been a long-standing member of [FIN-NET](#), a European network of institutions focused on out-of-court resolution of disputes in the financial market. The network, founded in 2001, brings together the financial ombudsmen from most of the European Union Member States and other countries of the European Economic Area. Its mission is to share experience from day-to-day decision-making practice of its members and to help resolve cross-border disputes. The Deputy Financial Arbitrator is a member of the FIN-NET Steering Committee, which steers the future direction of the network and prepares the agenda for the plenary meetings.

In 2020, only 1 of the usual 2 meetings of this network took place (the second meeting was postponed to early 2021), and due to the covid-19 pandemic, this meeting was not held in Brussels as usual in person, but only via videoconference. The discussion focused on the current challenges that FIN-NET members are facing, be it the impact of the covid-19 pandemic or the relationship between out-of-court dispute resolution and court proceedings.

INFO Network

The Financial Arbitrator is a member of an international network of institutions focused on the out-of-court resolution of consumer disputes in the financial market called the [INFO Network](#) (the International Network of Financial Services Ombudsman Schemes). This network, established in 2007, includes financial ombudsman institutions from virtually every continent.

The INFO Network has long been working to set universally applicable minimum standards (independence, transparency, fairness, efficiency) for the out-of-court resolution of disputes in the financial market across different types of financial ombudsman institutions around the world, regardless of the nature and method of establishment of such institution (public vs private, established by law vs otherwise), its financing, rules for participation (voluntary vs mandatory participation of financial service providers) and its powers (possibility to deliver enforceable decisions vs mediation/conciliation, etc.).

The traditional network's annual general meeting associated with the conference was postponed in 2020 (currently until 2022) and replaced by a video conference. In addition, similar to 2019, 2 more special webinars were held, this time focusing on the impact of the covid-19 pandemic on the network members both in terms of cases handled and the functioning of the institution of out-of-court consumer dispute resolution (lockdown, ordered work from home, etc.).

G20/OECD Task Force on Financial Consumer Protection

The Deputy Financial Arbitrator is a member of the Task Force on Financial Consumer Protection established by the Organisation for Economic Co-operation and Development and the G20 group. In 2020, the meetings of the Task Force have also moved to the virtual world. In particular, the impact of the covid-19 pandemic (for example on consumer credit) was discussed via videoconferences. The International Financial Consumer Protection Organisation (FinCoNet) organised a webinar on assessing the creditworthiness of consumers seeking consumer credit, which was also accessible to the members of the Task Force.

Foreign business trips

In 2020, mainly due to the covid-19 pandemic, there were no foreign business trips, as cross-border cooperation moved to the online world and all meetings previously held in person were held via videoconferences.

Financial education, raising public awareness of the activities of the Financial Arbitrator

Both the Financial Arbitrator and the Deputy Financial Arbitrator have a long-standing interest in engaging in financial education activities for citizens. The Deputy Financial Arbitrator is a member of the Financial Education Working Group of the Ministry of Finance.

On 13 January 2020, the Government of the Czech Republic approved the National Strategy for Financial Education 2.0 by its Resolution No. 30, which was also prepared by the Financial Education Working Group with the participation of the Deputy Financial Arbitrator.

IX. OTHER ACTIVITIES OF THE FINANCIAL ARBITRATOR

The Financial Arbitrator and the Deputy Financial Arbitrator try to pass on the knowledge and experience gained in dispute resolution, both by participating in financial education activities and in the legislative process of adopting new legislation regulating the provision of financial services to consumers.

Inter-ministerial comment procedures

The Financial Arbitrator has actively participated in the inter-ministerial comment procedure in the drafting of several legal regulations in the area of the provision of financial services to consumers. The legislation included:

- bill amending certain acts in connection with the development of the capital market,
- bill amending Act No. 370/2017 Coll., on Payments, as amended by Act No. 5/2019 Coll., and other related acts,
- bill on the pan-European Personal Pension Product and amending certain related acts (the pan-European Personal Pension Product Act).

The comments of the Financial Arbitrator were primarily related to the extension of the Financial Arbitrator's scope of competence in order to cover the entire financial market without any doubt and without any gap.

In addition, the Financial Arbitrator pointed out some inaccuracies in the proposed draft laws as well as sought to clarify provisions in existing laws.

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 and regularly attend meetings of the Subcommittee on Consumer Protection of the Chamber of Deputies of the Parliament of the Czech Republic.

Providing information to the media, students and commentators on financial market topics

The Financial Arbitrator provides information on her activities as well as general explanations to journalists' questions. The Financial Arbitrator is bound by a strict duty of confidentiality and can therefore only provide general information.

The space that the journalist ultimately devotes to the answers of the Financial Arbitrator is usually very limited, thereby completely losing the meaning of the information provided, both by the Financial Arbitrator to the journalist and by the journalist to the public. The Financial Arbitrator always tries to give the media the full picture, i.e., both the approach of the financial institution, which is always of primary interest to the journalist, and the approach of the consumer, who as a rule often withholds or conceals his/her share of the outcome to the journalist.

The Financial Arbitrator also provides information and explanations to the students writing their theses on the topic of out-of-court dispute resolution or directly on the topic of the Financial Arbitrator.

X. FUTURE OUTLOOK

The main activity of the Financial Arbitrator in the future will be, as in previous years, the resolution of individual disputes. A constant task that the Financial Arbitrator has been and will continue to be dealing with is the pursuit of maximum and efficient resolution of each dispute. The Financial Arbitrator will, as a matter of principle, seek to minimise the length of the proceedings.

Active communication with the public and the media, presentations, publication of press and annual reports, information on the website (news, recommendations, decisions) and on social media will remain the steps that should lead to increasing the awareness of the Financial Arbitrator among the public.

In 2020, preparations have begun for the redesign of the homepage of the website of the Financial Arbitrator/Office of the Financial Arbitrator. These changes should lead to greater clarity, accessibility of the most important information and traceability of the topics related to the proceedings before the Financial Arbitrator. The Office of the Financial Arbitrator adapts and innovates its website based, among other things, on the information and suggestions it receives from complainants, persons who visit the website, and it is these suggestions that lead to the continuous simplification and accessibility of the most requested sections and topics.

Moreover, the Financial Arbitrator and the Office of the Financial Arbitrator will need to prepare for further extension of the Financial Arbitrator's scope of competence.

The Ministry of Finance is currently proposing to extend the scope of the Financial Arbitrator's competence so it includes dynamic currency exchange (Government Bill amending Act No. 370/2017 Coll., on Payments, as amended by Act No. 5/2019 Coll., and other acts, Chamber of Deputies Document No. 863; proposed entry into force on 1 January 2022), the long-term investment account (Government Bill amending certain acts in connection with the development of the capital market; Chamber of Deputies Document No. 993; proposed entry into force on 1 January 2022), supplementary pension savings, pension insurance with state contribution and the pan-European pension product (Government Bill on the pan-European personal pension product; Chamber of Deputies Document No. 1145; proposed entry into force on the same date as the Regulation (EU) 2019/1238 of the European Parliament and of the Council on the pan-European Personal Pension Product (PEPP) – effectively 12 months after the publication of the implementing acts for this Regulation in the Official Journal of the European Union).

At the same time, in September 2020, a bill was submitted to the Chamber of Deputies (Chamber of Deputies Document No. 1026; proposed effective date 1 January 2022) by Patrik Nacher and other MPs, which proposes to extend the scope of the Financial Arbitrator's competence to non-life insurance, supplementary pension schemes with state contribution, supplementary pension savings, and securing and corroboration of consumer credit debt (e.g., pledge or suretyship). On 26 October 2020, the Government adopted a favourable opinion on this bill.

According to its explanatory report, the Chamber of Deputies Document No. 1026 assumes that the Office of the Financial Arbitrator will have to increase the number of systemized posts by at least 20 in order to provide for these new tasks over and above the existing agenda. At an average cost per employee of approximately CZK 1.2 million (this amount includes the costs of the employee's salary as well as mandatory contributions to social insurance premiums and the state employment policy contribution, public health insurance premiums, the allocation to the cultural and social needs fund, other in-kind expenses and programme financing expenses per employee), the drafters estimated the impact on the state budget (budget chapter 312 – Ministry of Finance) at CZK 24 million.

In case of extension of the Financial Arbitrator's agenda as of 1 January 2022, an increase of 20 systemized specialist employees' posts would be required, at the latest as of 1 January 2022.

The Financial Arbitrator welcomes this contemplated extension of the scope of competence, as the target state in the Czech Republic should be the possibility of resolving all disputes arising during the provision of financial services before a Financial Arbitrator.

Annex No. 1 – More detailed information on some selected decisions of the Financial Arbitrator issued (and published in the Collection of Decisions) in 2020

FA/SR/PS/2321/2018 (complaint rejected) – payment of twice the minimum subsistence amount from a blocked account

The consumer demanded that the bank pay him twice the minimum subsistence amount from the account it kept for him, as he was legally entitled to the payment of such amount in the event of enforcement by attachment.

The Financial Arbitrator had to reject the consumer's complaint. She found that the complainant had requested the payment of twice the minimum subsistence amount in the manner required by the legislation (Code of Civil Procedure), but he had submitted his request to the bank (the financial institution) late, i.e., only after the order for enforcement by attachment had expired and the bank had already closed the account.

The order for enforcement by attachment is limited to a six-month follow-up period. Therefore, if the debtor wishes to request payment of twice the minimum subsistence amount, he/she must apply to the financial institution (in this case, the bank) during the period of the enforcement order, that is from the time of delivery of the enforcement order to the payment service provider until the end of the enforcement process.

FA/SR/PS/2423/2018 (complaint rejected) – ATM not dispensing banknotes when withdrawing from it

The consumer demanded that the bank reimburse him for the funds it had debited from his payment account as a cash withdrawal from an ATM because the ATM had not dispensed the banknotes to the consumer.

The Financial Arbitrator had to reject the complaint because she had gathered several independent pieces of evidence (credit card authorization log, ATM log, ATM's physical subsidy and closing log, and video footage) that made it impossible to conclude anything other than that the bank had properly made the cash withdrawal, which means it had dispensed the requested cash to the consumer via the ATM.

A payment instrument authorisation log is an electronic record in the payment service provider's information system of all payment transactions and other operations carried out by a particular payment instrument. The ATM log is an electronic record kept by the ATM of its activities, recording the individual steps involved in cash deposits and withdrawals, the entry of payment orders for the transfer of funds, balance enquiries, ATM loading and closure. When the ATM is funded, the initial cash is loaded into it. Cash is loaded into the ATM in sealed cartridges, the number of which depends on the type of the ATM. When the ATM is capped, all cassettes are removed from the ATM (any cash outside the cassettes in the waste compartment or elsewhere in the ATM is also removed) and the cash is then recounted. Subsequently, a new ATM cash load is made. In addition to the cassettes containing cash, empty (waste, reject) cassettes are usually inserted into the ATM to dispose of suspicious or damaged banknotes (or banknotes that are not dispensed to the payment service users during the cash withdrawal process after they were removed from the cash cassettes) or a space is built into the ATM for the same purpose.

The consumer did not provide the Financial Arbitrator with any basis to question the conclusions reached by the Financial Arbitrator.

FA/SR/PS/2685/2018 (complaint rejected) – unauthorised payment transaction – stolen payment card

The consumer demanded that the bank reimburse her for the funds debited from the account it kept for her for transactions made by a payment card via the internet. The consumer claimed that she did not make these transactions as her payment card and mobile phone had been stolen.

The Financial Arbitrator had to reject the consumer's complaint because she did not find that the consumer, as a cardholder, had taken reasonable measures to protect the card and the mobile phone, as she had undertaken to do in the contract she had entered into with the bank.

The Financial Arbitrator found that the consumer had failed to secure the mobile phone on which she had been receiving text messages with 3D Secure codes for confirming payment transactions. The consumer stored it and the payment card in a place that was freely accessible to third parties (in a shared room that was not locked and did not contain lockable cabinets). Thus, the third party who carried out the transactions in question did not have to overcome any obstacle to obtain the payment card, the mobile phone and subsequently the 3D Secure code as well.

The Financial Arbitrator must have found the consumer's actions to be grossly negligent, and therefore the consumer had to bear the loss from the unauthorized payment transactions.

[FA/SR/PS/1009/2019](#) (complaint rejected) – requesting a refund for undelivered service

The consumer sought to have the bank reinstate the balance on the payment account it kept for him in euros, i.e., to refund him the difference between the amount it had charged him as a payment transaction executed in order to pay for accommodation to the merchant and the amount that the consumer had agreed with the merchant as the price of accommodation in the accommodation contract.

The Financial Arbitrator rejected the complaint because she did not find that the bank had breached its legal or contractual duty as a payment service provider.

The Financial Arbitrator found that the merchant charged the price for the accommodation in Czech crowns. Therefore, the consumer paid the merchant in Czech crowns. Since the consumer placed the payment order from his bank account in euros, the currencies were exchanged, and the bank used the exchange rate it had agreed with the consumer in the framework agreement on payment services for the exchange.

[FA/SR/ST/2465/2018](#) (complaint rejected) – termination of building savings for over-saving the target amount

The consumer sought restoration of the building savings, or rather restoration of the building savings accounts and return to their correct status, as the building savings bank had terminated the accounts due to over-saving of the agreed target amounts.

In general, the legal relationship under a building savings contract ends when the agreed target amount is saved or over-saved, unless the parties agree otherwise in the building savings contract or mutually agree to increase the target amount before saving it.

In this case, however, the Financial Arbitrator did not find that the consumer and the building savings bank had agreed that the building savings bank would not have ended the building savings if over-saving of the target amount had occurred. Therefore, the Financial Arbitrator rejected the consumer's complaint.

[FA/SR/SU/829/2018](#) (complaint fully upheld) – invalidity of a credit agreement for failure to assess the creditworthiness of the debtor prior to its conclusion

In the proceedings before the Financial Arbitrator, the consumer sought a declaration that the credit agreement she had concluded with the credit provider was invalid because the provider had failed to assess the consumer's creditworthiness before concluding it.

The Financial Arbitrator upheld the consumer's complaint and ruled that the credit agreement was invalid because she did not find that the provider had in any way verified the consumer's income and expenditure or checked the consumer's credit or similar obligations in the registers of debtors before concluding the credit agreement.

The Financial Arbitrator concluded that it is a duty of the credit provider to properly verify the income and expenditure of the applicant for credit and not to rely on unsubstantiated claims made

by the consumer as the applicant. The applicant's potential criminal liability in the event of false information in the application does not relieve the credit provider of its obligation to assess the creditworthiness.

The conclusions of the Financial Arbitrator in this case were subsequently confirmed by the general courts since the credit provider submitted the decision of the Financial Arbitrator for a judicial review.

[FA/SR/SU/561/2019](#) (complaint rejected) – releasing ex-spouse from a credit relationship

The consumer sought a declaration that he was no longer a party to the mortgage agreement and the pledge agreement because he had agreed with his ex-wife, as part of the division of the matrimonial property, that both the ownership of the apartment and the obligation to pay the mortgage credit would pass to her.

The Financial Arbitrator rejected the consumer's complaint in part. She did not find that the bank, as the credit provider, was obliged to release the consumer from the mortgage agreement solely on the basis of an agreement between the consumer and his ex-wife. Even though the agreement was approved by a court as a settlement in the proceedings for the division of the matrimonial property, the Financial Arbitrator did not find that the bank had consented to that course of action. As regards the part of the complaint relating to the pledge agreement, the Financial Arbitrator terminated the proceedings because she was not competent to deal with that question of law.

[FA/SR/SU/1978/2018](#) (complaint partially upheld) – obligation of a credit provider to assess the nature of the credit granted (consumer credit vs business credit)

The consumer sought a declaration that the credit agreement was invalid because the credit provider had defined the purpose of the credit in the agreement in such a way that the obligations of the credit provider under the Consumer Credit Act did not apply to that legal relationship and because the credit provider had not assessed the consumer's creditworthiness before concluding the agreement.

The Financial Arbitrator ordered the credit provider to make restitution of the unjust enrichment under the credit agreement, i.e., return everything received from the consumer in excess of the principal amount of the credit granted. She found that the provider had simulated the purpose of the credit in the form credit agreement in order to avoid the obligations under the Consumer Credit Act without the consumer's intention to use the funds for such purpose.

The Financial Arbitrator concluded that the credit agreement was governed by the Consumer Credit Act and that the credit provider had failed to assess the consumer's creditworthiness before concluding it. Therefore, the Financial Arbitrator declared the credit agreement invalid and ordered the credit provider to make restitution of the unjust enrichment in the amount of the difference between the amount of the agreed credit and the amount actually paid by the consumer to the credit provider.

[FA/SR/SU/760/2019](#) (complaint fully upheld) – fee for an early repayment of a consumer mortgage credit under the legislation in force until 30 November 2016

The consumer demanded a refund of the fee for an early repayment of a mortgage credit because the amount charged by the credit provider was contrary to good morals.

The Financial Arbitrator ordered the credit provider to reimburse the consumer the entire early repayment fee under the mortgage agreement. On the basis of her calculations and taking into account the economic substance of the credit relationship, she concluded that the limit which the early repayment fee cannot exceed is half of the aggregate amount of future contractual interest from the time of early repayment until the end of the first interest period for which a fixed borrowing rate was stipulated. The Financial Arbitrator found that the contractual provision on the fee was manifestly contrary to good morals as she did not assess its effects only at the time of early repayment of the credit but during the entire contractual obligation (i.e., from the beginning of the

contractual obligation until the end of the first interest period for which the fixed borrowing rate was stipulated).

In this case, the Financial Arbitrator found that at each point in time during the entire fixation period the early repayment fee exceeded half of the aggregate amount of future contractual interest that the consumer would otherwise have paid until the end of the fixation period.

[FA/SR/SU/779/2019](#) (complaint partially upheld) – consequences of failing to assess the creditworthiness of a debtor before concluding a credit agreement

The consumer sought a declaration that 16 consumer credit agreements were invalid because the credit provider had failed to assess his creditworthiness with professional care, or because the provider's contractual remuneration was unreasonable, and a restitution of unjust enrichment of the provider from the invalid credit agreements.

The Financial Arbitrator upheld the consumer's complaint in part regarding the unjust enrichment because the provider failed to submit any evidence that, immediately before entering into each of the credit agreements at issue, it had inquired and verified the consumer's current regular income and expenditure. The credit provider did not assess whether the consumer had sufficient funds remaining in the consumer's budget to meet the repayments of each credit requested, therefore the provider did not fulfil its duty to assess the consumer's creditworthiness with professional care. The Financial Arbitrator concluded that the credit agreements were invalid and ordered the creditor to pay to the consumer anything paid in excess of the principal amounts of the credits.

[FA/SR/SU/367/2019](#) (complaint partially upheld) – compensation for damage caused by a mortgage intermediary as the consumer had to enter into a mortgage agreement on different terms

The consumer claimed damages from the intermediary of a mortgage agreement. The consumer calculated the damages as the difference between the amount he would pay in interest under the mortgage agreement that he concluded with the credit provider and the amount he would have paid under the agreement he would have concluded with the credit provider had the intermediary not frustrated the conclusion of such agreement by delaying its conclusion.

The Financial Arbitrator rejected the consumer's complaint because she did not find that the intermediary was in default in the course of arranging the mortgage agreement between the consumer and the creditor, or that the intermediary otherwise acted unlawfully toward the consumer or the creditor, thereby causing the complainant the alleged damages.

On the contrary, the Financial Arbitrator found that the intermediary had reminded the consumer on several occasions during the mortgage approval process that the documents requested by the lender needed to be submitted. At the same time, the Financial Arbitrator did not find that the intermediary had requested documents from the consumer over and above the requirements of the credit provider, finding that the intermediary had only ever forwarded to the consumer an email from the provider instructing the consumer to submit the documents necessary to approve the mortgage, to the extent necessary to assess the consumer's ability to repay the mortgage.

[FA/SR/SU/1437/2019](#) (complaint rejected) – compensation for damage in connection with forced early repayment of a credit

The consumer claimed that the credit provider should compensate him for the damage it had caused him by negotiating the amendment of the credit agreement concluded between the consumer and the credit provider with a third party instead of the consumer and by forcing the consumer to repay the credit under that agreement early.

The Financial Arbitrator rejected the consumer's complaint because she did not find that the creditor had not always agreed directly with the consumer on changes to the credit agreement during the term of the obligation under the agreement, nor that the creditor had forced the

consumer to repay the credit agreement early, since, on the contrary, she found that the consumer himself had requested a calculation of the amount needed for early repayment.

[FA/SR/RI/1921/2018](#) (complaint rejected) – compensation for damage from investing in CFD and Forex

The consumer sought damages from the tied agent of a branch of a foreign investment firm. The consumer claimed that the agent had committed deceptive and unfair business practices against him in connection with a conclusion of an agreement with the foreign investment firm for opening of an account and trading in CFDs and Forex.

During the oral hearing, the Financial Arbitrator gave the consumer a detailed explanation of the tied agent's liability or more precisely of the liability of the investment firm for the actions of the tied agent and explained the need to file a complaint against the investment firm. Despite this instruction, the consumer insisted on pursuing proceedings against the tied agent.

Therefore, the Financial Arbitrator had to reject the consumer's complaint to proceed against the tied agent. The substantive claim asserted by the consumer in the proceedings before the Financial Arbitrator was procedurally asserted against an entity that is not the actual holder of the alleged duty (or the liability defined by its breach), on which the Financial Arbitrator authoritatively decides in the proceedings.

[FA/SR/KI/2246/2018](#) (complaint fully upheld) – compensation for damage caused by an investment intermediary

The consumer sought reimbursement from the investment intermediary of the money that the consumer had transferred to the intermediary for the purpose of investing in funds.

The Financial Arbitrator upheld the consumer's complaint and ordered the investment intermediary to return the money paid, together with statutory default interest, finding that the contracts entered into to procure the purchase and sale of securities were invalid. The contracts did not specify the investment instruments in which the consumer would invest, while at the same time the investment intermediary wrongfully accepted money from the consumer.

The investment intermediary did not provide sufficient assistance to the Financial Arbitrator in the proceedings and the Financial Arbitrator had to impose a fine on it.

[FA/SR/ZP/1936/2018](#) (complaint partially upheld) – invalidity of a life insurance contract

The consumer sought restitution of unjust enrichment from the insurance company in the amount of the insurance premium paid, together with statutory default interest, on the grounds that the investment life insurance contract she had concluded was invalid. According to the consumer, the insurance company was not competent to conclude the insurance contract, the subject matter of the contract was not insurance, the agreed scope of the insurance benefit was indeterminate, as were the initial costs, administrative costs and risk premiums, and the insurance contract did not specify how the beneficiary was to share in the insurance company's profits.

The Financial Arbitrator partially upheld the consumer's complaint. She concluded that the insurance contract was invalid in its entirety because the invalid (vague) provisions on initial costs, administrative costs and risk premiums were inseparable from the remaining provisions of the insurance contract.

As the insurance was still in force at the time of the Financial Arbitrator's decision, she declared the insurance contract invalid in the verdict of the decision and, after allowing the insurer's limitation objection in the proceedings, ordered the insurance company to make restitution to the consumer in the amount of the unpaid premiums plus statutory default interest.

FA/SR/ZP/815/2017 (complaint rejected) – invalidity of a life insurance contract

The consumer sought restitution of unjust enrichment from the insurance company in the amount of the insurance premium paid, together with statutory default interest, on the grounds that the investment life insurance contract he had concluded was invalid. According to the consumer, the insurance company was not competent to conclude the insurance contract, the subject matter of the contract was not insurance, the agreed scope of the insurance benefit was indeterminate, as were the initial costs, administrative costs and risk premiums, and because the insurance contract did not specify how the beneficiary was to share in the insurance company's profits.

The consumer initiated the proceedings before the Financial Arbitrator only after the expiry of the three-year objective limitation period for the right to claim restitution of unjust enrichment on the ground of the alleged invalidity of the insurance contract.

Therefore, the Financial Arbitrator rejected the consumer's complaint because, after allowing the insurer's objection of limitation, she found that the consumer's right to claim restitution of unjust enrichment due to the alleged invalidity of the insurance contract was time-barred. Notwithstanding the time limit, the consumer did not even establish the asserted necessary legal interest in declaring the invalidity of the insurance contract in the verdict of the decision.

FA/SR/ZP/2959/2018 (complaint partially upheld) – invalidity of a life insurance contract

The consumer sought restitution of unjust enrichment from the insurance company in the amount of the insurance premium paid (together with statutory default interest) under invalid investment life insurance contract that the consumer had concluded with the insurance company. According to the consumer, the insurance contract was concluded by a person without legal capacity on the part of the insurer, the agreed scope of the insurance benefit was indeterminate, the insurance contract did not specify how the beneficiary was to share in the insurance company's profits and it did not contain a specific provision on the risk premium.

The Financial Arbitrator partially upheld the consumer's claim (she terminated the proceedings in the non-life insurance part of the complaint) because she did not find that the insurer had informed the consumer, before entering into the insurance contract, of the schedule of fees used to calculate the amount of the risk premium charged by the insurer for the life insurance. After finding that the risk premium provision was separable from the remaining part of the insurance contract and that there was no merit to the other objections in relation to the insurance contract, the Financial Arbitrator declared in the award that the provisions relating to the risk premium for life insurance were invalid. In addition, after allowing the institution's limitation objection in the proceedings, she ordered the insurance company to make restitution of the unjust enrichment in the amount of the not time-barred deductions of the hazard insurance premiums plus statutory default interest.

FA/SR/ZP/661/2015 (complaint partially upheld) – invalidity of a life insurance contract for unsuitability of the product

In the proceedings, the consumer sought a declaration that the investment life insurance contract she had concluded with the insurance company was invalid. The consumer claimed that the insurance contract, which the insurance company's representative had recommended the consumer to conclude, was not a suitable product for the consumer and that the insurance company had not informed her of the fee structure of the insurance contract. At the same time, the consumer sought an order that the insurer makes restitution of the unjust enrichment under the invalid insurance contract in the amount of the premium paid to the consumer.

The Financial Arbitrator partially upheld the consumer's complaint (and terminated the proceedings in the non-life insurance part of the complaint), finding that the life insurance contract was invalid in its entirety due to inseparability of the fee and risk premium provisions, because the insurer had failed to inform the consumer of the fee schedule before entering into the insurance contract and the allocation fee had been agreed in breach of the principle of fairness.

As the insurance was still in force at the time of the Financial Arbitrator's decision, she declared the insurance contract invalid in respect of the life insurance part in the verdict of the decision. She also ordered the insurance company to pay the consumer the amount of the premium already paid for the life insurance, after finding that the insurer had not validly raised the limitation objection in the proceedings.

[FA/SR/ZP/1247/2019](#) (complaint rejected) – invalidity of a life insurance contract for failure to disclose fees

The consumer sought restitution of unjust enrichment from the insurance company in the amount of the premium paid, together with statutory default interest, because the investment life insurance contract he had concluded with the insurance company was invalid as the company had not informed the consumer of the fees before concluding the contract.

The Financial Arbitrator rejected the consumer's complaint. She found that the fees associated with the insurance contract were negotiated by the consumer and the insurance company in a so-called specification of insurance terms and conditions. The consumer stated in the insurance contract that he had read this specification before entering into the contract, so it became a valid part of the contract.

The Financial Arbitrator found that the provision concerning the insurer's right to unilaterally change the content of the specification of insurance terms and conditions was invalid. However, since the insurance company did not charge the consumer the fees in an amount different from what agreed in the original specification, which became a valid part of the insurance contract, no unjust enrichment of the insurance company occurred.

[FA/SR/ZP/640/2019](#) (complaint rejected) – payment of insurance benefits

The consumer, who was the ultimate beneficiary in an investment life insurance contract in the event of the death of the insured person, sought payment of the insurance benefit in connection with the insured event, which was the death of the insured person as a result of illness, together with statutory default interest. At the same time, the consumer claimed that the insurance company should reimburse her the insurance premium received after the date of the insured person's death, together with statutory default interest.

The Financial Arbitrator rejected the consumer's complaint in the part regarding the life insurance claim (and terminated the proceedings in the non-life insurance part) because she concluded that the insured person had concealed in the proposal for the conclusion of an insurance contract that she had been treated for a malignant tumour and, because the malignant tumour was the cause of her death, the insurance company was entitled to refuse to pay the insurance benefits. As the insured person and the insurance company contracted an annual ordinary premium, and because the insurance company was entitled to receive the premium until the end of the policy period in which the insured person's death occurred, the Financial Arbitrator could not conclude that the insurance company was obligated to return the premium payments it had received before the end of the policy period and after the date of the insured person's death.

[FA/SR/ZP/636/2016](#) (complaint rejected) – amount of the surrender value upon early termination of life insurance

The consumer sought to recover damages incurred by the insurance intermediary for misrepresenting to the consumer, when the consumer was changing his life insurance contract, the amount he would receive from the insurance company upon early termination of his life insurance.

The Financial Arbitrator rejected the consumer's complaint because the consumer did not document, and the Financial Arbitrator did not find from the evidence gathered, that the insurance intermediary had misrepresented to the consumer the amount he would receive upon early termination of the insurance.

The Financial Arbitrator found that the consumer lost his right to the lifetime loyalty bonus upon early termination of one insurance contract, and that the insurance company paid the actual surrender value in the amount disclosed to the consumer by the insurance intermediary. The lifetime loyalty bonus was conditional on survival to the end of the policy period, so if the insurance was terminated before that date, there would be no entitlement to the premium. As the right to the payment of the lifetime loyalty bonus had not yet arisen at the time of the termination of the insurance contract, there could therefore be no actual loss, since the consumer had only lost the uncertain right to the payment of the lifetime loyalty bonus. Thus, the consumer did not suffer a direct pecuniary harm, but rather lost the possibility of multiplying his wealth in the future by the loyalty bonus.

[FA/SR/ZP/2377/2018](#) (complaint rejected) – reduction of the insurance premiums after termination of some supplementary life insurances

The consumer sought a declaration that the insurance company invalidly terminated the supplementary insurance for permanent injury, incapacity for work and serious illness negotiated in the insurance contract concluded between the consumer and the insurance company, or that the insurance premium should be lower than originally agreed.

The Financial Arbitrator rejected the consumer's complaint in respect of the life insurance part of it (and terminated the proceedings in the non-life insurance part) because she did not find that the consumer was entitled to have the Financial Arbitrator determine the amount of the insurance premium in the insurance contract. Under the terms of the insurance, the consumer had the right to propose a change in the amount of the insurance premium and the final amount of the premium in the insurance contract was a result of an agreement between the consumer and the insurance company as parties to the insurance contract. At the same time, the Financial Arbitrator found that the parties to the insurance contract had expressly agreed that, in connection with the termination of certain insurance risks, the amount of the premium would remain the same, and that the insurance company would allocate a larger part of the premium to the capital value of the insurance contract.

Financial Arbitrator's Note: Links to the relevant decisions lead to the Czech version of the Collection of Decisions, as they are only available in the Czech language.