



**FAI** | THE OFFICE OF THE CZECH  
FINANCIAL ARBITRATOR

**ANNUAL REPORT ON THE ACTIVITIES  
OF THE FINANCIAL ARBITRATOR  
IN 2023**

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

**June 2024**

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## I. SUMMARY

The Financial Arbitrator is by Act no. 229/2002 Coll., on the Financial Arbitrator, as amended (the "Financial Arbitrator Act") an established body to resolve out of court consumer disputes on the financial market.

The tasks related to the professional, organisational and technical support of the Arbitrator's activities are performed by the Office of the Financial Arbitrator (hereinafter referred to as the "OFA"), which is an organisational unit of the state, an accounting unit and whose income and expenditure are part of the budget chapter of the Ministry of Finance.

The presented Annual Report of the Financial Arbitrator on her activities for the year 2023 contains information on the scope of the Financial Arbitrator, the results of her decision-making activities and information on the costs of the Financial Arbitrator's activities within the meaning of Section 21 of the Financial Arbitrator Act.



Any consumer who is in a dispute with their payment service provider or intermediary, building savings bank, consumer credit provider or intermediary, life insurance company, investment firm, management company, investment or insurance intermediary, money exchange provider, pension company or intermediary of supplementary pension insurance, supplementary pension savings, person distributing a long-term pension product or a person providing these financial services without the relevant authorisation may currently apply to the Financial Arbitrator. ([♣ More about the competence of the Financial Arbitrator's on p. 7 and further](#))



Disputes shall be decided by the Financial Arbitrator in proceedings conducted in accordance with the rules laid down in the Financial Arbitrator Act and in accordance with Act No. 500/2004 Coll., the Administrative Procedure Code, as amended (hereinafter referred to as the "Administrative Code"), unless the Financial Arbitrator Act provides otherwise. ([♣ More about the proceedings before the Financial Arbitrator, see p. 13 and further](#))

Proceedings before the Financial Arbitrator are free of charge. The consumer does not need to be legally represented in the proceedings before the Financial Arbitrator (legal costs are not awarded in proceedings before the Financial Arbitrator). The proceeding is initiated only at the consumer's request and the financial institution is obliged to participate in the proceedings.

The primary objective of the Financial Arbitrator, where the consumer is in the right, is to bring the parties of the dispute to an amicable settlement so that the consumer does not have to go to court and pay the costs of court proceedings.

The Financial Arbitrator is obliged to decide each dispute to the best of her knowledge and conscience, impartially, fairly and without delay and only based on the facts established in accordance with the Financial Arbitrator Act and special regulations i.e., in the same way as a general court.

The Financial Arbitrator shall always seek an amicable settlement of the dispute.

Therefore, if the dispute is resolved amicably, the parties of the dispute usually conclude a settlement agreement, or the financial institution proves that it has satisfied the consumer's claim or the consumers confirm that they consider the performance received from the financial institution to be sufficient. In such a case, the Financial Arbitrator does not issue a decision on the case. After the consumers withdraw their complaint, they terminate the proceedings (for withdrawal or irrelevance), because an amicable settlement has been reached between them and the financial institution.

If the dispute is not amicably resolved, the Financial Arbitrator shall decide the case. A final decision of the Financial Arbitrator in a case shall have the same effect as a final decision of the general court, unless a party to the dispute brings an action against it in the general court to replace the decision of the Financial Arbitrator.

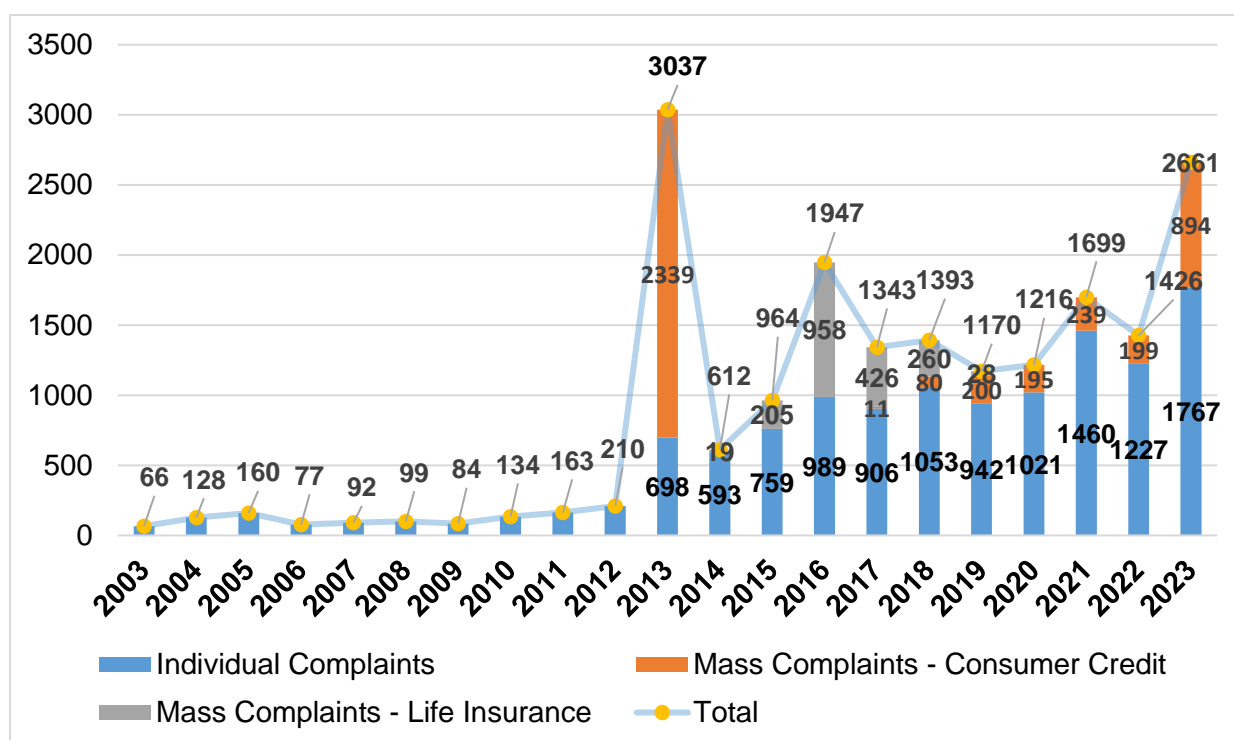


In the period under review, the Financial Arbitrator most often resolved a dispute over the validity of a consumer credit agreement for failure to assess the consumer's creditworthiness before its conclusion with professional care and in relation to the morality of the agreed remuneration of the creditor. The next most frequently resolved dispute was a dispute concerning the restoration of a payment account to the state it would have been in had the payment service provider not debited it with the amounts of payment transactions which the consumers, as the account holders, claimed that they had not consented to.



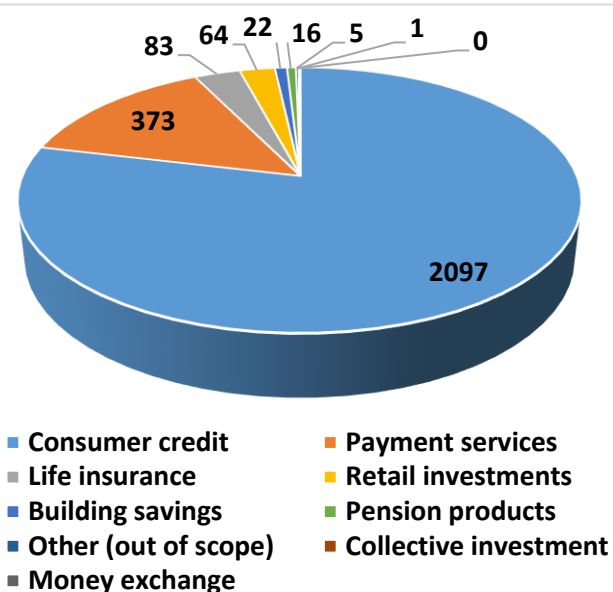
In 2023, 2,661 proceedings were initiated before the Financial Arbitrator, 87% more than in the previous year; in total, the Financial Arbitrator heard more than 3,300 disputes and handled more than 5,000 written and telephone inquiries in 2023. ([♣ More about decision-making on p. 31 and further](#))

- Number of proceedings commenced in each year since the establishment of the Financial Arbitrator (2003-2023)



○ The proceedings initiated in 2023 by area

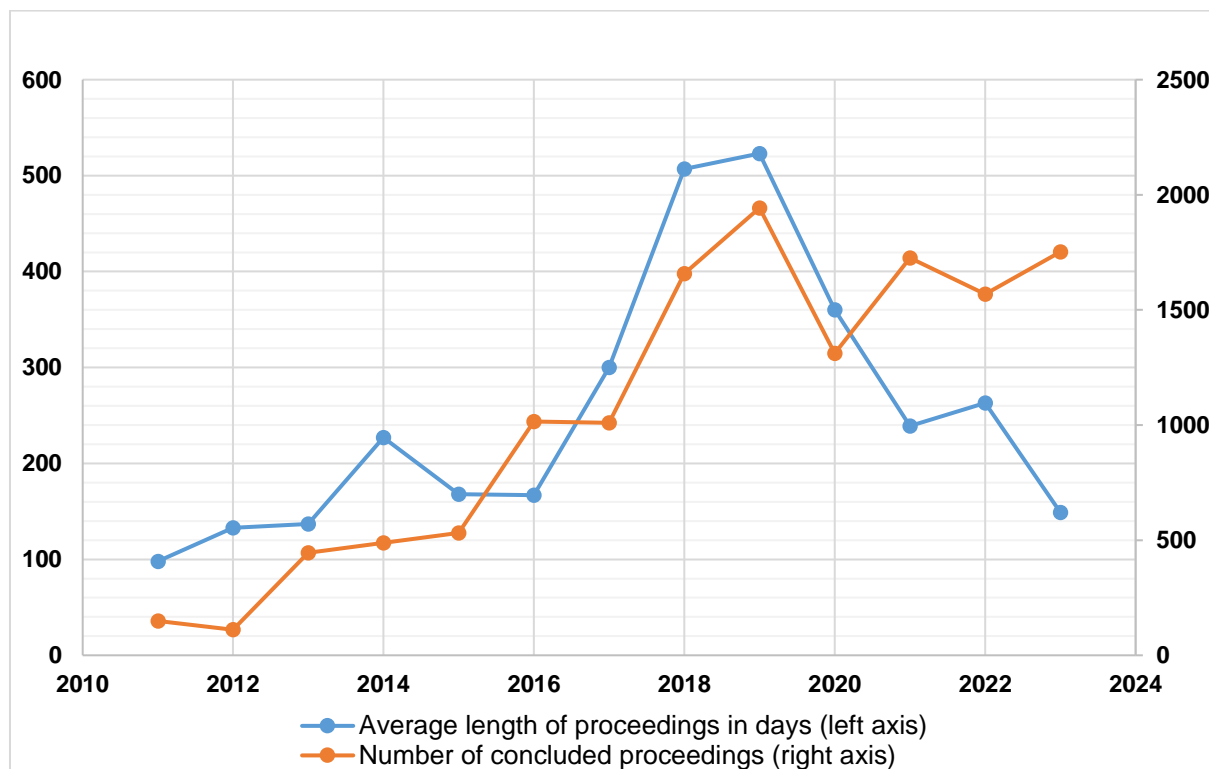
Area	Number
Consumer credit	2,097
Payment services	373
Life insurance	83
Retail investments	64
Building savings	22
Pension products	16
Other (out of scope)	5
Collective investment	1
Money exchange	0
Total	2,661



During the period under review, the Financial Arbitrator succeeded in bringing 1,752 disputes to a final conclusion, while almost 100 more disputes were brought to a non-final conclusion by the end of the period under review. The total value of pending disputes amounts to almost CZK 100 million.

The average length of proceedings concluded in 2023 was 149 days from the commencement of the proceedings to the decision becoming legally binding, terminating the proceedings, a 43% reduction compared to 263 days in 2022. Similarly, the median length of proceedings was significantly reduced to 102 days, a 21% decrease compared to 129 days in 2022.

○ Average length and number of concluded proceedings 2011–2023



Thus, from 2021, the Financial Arbitrator has succeeded in reducing the average length of completed proceedings while increasing the number of proceedings.

A total of 36.4 FTEs of professional staff with legal background (the Financial Arbitrator and the Deputy Financial Arbitrator, 7 heads of department and 27.4 FTEs of legal officers) were involved in the decision-making activities of the Financial Arbitrator.

○ Number of proceedings per OFA staff member

Converted number of legal officers	27.4
Number of heads of department	7
Total number of proceedings in 2023	3,324
Average length of completed proceedings in days	148
Average length of pending proceedings in days	154
Weighted average length of proceedings	151
Case turnover (length of year / weighted average length of proceedings)	2.42
Average number of cases open at each point in time	1,373
Number of cases per full-time legal officer per year	121
Number of cases per head of department per year	475
Number of cases per full-time legal officer handled simultaneously	50
Number of cases per head of department handled simultaneously	196

The Financial Arbitrator has been successful in reducing the length of proceedings or speeding up proceedings. During the period under review, systemic measures were taken to modify the information system used for proceedings before the Financial Arbitrator. The abandonment of repeated requests to financial institutions and their replacement by a penalty payment procedure have contributed to speeding up the procedure. In order to speed up the procedure, the Financial Arbitrator communicates with consumers both by hand-delivery via postal service providers or data boxes and by email or telephone, with the exception of the first notice of initiation and the decision.

Systemic or serious problems leading to disputes have been identified by a Financial Arbitrator when assessing creditworthiness before granting consumer credit, in relation to the misuse of means of payment and when providing investment services to retail customers. ([♣ More about the shortcomings identified, see p. 23 and further](#))

As in previous years, the OFA spent only the necessary expenses for the activities of the Financial Arbitrator and the operation of the OFA. The majority of the public contracts in which the OFA participated are centrally awarded by the Ministry of Finance. Other procurement (development of information systems and language training for staff) is organised by the OFA.

As in previous years, the OFA did not use external legal or advisory services in the period under review. The OFA sent only the Deputy of the Financial Arbitrator on foreign and domestic business trips as part of fulfilling its statutory obligations of foreign cooperation and awareness-raising.

In conclusion, it should be pointed out that the number of systemised posts, particularly with reference to the significant increase in the number of new disputes, is insufficient to ensure the proper performance of the duties of the Financial Arbitrator and of the independent organisational unit of the state; at the same time, in the period under review and the period preceding it, the disputes agenda of the Financial Arbitrator was expanded without any concurrent staff reinforcement. ([♣ More about the costs of the Financial Arbitrator, see p. 68 and further](#))

## II. COMPETENCE OF THE FINACIAL ARBITRATOR

The Financial Arbitrator is pursuant to Section 1(1) of the Financial Arbitrator Act competent to decide a dispute otherwise falling under the 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 redeeming electronic money;
- c) a creditor or an intermediary in connection with offering, providing or mediating a consumer credit or any other credit, loan or similar financial service;
- d) a person managing or administering a collective investment fund or offering investments in a collective investment fund or comparable foreign investment fund in connection with managing or administering a collective investment fund or offering investments 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 or in 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 intermediary in connection with offering, providing or mediating building savings;
- h) a person providing investment services in 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;
- k) a pension company or intermediary in connection with offering, providing or arranging a state-contributory supplementary pension insurance;
- l) a pension company or intermediary in connection with offering, providing or arranging supplementary pension savings;
- m) a person providing or distributing a pan-European personal pension product in connection with providing or distributing a pan-European personal pension product;
- n) a person providing a currency exchange service offered to the payer via an ATM or at the point of sale of goods or services before the payment transaction is initiated, in connection with providing that currency exchange service;
- o) a provider of a long-term investment product in connection with providing that product.

- 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 instrument (electronic banking);
- misuse of a payment card by a third party to withdraw from an ATM or to make a purchase at a merchant;
- 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 statement;
- deduction of charges from the amount of a payment transaction made by an intermediary payment service provider;
- non-execution of a payment transaction (or 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 a direct debit;
- incorrect exchange rate used for a cross-border wire transfer;
- incorrect fee for providing a payment service;
- payment transaction made without the consent of a payment service user.

The Financial Arbitrator is competent to decide **disputes arising in connection with consumer credits** (including, but not limited to, non-purpose, mortgage and building savings credits) and disputes arising from other credit, loans or similar financial service concluded between the consumer and the creditor or mediated by an intermediary, regarding:

- validity of a credit agreement, contractual penalty or other contractual arrangement;
- determination of the amount of the obligation (debt) under the credit agreement;
- invalidity of a credit agreement as a result of a failure to assess the creditworthiness of the debtor before 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 the costs reasonably incurred in connection with 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 competent to decide **disputes arising from collective investment**, such as disputes between a consumer and an investment company or an investment fund regarding:

- settlement of the 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 the 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:

- 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 service agreement.

The Financial Arbitrator may decide **disputes arising out of money exchange** regarding:

- withdrawal from a currency exchange contract;
- fee charged for the execution of a currency exchange transaction;
- validity of a currency exchange contract;
- calculation of an exchange rate.



The Financial Arbitrator has jurisdiction to decide **life insurance disputes** between a consumer and an insurance company or insurance intermediary, regarding:

- validity of an insurance agreement or its provision,
- amount of insurance proceeds,
- 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.

The Financial Arbitrator is competent to decide **disputes between a consumer and a pension company** or intermediary in connection with offering, providing or mediation of state-contributory supplementary pension insurance, or with offering, providing or mediation of supplementary pension savings and between a consumer and a person providing or distributing a pan-European personal pension product in connection with providing or distributing a pan-European personal pension product regarding:

- validity of a supplementary pension insurance contract, supplementary pension savings contract, pan-European personal pension product contract or the terms of such a contract,
- validity of withdrawal or termination of a supplementary pension insurance contract, supplementary pension savings contract or pan-European personal pension product contract,
- fee charged on the account held for a pension product by the entity that concluded the supplementary pension contract, supplementary pension savings contract and pan-European personal pension product contract with a consumer,
- amount of the state contribution credited and paid,
- payment of financial benefits from pension products,
- damages caused by a breach of duties in connection with a mediation of a supplementary pension insurance, supplementary pension savings or pan-European personal pension product.

The Financial Arbitrator is competent to resolve **disputes arising from currency conversion service** offered to the payer prior to the initiation of a payment transaction via an ATM or at the point of sale of goods or services between a consumer and a merchant or an ATM operator, concerning particularly:

- damages for failure to properly comply with the information obligation.

- **Disputes out of competence of the Financial Arbitrator**

At the same time, 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, or have not been expressly assigned to the Financial Arbitrator by law, and therefore the Financial Arbitrator is not competent to resolve them, even though they directly or indirectly concern financial services. These are mainly disputes:

- from provision of financial services exempted from the regime of Act No. 370/2017 Coll., on Payment System, as amended,
- concerning non-life insurance (property insurance, accident insurance, liability insurance, injury insurance, incapacity work insurance, sickness insurance etc.), even if it was negotiated as a supplementary insurance to a life insurance,
- from investing into cryptocurrencies,
- from asset management comparable to management of an investment funds under Act No. 240/2013 Coll., on Management Companies and Investment Funds, as amended,
- between bondholders and bond issuers,
- between shareholders and joint stock companies,
- concerning personal data protection connected with a provision of financial services.

In these cases, the Financial Arbitrator must refer the consumers to the Czech Trade Inspection Authority. It is because in cases where the Financial Arbitrator, the Czech Telecommunication Office or the Energy Regulatory Office are not competent to decide the dispute, the Czech Trade Inspection Authority is the main body for out-of-court resolution of consumer disputes (in the case of non-life insurance, also the Office of the Ombudsman of the Czech Insurance Association is competent).

The Czech Trade Inspection Authority conducts proceedings at the consumer's request, but it cannot issue any decisions in merits as the Financial Arbitrator. So, if the parties to the dispute do not reach an agreement within the statutory period of 90 days or the consumer does not voluntarily withdraw from the proceedings, the proceedings shall end upon the expiry of the time limit.

Proceedings before the Czech Trade Inspection Authority may therefore not be effective and the consumer will eventually have to turn to the General Court.

The Financial Arbitrator shall, upon the filing of an inadmissible complaint before the Financial Arbitrator, advise each consumer of the right to apply to another body for the out-of-court settlement of a consumer dispute, or to a General Court, or, in the case of suspicion of a criminal offence, to the criminal law enforcement authorities. The Financial Arbitrator will also inform the consumer about the possibility of using commercial legal aid, legal advice provided by the Czech Bar Association or free civil advice centres.

The Czech Telecommunications Office is the authority for the out-of-court settlement of consumer disputes in the field of electronic communications and postal services, within the scope of competence established by the legislation regulating electronic communications and postal services, when, pursuant to Section 129(1) of Act No. 127/2005 Coll., on electronic communications and on amendments to certain related acts (Electronic Communications Act), as amended, it decides disputes between a person carrying out a communication activity on the one hand, and a subscriber or user on the other hand, on the basis of a request by either party. The Czech Telecommunications Office also supervises consumer protection in the field of electronic communications services. Furthermore, the Czech Telecommunications Office decides on objections to the handling of a postal service complaint pursuant to Section 6a of Act No 29/2000 Coll., on postal services and on amendments to certain acts (Act on postal services), as amended. Contact: Czech Telecommunications Office, Sokolovská 219, Prague 9, PO Box 02, 225 02 Praha 025, telephone: 224 004 111, email: [podatelna@ctu.cz](mailto:podatelna@ctu.cz), data box ID: a9qaats.

In the electricity, gas and heating sector, the Energy Regulatory Office is the authority for out-of-court settlement of consumer disputes, within the scope of competence established by the legislation governing the electricity, gas and heating sector. The Legal Consumer Protection Department of the Energy Regulatory Office deals in particular with situations where consumers are not satisfied with the handling of their complaint by their electricity or gas supplier. The role of the Consumer Legal Protection Department is to independently defend the rights of consumers and to ensure the provision of quality services. Contact: the Energy

Regulatory Office, Consumer Legal Protection Department, Masarykovo nám. 5, 586 01 Jihlava, telephone: 564 578 658, email: [podatelna@eru.cz](mailto:podatelna@eru.cz), data box ID: eeuaau7.

In other cases, in which the Financial Arbitrator, the Czech Telecommunications Office or the Energy Regulatory Office is not competent to decide the dispute, the Czech Trade Inspection Authority or another body authorised by the Ministry of Industry and Trade is the authority for out-of-court settlement of consumer disputes. Further information on out-of-court settlement of consumer disputes through the Czech Trade Inspection can be obtained here: <https://www.coi.cz/en/information-about-adr/>. Contact: Czech Trade Inspection Authority, Central Inspectorate of the Czech Trade Inspection Authority, Gorazdova 1969/24, 120 00 Prague 2, telephone: 222 703 404, email: [adr@coi.cz](mailto:adr@coi.cz), data box ID: x7cab34.

At the same time, the Czech Trade Inspection Authority inspects legal and natural persons selling or supplying products on the internal market, providing services or other similar activities on the internal market, providing consumer credit or operating a marketplace (markets), unless another administrative authority performs supervision pursuant to special legislation. In order to speed up the investigation, it is recommended that the complaint be sent directly to the inspectorate responsible for the place where the conduct in question took place. A list of inspectorates can be found on the website <https://www.coi.cz/en/about-ctia/contacts-inspectorates/>. The Czech Trade Inspection Authority cannot make a binding decision on a dispute, such as a court or a Financial Arbitrator, but it can investigate whether there has been a breach of the Consumer Protection Act in the case in question and, where appropriate, impose a public law sanction.

Otherwise, of course, anyone who feels that their rights have been violated has the possibility to appeal to the General Courts of the Czech Republic (more details here: <https://justice.cz>), so the right of consumers to assert their rights in proceedings before the General Courts is not affected.

If you suspect that a crime has been committed, it is advisable to contact the Police of the Czech Republic, the contact details of the relevant department can be found at <https://policie.cz/imapa.aspx>, or you can contact the State Prosecutor's Office, the contacts can be found on the website of the Prosecutor General's Office of the Czech Republic at <https://verejnazaloba.cz/en/>.

In addition to out-of-court dispute resolution bodies, General Courts or criminal law enforcement authorities, the Czech National Bank, as a public financial market supervisory authority, may be approached in certain cases. The Czech National Bank cannot decide on 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 conduct an investigation and, where appropriate, initiate administrative proceedings to impose a public law sanction on the supervised 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. More information can be obtained here: <https://www.cnb.cz/en/>. Contact: Czech National Bank, Na Příkopě 28, 110 00 Prague 1, telephone: 224 411 111, email: [info@cnb.cz](mailto:info@cnb.cz), data box ID: 8tgaiej.

The Office for Personal Data Protection supervises compliance with obligations in the management and processing of personal data; the Office may be contacted to investigate whether a third party has acted in accordance with the relevant legislation in relation to personal data. The Office cannot adjudicate in a dispute between private parties, nor can it make a legally binding assessment of the existence of rights or obligations arising from a private legal 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. More information can be obtained here:

<https://uouu.gov.cz/en>. Contact: Office for Personal Data Protection, Pplk. Sochora 27, 170 00 Prague 7, telephone: 234 665 555, email: [posta@uouu.cz](mailto:posta@uouu.cz), data box ID: qkbaa2n.

For court proceedings in cases where it is not possible to resolve the matter before the out-of-court consumer dispute resolution bodies, commercial legal assistance can be used (list of lawyers <http://vyhledavac.cak.cz>), in some cases free advice provided by the Czech Bar Association <https://www.cak.cz/> or free advice centres whose contacts can be found on the Internet (e.g. by entering the combination of the words "free legal advice" into a search engine); in this context, however, it should be noted that among the links found there may be a significant number of entities providing paid services, so considerable caution is advisable.

### III. PROCEDURE BEFORE THE FINANCIAL ARBITRATOR

- Barriers to Proceedings before the Financial Arbitrator

The Financial Arbitrator cannot decide on a dispute between a consumer and a financial institution if the dispute does not fall within her jurisdiction as defined by the Financial Arbitrator Act.

At the same time, the Financial Arbitrator may no longer decide on a dispute between a consumer and a financial institution that would otherwise fall within her jurisdiction if any of the other statutory impediments to the proceedings have occurred, namely

- a court has already ruled on the merits of the case or the same case is pending before a court;
- the substance of the case has already been decided by an arbitrator or the same case is pending before the Financial Arbitrator;
- the substance of the matter has already been decided by arbitration or is pending before an arbitrator.

- Rules of procedure before 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 pursuant to Act No. 500/2004 Coll., Administrative Code, as amended, unless the Financial Arbitrator Act provides otherwise.

*Section 1(3) of the Financial Arbitrator Act*

*(3) The Arbitrator shall particularly aim at an amicable settlement of a dispute.*

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). 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.

*Section 8 of the Financial Arbitrator Act*

*Proceedings shall be commenced by filing a complaint by a complainant. Filing a complaint shall have the same legal consequences regarding the statute of limitations and prescription of rights as filing a lawsuit with the court of law in the same matter.*

Only a consumer can file a complaint, a financial institution cannot seek a commencement of the proceedings. 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.

*Section 9 of the Financial Arbitrator Act*

*The complaint shall be inadmissible if*

- (a) *the dispute does not fall within the competence of the Arbitrator,*
- (b) *the dispute has already been decided in merits by the court of law or the court proceedings have been commenced,*
- (c) *the dispute is currently being heard or has been decided by the Arbitrator,*
- (d) *the dispute has been decided in merits in arbitration proceedings or arbitration proceedings have been commenced.*

The Financial Arbitrator shall terminate the proceedings if she finds that the dispute does not fall within her competence. These are usually non-life insurance disputes, contract of sale disputes, disputes between bondholders and bond issuers or disputes between shareholders and joint stock companies.

If the Financial Arbitrator determines that there is or has been a proceeding before a court or an arbitrator involving the same parties and the same claim, she shall terminate the proceedings before her. Even if the proceedings before the Financial Arbitrator were commenced earlier or even when she became aware of the commencement of the proceedings before the court or the Arbitrator after the commencement of the proceeding before her.

Of course, the Financial Arbitrator cannot conduct proceedings again in the same case in which she has already made a final decision on the matter.

#### *Section 10 of the Financial Arbitrator Act*

- (1) The complaint shall include*
  - (a) designation of the parties to the proceedings,*
  - (b) evidence proving that the complainant has unsuccessfully requested remedy from the institution,*
  - (c) complete and comprehensible description of the relevant facts of the case,*
  - (d) evidence or designation of evidence,*
  - (e) remedy requested by the complainant,*
  - (f) statement that the complainant has not filed a lawsuit with a court of law, or a statement of claim with an arbitration court or an arbitrator in the merits, and that the complainant has not entered into a settlement agreement regarding the subject of the dispute, and that they are aware that the award issued by the Financial Arbitrator shall be binding,*
  - (g) a power of attorney, providing that the appointed representative acts on behalf of the complainant in the proceedings,*
  - (h) the date and signature of the complainant.*
- (2) The complaint may also be filed using a complaint form published by the Arbitrator. The Arbitrator shall also publish a sample complaint in a remote-accessible manner.*
- (3) Should there be any deficiencies of the complaint, the Arbitrator shall notify the complainant of the nature of the deficiencies and how to correct them and shall request the complainant to amend the complaint and correct its deficiencies within 15 days. In justified cases, the Arbitrator may extend the time limit by 15 days prior to its expiration upon the request of the complainant, even repeatedly.*

#### *Section 21(5) of the Financial Arbitrator Act*

- (5) Upon their request, the Arbitrator shall provide assistance to complainants in relation to the commencement of the proceedings, particularly in preparing, filing or amending their complaints, and any time during the proceedings as well. The Arbitrator shall inform the public, in an appropriate way, on the possibility of providing such assistance and on the way how to act in the proceedings under the present Act.*

The consumer may file a complaint in their own words. It is not necessary for the complaint to be similar in form and content to a lawsuit filed in general court.

Answers to frequently asked questions about the subject matter and rules of proceedings before the Financial Arbitrator are also available for consumers at <https://finarbitr.cz/cs/informace-pro-verejnost/caste-otazky.html> in Czech language.

To file a complaint, the consumer can use the form published on the website <https://finarbitr.cz/en/dispute-resolution/forms.html> or they can prepare a complaint in application Complaint Filing Tutorial – Guide at <https://finarbitr.cz/en/dispute-resolution/complaint-filing-tutorial.html>.





The annexes already attached to the form in the online application do not need to be sent with the signed complaint by post. Once the signed complaint is received, the annexes will be attached to the file that the Financial Arbitrator will establish for the proceedings.

Complaint may be filed:

- In writing and with a handwritten signature if you send it by post to the Office of the Financial Arbitrator,
- Orally on the record at the Office of the Financial Arbitrator,
- In electronic form with a qualified electronic signature to the mailbox [arbitr@finarbitr.cz](mailto:arbitr@finarbitr.cz);
- Via the complainant's own data box.

The complaint (completed form) must be accompanied by annexes and supporting documents which the consumer as a complainant uses to prove their claim. In particular, it should include full contractual documentation (financial service contract, terms and conditions, tariff, etc.), a statement of debit from an account (if it is the subject of the dispute), communication with the institution during the course of the legal relationship which is the subject of the dispute, particularly an unsuccessful written request for remedy addressed to the institution, proof of delivery and any response to the request.

If some of the supporting documents are not available to the complainant and cannot be obtained by them, it shall be sufficient for the complainant to identify them and to indicate who has them (e.g. the financial institution against which the proceedings are brought).



If the complaint has deficiencies, the Financial Arbitrator shall request the complainant to correct them, explaining in the request what the deficiencies are and how to correct them.

The Financial Arbitrator may, in justified cases, extend the time limit for correcting the deficiencies of the complaint by 15 days, at the request of the complainant and before the expiry of the time limit, even repeatedly.

Should the consumer fail to correct the deficiencies within the time limit and even after repeated requests, the Financial Arbitrator shall terminate the proceedings for failure to act. A termination of proceedings for failure to act does not constitute an impediment to the proceedings and the consumer may therefore refer the same claim to the Financial Arbitrator again.

If a consumer wishes to be legally represented in the proceedings before the Financial Arbitrator, it is sufficient to submit a written power of attorney with the complaint. The signatures on the power of attorney need not be officially certified.

#### *Section 11 of the Financial Arbitrator Act*

*The Financial Arbitrator shall, after the submission of the complaint, request the institution to submit its response to the complaint within 15 days. In justified cases, the Financial Arbitrator may, at the request of the institution and before the expiry of the time limit, extend the time limit by 15 days, even repeatedly.*

After the complainant has corrected the defects in the complaint which prevent the dispute from being heard, the Financial Arbitrator shall invite the institution against which the complaint is directed to provide a response to the complaint and to submit the necessary supporting documents.

At the same time, the Financial Arbitrator shall invite the institution to consider an amicable settlement of the dispute with the consumer and, where appropriate, to contact the consumer for that purpose.

It also applies to an institution in proceedings before a Financial Arbitrator that the Arbitrator may, in justified cases, extend the time limit by 15 days at the request of the institution and before its expiry, even repeatedly.

The financial institution must request the extension before the expiry of the deadline and must duly justify its request. A valid reason for extension of the time limit may be a more demanding collection of the required documents in view of the subject matter of the dispute and the scope of the request of the Financial Arbitrator, an ongoing negotiation with the complainant for an amicable settlement of the dispute or any other valid reason. Conversely, the number of pending disputes before the Financial Arbitrator, vacations or other absences of the institution's authorised staff, etc., cannot be accepted as a valid reason for extending the time limit.

The Financial Arbitrator informs the institution already in the notification of commencement of the proceedings that if the institution is interested in an amicable settlement, it must provide evidence of it to the Financial Arbitrator. In that case, the institution does not have to submit an explanation, or the documents required.

#### *Section 12 of the Financial Arbitrator Act*

##### *Principles of proceedings*

- (1) The Arbitrator shall decide disputes based upon their best knowledge and belief, impartially, fairly, without undue delay and only on the basis of the facts established in accordance with this Act and other legislation.*
- (2) The Arbitrator shall order an oral hearing upon request of a party to the proceedings or on their own initiative.*
- (3) The Arbitrator shall not be bound by the complaint and shall procure evidence on their own. The Arbitrator shall make decisions based on the established facts of the case and shall weigh evidence in their discretion.*
- (5) In the course of the proceedings, the Arbitrator shall be entitled to request any and all evidence from the parties to support their assertions, including oral explanations.*
- (6) The institution shall, within 15 days,*
  - (a) submit any evidence required and attend an oral hearing on request of the Arbitrator,*
  - (b) comply with request of the Arbitrator for oral explanation and with request to submit documents concerning the subject matter of the dispute,*
  - (c) allow the Arbitrator to inspect its files and electronic records concerning the dispute at hand.*

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. The Financial Arbitrator is obliged to go even beyond the consumer's claim if she finds that the facts are different from those alleged by the complainant. It is also obliged to obtain all supporting documents which may contribute to a proper assessment of the dispute.

For this purpose, the Financial Arbitrator may order an oral explanation by one of the parties to the dispute or a third party. It may also order an oral hearing in the presence of both parties to the dispute. The Financial Arbitrator is entitled to request relevant documents from the institution and execute a site investigation.

#### *Section 14 of the Financial Arbitrator Act*

##### *Termination of proceedings*

- (1) The Arbitrator shall also terminate the proceedings by ruling if*
  - (a) the Arbitrator has subsequently found the complaint inadmissible pursuant to Section 9,*
  - (b) the complainant failed to provide assistance to the Arbitrator despite having been requested to; the complainant shall be given notice to this effect,*
  - (c) the complainant has withdrawn their complaint,*
  - (d) the complaint is manifestly unfounded or vexatious.*



- (2) *Should the resolution of the dispute by its legal or factual complexity seriously jeopardise the purpose of the proceedings before the Arbitrator, the Arbitrator may terminate the proceedings within 60 days since the commencement of proceedings, even should the complainant have been requested to amend the complaint in the meantime; the complainant shall be given notice to this effect. The deadline of 60 days shall be suspended from the day the Financial Arbitrator notified the complainant to amend their complaint. The deadline of 60 days shall also be suspended from the day of delivery of the request pursuant to Section 11 or Section 12 Art. 6 to the institution until the day the institution fulfils obligation imposed upon it in the referred request.*

The Financial Arbitrator will therefore terminate the proceedings if it is not competent to decide the case, the dispute has already been or is being resolved by a court or an arbitrator, or the dispute has already been resolved by the Financial Arbitrator.

#### *Section 15 of the Financial Arbitrator Act*

##### *Award*

- (1) *The Arbitrator shall decide the dispute in merits by an award without undue delay, but no later than within 90 days of the collection of all evidence necessary to deliver a decision; if, in particularly complicated cases, due to the nature of the dispute, the decision cannot be made even within this deadline, the deadline shall be reasonably extended, by no more than another 90 days. The Arbitrator shall notify the parties to the proceedings about the extension of the deadline and its length without delay.*

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. In such cases, the provisions of the Administrative Code shall apply as appropriate.

It is not uncommon for the Financial Arbitrator to repeatedly request the complainant and the financial institution to comment or to supplement the documents submitted in the proceedings, or to request documents or explanations from third parties, even after she acquainted the parties with the collected evidence of the file prior to delivering a decision.

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 failure to act 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.

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 and 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.

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 time limits for the issuance of a decision may therefore begin to run only after the parties have failed to bring the dispute to an amicable resolution and, at the same time, at the earliest from the moment when such materials are collected on the basis of which the case can be decided in such a way that the court, in any review of the decision of the Financial Arbitrator, will not substitute its decision based on the subsequently collected materials.

#### *Section 16 of the Financial Arbitrator Act*

##### *Objections*

- (1) Within 15 days of the date of delivery of the written award or ruling the parties to the proceedings may file reasoned objections to the award or ruling. The parties may not waive their right to file objections. Timely filed objections shall have a suspensory effect.*
- (2) By a decision on objections, the Arbitrator shall confirm or amend the award, or confirm, amend or repeal the ruling. The Arbitrator shall decide on the objections within 30 days of delivery thereof to the Arbitrator; in particularly complicated cases, the Arbitrator shall decide no later than within 60 days; if, due to the nature of the dispute, the decision cannot be made even within this deadline, the Arbitrator may reasonably extend it.*
- (4) The decision on objections shall be final.*

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.

#### *Section 17 of the Financial Arbitrator Act*

##### *Legal force and enforceability of the award*

- (1) A delivered award which can no longer be contested by objections shall be in legal force.*
- (2) The award shall be judicially enforceable pursuant to the Civil Procedure Code as soon as the deadline to comply with it has expired.*
- (3) If there is no deadline to comply with the award specified therein, the award shall be enforceable as soon as it 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., Civil Procedure Code, 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. The Financial Arbitrator participates in the court proceedings not as a party to the proceedings, but as a party who may make submissions to the court, inspect the file and request to be heard at the hearing.

#### *Section 17a of the Financial Arbitrator Act*

*In an award by which the Arbitrator, even partially, upholds the complainant's complaint, the Arbitrator shall also impose an obligation on the institution to pay a penalty of 10% of the amount which the institution is, pursuant to the award, obliged to pay to the complainant, at least CZK 15,000. The payment of CZK 15,000 shall also be imposed where there is a non-pecuniary subject of the dispute. The penalty shall be the income of the state budget.*

#### *Section 18 of the Financial Arbitrator Act*

*Costs of the proceedings*

- (1) *Each party to the proceedings shall bear its own costs of the proceedings, except for the costs of interpretation pursuant to Section 13, which shall be borne by the institution.*
- (2) *The proceedings shall not be subject to a fee.*

*Section 23 of the Financial Arbitrator Act**Fines*

- (1) *The Arbitrator may decide to impose a fine of up to CZK 100,000 on the institution, should it impede Arbitrator's action in the proceedings by...*
- (2) *The Arbitrator may decide to impose a fine of up to CZK 50,000 on a natural or legal person, should the person impede Arbitrator's action in the proceedings by...*

- **Examples of proceedings before the Financial Arbitrator**

How the proceedings before the Financial Arbitrator proceed if the application to initiate the proceedings is filed without any deficiencies, there is no need to supplement the collected documents in the course of the proceedings, both parties to the dispute provide cooperation without requesting an extension of time, the parties to the dispute are not interested in an amicable settlement of the dispute, the Financial Arbitrator does not process a preliminary legal assessment, decides the case and the proceedings include an objection procedure:

Filing of the COMPLAINT (F)	+ 10–30 days for processing the request depending on its content and the scope of the submitted documents
Notification to the complainant and the financial institution, invitation to the financial institution to comment and submit documents	+ 15 days for the financial institution (no time limit for the applicant)
Processing of submissions	+ 10–30 days
Invitation to examine the documents of both parties of the dispute	+ 90 days for the award (including 12 days for delivery + 10 days for the deadline)
AWARD in total	F + 125–165 days
Delivery of the award	+ 12 days (service) + 15 days (time limit for objections)
Filing of the OBJECTIONS	+ 60 days for decision
DECISION ON OBJECTIONS in total	F + 212–252 days

How the proceedings before the Financial Arbitrator proceed if the application to initiate proceedings is filed with deficiencies, there is no need to supplement the collected documents in the course of the proceedings, both parties to the dispute provide cooperation without requesting an extension of time, the parties to the dispute are not interested in an amicable settlement of the dispute, the Financial Arbitrator does not process a preliminary legal assessment, decides the case and the proceedings include an objection procedure:

Filing of the COMPLAINT (F)	+ 10–30 days of processing of the complaint according to its content and the documents submitted
Notification and invitation to the applicant to remedy the deficiencies	+ 12 days (delivery) + 15 days (time limit)
Processing of documents from the complainant	+ 10–30 days

Notification and invitation to the financial institution to comment and to submit documents	+ 15 days
Processing of documents from financial institution	+ 10–30 days
Invitation to both parties of the dispute to examine the documents	+ 90 days for award (including 12 days for delivery + 10 days for the deadline)
AWARD in total	F + 125–165 days
Delivery of the award	+ 12 days (delivery) + 15 days (time limit for objections)
Filing of the OBJECTIONS	+ 60 days for the decision
DECISION ON OBJECTIONS in total	F + 249–289 days

How the proceedings before the Financial Arbitrator proceed if the application for initiation of the proceedings is filed with deficiencies, the need to supplement the collected documents arises during the proceedings, both parties to the dispute provide cooperation without requesting an extension of time, the parties to the dispute are not interested in an amicable settlement of the dispute, the Financial Arbitrator does not process a preliminary legal assessment, decides the case and the proceedings include an objection procedure:

Filing of the COMPLAINT (F)	+ 10–30 days of processing
Notification to complainant and request to correct the deficiencies	+ 12 days (delivery) + 15 days (time limit)
Processing of evidence collected from complainant	+ 2 days in case applicant submits it to the post office on the last day of the time limit, a reserve
Repeated request to complainant	+ 12 days + 15 days
Processing of evidence collected from complainant	+ 10–30 days
Notification to institution and request to provide explanation	+ 15 days
Processing of evidence collected from institution	+ 2 days reserve, sometimes the institution sends documents by post
Repeated request to institution	+ 15 days
Processing of collected evidence	+ 10–30 days
Notice to the requested individual	+ 12 days (delivery) + 15 days (time limit)
Processing of collected evidence	+ 10–30 days
Request to provide oral explanation	+ 12 days (delivery) + 10 days
Processing of collected evidence	+ 10–30 days
Summons for complainant and institution to get acquainted with the collected evidence	+ 90 days for award (including 12 days for delivery + 10 days for the deadline)
AWARD in total	F + 277–377 days
Delivery of the award	+ 12 days (delivery) + 15 days (time limit for objections)
Filing of the OBJECTIONS	+ 60 days for the decision
DECISION ON OBJECTIONS in total	F + 364–464 days

The time limits set by the Financial Arbitrator Act are 15 calendar days. Delivery to the complainant by a postal service provider may take 12 days (from the day of filing to the day of delivery 2 days + 10 days for deposit at the post office). Delivery to institution via data box may occur up to the 10th day after delivery to the data box. The summons to a hearing or to provide an oral explanation must be served to the party 10 days in advance. Only calendar days are

counted in the summary, so the length of the proceedings may be extended if the time limit imposed ends on a rest day, if the 2 days for processing also fall on rest days, etc.

In fact, motions to initiate proceedings usually do not go without a request for remedy their deficiencies. During the proceedings, the Financial Arbitrator almost always has to call on one of the parties to the dispute, or both, to submit documents to support their claims made during the proceedings. Negotiations for an amicable settlement of the dispute then include actions connected with the submission of its request and counter-request and the cooperation of the Financial Arbitrator in negotiations about it. These actions are done in writing, so the same rules apply to them as for delivery, as described above.

Where appropriate, the Financial Arbitrator will submit a preliminary legal assessment of the dispute with a call for an amicable settlement of the dispute. In addition to her preliminary conclusions and their proper justification, she always presents to the party of the dispute either her idea of a request for an amicable settlement of the dispute, or an explanation of why she could not comply with the complainant, including proper instruction on the reviewability of the Financial Arbitrator's decision by a court.

An amicable settlement of the dispute, because the consumers' claims has been fully or partially satisfied, presupposes the consumers' withdrawal of the complaint. The situation where the consumers withdraw their request must also be considered as an amicable settlement of the dispute, because the Financial Arbitrator convinces them of the groundlessness of their request (dispute) through the submitted preliminary legal assessment of the collected documents.

Only when the parties to the dispute refuse an amicable solution does the Financial Arbitrator issue a decision on the matter in the form of an award, or a decision on objections to the award.

## IV. SYSTEMIC OR SERIOUS PROBLEMS LEADING TO DISPUTES

- Assessing the creditworthiness of the borrower of a consumer credit

In disputes over the invalidity of a credit agreement due to failure to assess the consumer's ability to repay the credit before concluding it (in the event of a significant increase in the credit), the Financial Arbitrator concluded in the overwhelming majority of cases that the financial institution, as a provider of consumer credits, did not act with professional care and therefore only has the right to a refund of the principal amount that it provided to the consumer (in cases where the consumer paid more for credit debts than the principal amount, the financial institution is obliged to issue to the consumer everything that he paid in excess of the principal amount of the credit provided).

The Financial Arbitrator usually found that the financial institution did not obtain sufficient documents (especially about the consumer's expenses), did not verify the secured documents and information, or did not keep the alleged documents.

In this type of disputes, the Financial Arbitrator is already based on the decision-making practice of general courts, which have reviewed the decisions of the Financial Arbitrator and have upheld them in all cases so far, when in disputes she judged credit contracts as invalid and, if necessary, ordered credit providers to issue unjust enrichment to consumers in excess of the paid principal of the consumer credits.

According to Section 75 of Act No. 257/2016 Coll., on consumer credit, in the version effective until 31 December 2023 (hereinafter referred to as the "Act on Consumer Credit 2016"), it applies that the credit provider "shall carry out their activities with professional care", which refers not only to assessing the creditworthiness of a particular consumer, but also to credible evidence that they have done so.

The content of the obligation to act with professional care is not included in the Consumer Credit Act 2016, as it is a so-called vague legal concept that should be interpreted in the context of general legislation and specific factual circumstances. It is therefore a corrective action of the creditor, which in this case will be assessed by a Financial Arbitrator and is based both on an objective point of view, i.e. on professional knowledge and abilities, and on a subjective point of view, consisting in the diligence of a specific creditor.

According to Section 78, paragraph 1 of the Act on Consumer Credit 2016, it is primarily the case that the credit provider should obtain and keep documents for reliable certification that they have properly fulfilled their obligations under this Act.

Thus, the consumer credit provider should be able to demonstrate, among other things, the fulfilment of the requirement of Section 86, paragraph 1 of the Act on Consumer Credit 2016, according to which it is expressly stated that *"Prior to concluding a consumer credit contract or changing the obligation from such a contract by significantly increasing the total amount of consumer credit, the provider shall assess the creditworthiness of the consumer on the basis of necessary, reliable, sufficient and reasonable information obtained from the consumer and, if necessary, from the database enabling the assessment of creditworthiness or even from other sources. The provider shall provide consumer credit only if the outcome of the consumer creditworthiness assessment shows that there are no reasonable doubts about the consumer's ability to make repayments of the consumer credit."*, when according to paragraph 2 of the same provision *"In assessing the creditworthiness of the consumer, a provider shall in particular assess the ability of the consumer to pay the agreed regular repayments of consumer credit, on the basis of a comparison of the consumer's income and expenditure and the manner of fulfilling of existing debts"*.

Regarding the assessment of creditworthiness itself, it is necessary to proceed from the premise that it is necessary to assess creditworthiness not only before concluding the consumer credit agreement itself, but at the same time with each significant increase in the total amount of this credit.

When obtaining relevant information for the purpose of assessing the creditworthiness of the consumer, the creditor should rely both on the information provided by the consumer (i.e. not on the consumer's claims, since mere claims by the consumer cannot be clearly considered sufficient and reliable information without being substantiated in any way) and on information obtained from other available sources, all while respecting the principle of proportionality and at the most to the extent necessary to fulfil this obligation, i.e. with maximum respect for the consumers' rights to the protection of their personal data. At the same time, however, the creditor must obtain such information about the consumer's income and expenses that the sum of this information does not raise doubts that the consumer will be able to repay the consumer credit without difficulty in the normal course of things. In the case of doubts about the correctness of the information obtained from the consumer, the creditor is obliged to check this information further, primarily by documenting the necessary documents from the consumer, by consulting debtor databases, etc.

It is the legal obligation of the creditor to collect the information obtained in this way, to evaluate its sufficiency and to decide whether and which information is necessary to be further verified, or to deepen their knowledge. Only such information about the consumer's income and expenses, from which the creditor is able to obtain an objective picture of their financial situation, is considered sufficient.

The consumer's ability to repay a consumer credit should be understood as a situation where, depending on the repayment frequency, the consumers will have enough funds left in their personal/household budget to be able to repay the credit in the expected amount without difficulty in the normal course of things. Therefore, the creditor must, among other things, analyse the consumer's personal/household budget, both the income side and the expenditure side, always in relation to the specific credit applicant and information about their specific income from employment or other activities, housing costs, transportation, household or dependent children, as well as other regular expenses of the consumer (e.g. repayments of other credits).

The analysis of only one part of the budget is not sufficient in itself to assess creditworthiness, since, for example, it is not possible to say from the information on the consumer's net monthly income whether they will be able to pay the instalments if their other expenses are not known at the same time. The creditor must also take into account the consumer's family status, i.e. whether they support other people, etc., when assessing ordinary household expenses. When analysing household expenses, it is advisable to leave a certain reserve for possible other unplanned expenses (e.g. the need to purchase a new electrical appliance). Consumer credit repayments should not be added as the exact difference between the consumer's income and expenses, because in the case of any additional expenditure, the proper repayment of the credit would be jeopardised.

In connection with the above, the Financial Arbitrator refers that the Czech legislation is a proper transposition of Directive 2008/48/EC of the European Parliament and of the Council of April 23, 2008 on consumer credit agreements and on the repeal of Council Directive 87/102/EEC adopted in the regime of the so-called maximum harmonisation to which the Court of Justice of the European Union in the decision of 18.12.2014 in the case C-449/13, *CA Consumer Finance SA v. Ingrid Bakkaus* concluded, among other things, that *"mere unsupported declarations made by the consumer may not, in themselves, be sufficient if they are not accompanied by supporting evidence"*, when it does not preclude *"the consumer's creditworthiness assessment from being carried out solely on the basis of information supplied by the consumer, provided that that information is sufficient and that mere declarations by the consumer are also accompanied by supporting evidence"*.

According to the decision of the Court of Justice of the European Union dated 11/01/2024 in case C-755/22, *Nárokuj s.r.o. against EC Financial Services, a.s.*, then it also applies that *"event that a credit agreement entered into by a consumer has been performed in full without the consumer having suffered any harmful consequences in the course of or as a result of that performance, the fact remains that, as is clear from paragraphs 33 and 34 of the present judgment, the obligation laid down in Article 8 of Directive 2008/48 is intended not only to*

*protect consumers against such risks but also to hold creditors accountable and to prevent the granting of loans to consumers who are not creditworthy", whereby "a breach of the creditor's obligation to examine the consumer's creditworthiness, as provided for in that provision, cannot be regularised merely by the credit agreement being performed in full. It is irrelevant that the consumer did not raise any objections about the agreement during the period of repayment of the credit".*

Thus, the Court of Justice of the European Union itself not only confirmed that consumer credit providers should not rely on the mere declarations of consumers who have received credit, but at the same time explained that the assessment of creditworthiness must be handled with professional care and, where appropriate, a legal sanction should be imposed, even if the consumer credits duly repaid, did not object to anything during its repayment and did not suffer any damage.

Reference can also be made to the decision-making practice of the Czech courts, when, for example, in the decision of 1 April 2015, No. 1 As 30/2015, the Supreme Administrative Court concluded that Section 9 paragraph 1 of Act No. 145/2010 Coll., on consumer credit and on the amendment of certain laws, as amended (hereinafter referred to as the "Act on Consumer Credit 2010"), must be interpreted as *"the creditor must carefully ascertain the consumer's ability to repay the credit and request documents to support his claim. It is also necessary to conclude that the creditor should actively determine and check the creditworthiness of the borrower, and not be satisfied only with his unsubstantiated statements. (...) the procedure of the complainant, who assessed the consumer's creditworthiness only on the basis of their unsubstantiated statements, was contrary to the requirement of ascertaining the consumer's ability to repay the credit with professional care in the sense of Section 9, Paragraph 1 of the Act on Consumer Credit"*.

*The Supreme Administrative Court further concluded that "the documents required to prove the consumer's creditworthiness can be, for example, confirmation of employment and income, pay stubs, a statement from the applicant's bank account, and the like.*

*Therefore, it would not be a question of repeated statements of the same content, as the complainant states, because they would really be redundant. It should be documents issued to the consumer by a third party, which will testify objectively and reliably about the consumer's ability to fulfill his obligations under the credit agreement"*.

*The Supreme Administrative Court also concluded that "the law on consumer credit places great emphasis on protecting consumers from irresponsible borrowing, which is currently a serious social problem, the solution of which probably cannot be left solely to the responsibility of the debtors themselves.*

*Lenders should contribute to solving this problem by carefully examining the consumer's ability to repay the credit before concluding credit agreements and thus eliminate possible tendencies of consumers to misrepresent their financial circumstances in an attempt to obtain a consumer credit, regardless of the previous consideration of their ability to repay it.*

*It is therefore a legal regulation oriented to the protection of the consumer, as the weaker party to the contract, which, on the other hand, entails a greater burden of obligations on the part of the entrepreneur - here the provider of consumer credit" (hereafter referred to as "NSS Decision 2015").*

With the conclusions of the Supreme Administrative Court, for example, in the decision of 25 July 2018, No. 33 Cdo 2178/2018, the Supreme Court agreed, when it concluded, among other things, that *"already from the grammatical and logical interpretation of Section 9, Paragraph 1 of the Act on Consumer Credit, it can be concluded that information obtained only from the consumer is not considered sufficient. Professional care assumes that the data that the debtor has provided to the creditor must be verified, or objectively substantiate at least by confirmation of the debtor's employer", while further "the creditor does not comply with the obligations set for him by the Consumer Credit Act, i.e. does not proceed with professional care when assessing the consumer's ability to repay the consumer credit, if it is based on an*



*objectively unsubstantiated personal statement of the debtor about his personal, earnings and property conditions. It does not change the fact that the debtor is not registered in the debtors' databases" (hereafter referred to as "NS Decision 2018").*

Also in its decision of 20 March 2019, No. 33 Cdo 201/2018, the Supreme Court interpreted, inter alia, that *"the creditor's obligation to use publicly available information, such as the state-published data on the minimum living and subsistence wage pursuant to Act No. 110/2006 Coll., is undoubtedly crucial, on the minimum subsistence level and on the average expenditure of the population (the Czech Statistical Office database), and to compare this information with known or ascertained (not merely claimed) information on the consumer's income and expenditure".*

With reference to the 2015 Supreme Administrative Court and 2018 Supreme Administrative Court decisions, the invalidity of the credit agreement is subsequently inferred by the Constitutional Court in its decision of 26 February 2019, No. III ÚS 4129/2018, when *"the credit provider, when the borrower is in the position of a consumer, has an unequivocal obligation to verify the consumer's ability to repay the planned credit. The imposition and proper fulfilment of this obligation protects not only the borrower (consumer) and the creditor as the provider of the credit, but also, in a broader sense, society as a whole, as the above-mentioned case law shows."*

Although the Supreme Administrative Court, the Supreme Court and the Constitutional Court in the above-quoted decisions considered the issue in the light of the legislation in force before the Consumer Credit Act 2016 came into force, namely Section 9(1) of the Consumer Credit Act 2010, the above conclusions can be applied without further doubt to the legislation under the Consumer Credit Act 2016, namely Section 86(1) in conjunction with Section 75 of the Consumer Credit Act 2016.

This was also confirmed by the Supreme Administrative Court in its decision of 31 January 2024 in No. 6 As 8/2023, which expressly stated, inter alia, that *"both the purpose of the legislation and the requirement of professional care of the credit provider have been preserved, and the Supreme Administrative Court therefore does not share the applicant's view that the conclusion contained in the judgment of the Supreme Administrative Court No. 1 As 30/2015-39, according to which the assessment of a consumer's creditworthiness solely on the basis of his unsubstantiated statements is contrary to the requirement of professional care, does not stand. This view is confirmed by the Constitutional Court's ruling of 26 February 2019, Case No III ÚS 4129/18, in which the Constitutional Court stated that the legislation has not changed precisely in relation to the obligation of the credit provider to assess the consumer's creditworthiness under Section 9 of Act No. 145/2010 Coll. and Section 86 of the Consumer Credit Act.*

If the consumer credit provider, then breaches its duty to assess the consumer's creditworthiness with professional care, the contract is void under Section 87(1) of the Consumer Credit Act 2016.

Under Section 2991 of the Act No. 89/2012 Coll., the Civil Code, as amended ("Civil Code"), *"A person who is enriched at the expense of another without a just cause must, to the extent of his enrichment, make restitution to the impoverished person"* and, at the same time, under Section 2993 of the same Act, *"If a party has provided a performance not based on a valid obligation, the party is entitled to restitution for the performance provided. If both parties provided a performance, either party may request that the other make restitution for the performance acquired; this does not affect the right of the other party to invoke mutual performance. This also applies where the obligation was extinguished".*

- Misuse of a payment instrument (credit card, internet/mobile banking)

The vast majority of these disputes are related to cyber-attacks targeting the clients of individual institutions (consumers), which should be divided into two basic groups depending on the extent to which the consumer cooperates with the third party (the person carrying out the cyber-attack).

The Financial Arbitrator must first assess whether the consumer has acted under the influence of the third party, most often in cases of so-called crypto scams, where the third party convinces the consumer, or induces the consumer to invest funds with a high profit, or causes the consumer to fear for their funds by telling them that their account and the funds in it are in danger and that they need to be transferred to a secure protected account to save them. Other types of attacks can also be included in this category, where the consumer has allowed a third party, through various applications allowing remote access to an electronic device, to control the consumer's computer or mobile phone and thus freely handle the consumer's funds under their identity; in such cases, it is very difficult, if not impossible, to prove that the consumers did not act by themselves.

The second category of cyber-attacks are disputes in which consumers believe a third party's fabricated scenario and thus give them access to their personal security features (online banking login details, payment card details, including various authorisation codes). Most often, these are so-called marketplace scams, smishing in the form of messages regarding state benefits from the Ministry of Labour and Social Affairs or tax refunds, etc.

At the same time, disputes are differentiated according to the means of payment used by third parties to withdraw funds from (most commonly) current or savings accounts, namely cases in which the third party misuses the consumer's debit or credit card, the consumer's internet/mobile banking (through which the consumer often manages multiple accounts, including business accounts) or a combination thereof. If a third-party gains access to the consumer's internet/mobile banking, they can then set up additional accounts, apply for additional (virtual) payment cards, change limits, view the consumer's personal security features, etc. In some cases, the third party holding the consumer's payment instrument has arranged for hundreds of thousands of crowns of unused consumer credit to be drawn down over and above the available account balance.

The decisive legal regulation for the purposes of assessing claims raised in such proceedings is Act No. 370/2017 Coll., on Payment System, as amended ("Payment System Act"), as a special legal regulation governing the provision of payment services, and then Civil Code as a general private law regulation that applies unless the Payment System Act contains a special regulation.

Pursuant to Section 156(1) of the Payment System Act, *„a payment transaction is authorised if the payer has given its consent thereto“*. Thus, in proceedings, the Financial Arbitrator first examines whether the payment transactions that the consumer objects to are authorised or unauthorised, i.e. he examines the existence of the consumer's consent.

Furthermore, under Section 165(a) of the Payment System Act, *„A user: uses a payment instrument in accordance with the framework contract, in particular, immediately after receiving the payment instrument, the user takes all reasonable measures to protect its personalised security features, [...].“*

The consumer and the provider then negotiate obligations in the contract between them to protect the personal security features used to authenticate the client and authorise electronic legal transactions.

As to the question of who is liable for the loss, Section 156s from unauthorised payment transactions, the Financial Arbitrator relies on Section 181(1)(a) of the Act. 1 of the Payment System Act, which provides that *„If an unauthorised payment transaction has been executed, the payer's provider shall immediately, but no later than by the end of the business day following after the payer's provider has find out or payer has notified him the unauthorised payment transaction: (a) bring the payment account from which the payment transaction amount was debited to a state in which it would have been if the funds had not been debited,*

*or (b) refund the payment transaction amount, the fee paid and the lost interest to the payer if the procedure under letter (a) cannot be used.."* And the following special provisions for the loss, theft and misuse of a payment instrument, which list the specific cases where the payment service user (here the consumer) is liable for the loss and where the payment service provider is liable.

Therefore, the division of disputes involving claims made in connection with cyber-attacks outlined above has had an impact on the conduct of individual disputes, as the Payment System Act contains special legal regulation for the redress of unauthorised payment transactions only; in the case of authorised payment transactions to which the consumer themselves has given their consent, albeit in the context of a cyber-attack under the influence of a third party, the options are limited, respectively, in particular, the Financial Arbitrator assessed whether the payment service provider's general obligation to prevent and intervene was met (i.e. whether the institution could detect suspicious activities in the context of the use of the payment instrument, whether it reacted quickly enough, approached other payment service providers with a request to block the target account, etc.).

In relation to consumer credits, the Financial Arbitrator then had to examine whether the negotiation of the consumer credit on behalf of the consumer constituted an apparent legal act (Section 551 of the Civil Code) and, in particular, whether the institution had properly assessed the consumer's creditworthiness with due professional care before granting the credit (Section 86 of the Consumer Credit Act 2016).

The value of these disputes reached hundreds of thousands of crowns in individual cases, and in some cases, consumers had all of the funds in their accounts "stolen" in a cyber-attack.

In order to properly assess the dispute, outputs from the payment service provider's information system are always required, as only from these outputs is it often possible to identify who acted legally (identification of electronic devices, their location, compliance with agreed procedures); the Financial Arbitrator also evaluates recordings of telephone calls with the institution or explanations submitted to the Police of the Czech Republic, in which consumers often describe in detail the course of the cyber-attack, etc.

The Financial Arbitrator therefore always obtains, in addition to the documents submitted by the consumer, documents from the specific institution in the form of

- records from the institution's information system in the form of the so-called activity log, which shows a complete list of transactions and requests initiated by the consumer or a third party in the internet and mobile banking environment;
- records from the institution's information system showing the details of individual transactions and their outcome, including confirmation of the use of personal security features;
- records of communications with the consumer (in particular telephone calls).

At the same time, the Financial Arbitrator and the authorised OFA staff consulted the files and electronic records of most of the payment service providers against whom the requests to initiate proceedings before the Financial Arbitrator were directed, as required by the Financial Arbitrator Act, and verified the reliability of the records submitted from internal information systems. This exercise also enabled the Financial Arbitrator to reliably ascertain the facts from the documents collected (as it enabled him to have knowledge of the functioning of the various information systems, how they are recorded, etc.) and to make an impartial and fair decision in accordance with the law.

In the proceedings concluded so far, the Financial Arbitrator has not found that the payment transactions made by consumers subject to the proceedings before the Financial Arbitrator were not correctly recorded, nor that they were affected by a technical malfunction or other defect (cf. Section 187(1) of the Payment System Act).

In cases where the Financial Arbitrator found to the contrary, for example, that the institution had not recorded all relevant information relating to the payment transaction, the Arbitrator reprimanded the institution and invited the institution to resolve the dispute amicably.

Among the most common objections raised by consumers are that the consumer acted in error during the cyber-attack, that the institution itself did not (previously) identify that the consumer was a victim of fraud, and in the case of credits, that the consumer was unaware of the possibility of arranging a credit through online banking and that the institution could not properly assess the consumer's creditworthiness within minutes. Institutions most often argue that without the consumer's active conduct, the cyber-attack would not have occurred, either because the consumer cooperated directly with the third party or because the consumers were (at least) grossly negligent in breaching contractual obligations to protect their personal security features.

Where the consumers claimed that they did not knowingly authorise the payment transactions, the Financial Arbitrator considered this claim to mean, *inter alia*, that they acted in error. In this context, the Financial Arbitrator always had to examine whether the consumers themselves or a third party had acted on their behalf, who had caused the mistake and whether any mistake was excusable in the light of the facts, in other words, whether any mistake by the consumer could have affected the validity of the consumer's legal action (the validity of the consent given to the payment transaction, etc.) or the liability for loss arising from the disputed transactions.

According to Section 583 of the Civil Code, *"where a person made an act in error concerning a decisive circumstance and the error was caused by the other party, the juridical act is invalid."* Thus, the Civil Code prosecutes an act in error by invalidating a legal act (e.g. a contract), but only on the condition that it was a mistake in a decisive circumstance and the actor was misled by the other party.

The Financial Arbitrator accepts that consumers may have been misled by a third party, or more than one party, who, for the purpose of obtaining funds from the consumer, induced the consumer to act in anticipation of a transaction, i.e. in error as to a material fact, but the Financial Arbitrator did not find in these cases that the payment service provider was complicit in the consumer's misrepresentation and that any consumer error was excusable.

Error cannot be pleaded by one who acted with insufficient diligence and did not pay due attention to their legal conduct (because, with reasonable care, they should and could have known what claims they were confirming).

In most cases of unauthorised payment transactions, the Financial Arbitrator has generally found that the consumer has breached contractually assumed obligations to ensure the protection of personal security features in relation to the payment instrument, thereby enabling the disputed payment transactions. In order to conclude that the consumer has acted grossly negligently (Section 182(1)(b) of the Payment System Act), the Financial Arbitrator has always carefully assessed whether the agreed obligations are appropriate to the relationship between the payment service provider as a professional and the payment service user as a consumer.

Last but not least, the Financial Arbitrator has always assessed whether the payment service provider complied with the strong verification obligation when carrying out the disputed payment transactions (Section 182(3)(c) in conjunction with Section 223 of the Payment System Act).

At the same time, the Financial Arbitrator also assessed whether the payment service provider had breached a preventive or interventional obligation, e.g. whether it had properly assessed whether the disputed payment transactions showed suspicious features, whether it had blocked the target account, etc.

Where the Financial Arbitrator has found deficiencies on the part of the payment service provider, e.g. in the form of

- insufficient functionality of the means for notification of the misuse of the payment instrument (most often the blocking line), incorrect evaluation of the consumer's notification of the payment instrument being compromised (blocking of the payment instrument not without undue delay, inappropriateness of the measure taken - instead of blocking, only recommending the consumer to change the password, for example);

- shortcomings in the set-up of the creditworthiness assessment process for credits granted via internet banking;
  - shortcomings in the fulfilment of the general preventive (interventional) obligation to prevent or reduce damage to the consumer as a user of payment services;
  - deficiencies in the contractual documentation relating to the misused means of payment;
- led the parties to an amicable settlement of the dispute, so far always successfully.

- **Investment disputes**

In the disputes heard, the Financial Arbitrator has most often found that consumers are offered or intermediated investment products without exercising professional care when investment service providers fail to properly assess the adequacy and suitability of the investment services and investment instruments offered, fail to properly educate consumers about the risks of investing, and provide misleading and unclear information to consumers regarding their losses. In these cases, the financial losses are usually high.

Disputes arising from contracts for difference are common, which are loss-making for the vast majority of consumers and should not reach the lay public at all. These disputes usually involve foreign providers of investment services using domestic tied agents or intermediaries, and they usually involve a dispute over the applicable law.

In investment disputes, the Financial Arbitrator also very often encounters breaches of the obligation to properly inform the consumer about the fee structure of the product, or new terms and conditions, or vagueness of contractual provisions due to references to some external unknown conditions.

The quality of investment questionnaires is also often quite poor, because they are not completely filled in, they are very much based on self-assessment, they are crossed out without proof of who did it, containing questions that say nothing.

Failure to exercise professional care in offering or arranging investments in corporate bonds is also common, with investment intermediaries generally defending themselves on the basis that they were not providing an investment service but merely "passing on a tip".

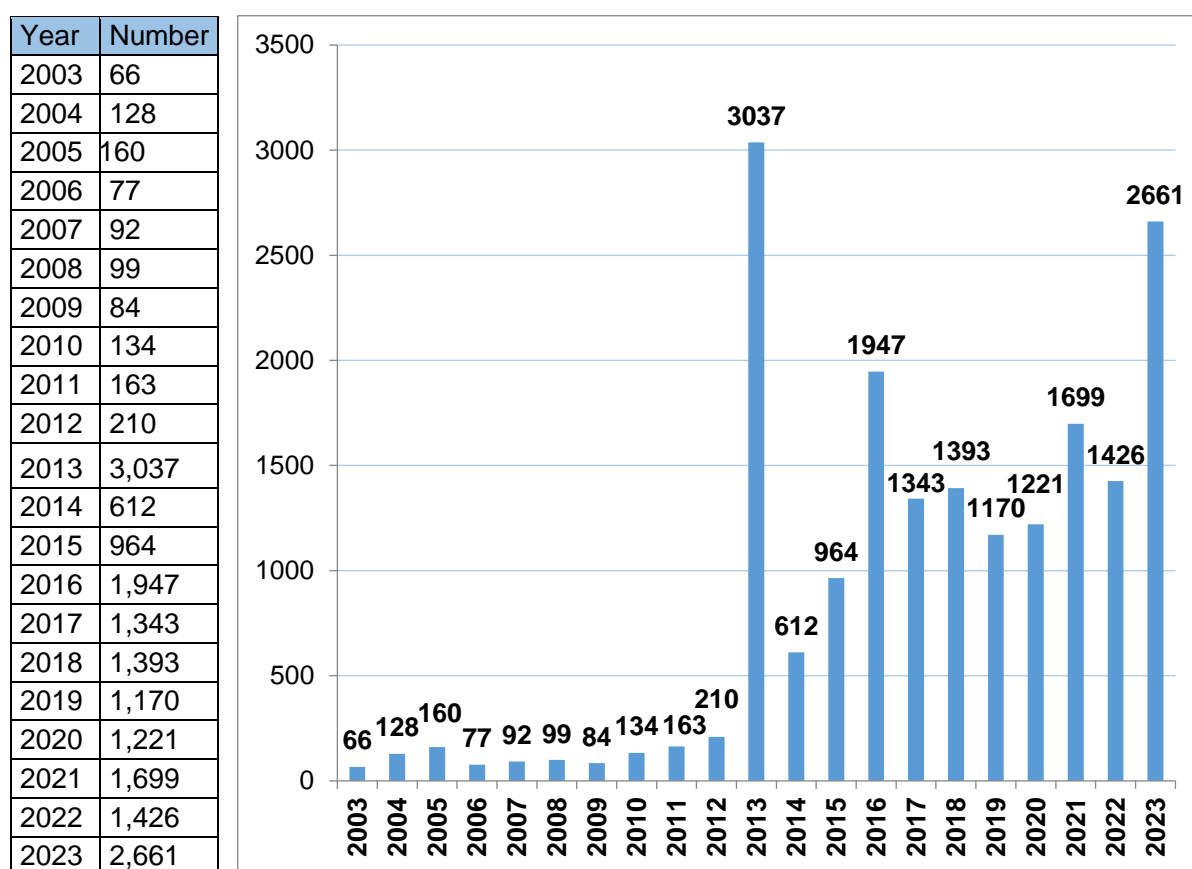
## V. SUMMARY OF THE FINANCIAL ARBITRATOR'S DECISION-MAKING ACTIVITY

- Number of proceedings commenced

In 2023, a total of 2,661 new proceedings were commenced before the Financial Arbitrator.

In total, the Financial Arbitrator heard 3,324 disputes during this period and dealt with over 5,000 written or telephone inquiries from the public directed to the jurisdiction of the Financial Arbitrator or directly to an individual consumer dispute.

- Number of proceedings commenced in each year since the establishment of the Financial Arbitrator (2003–2023)

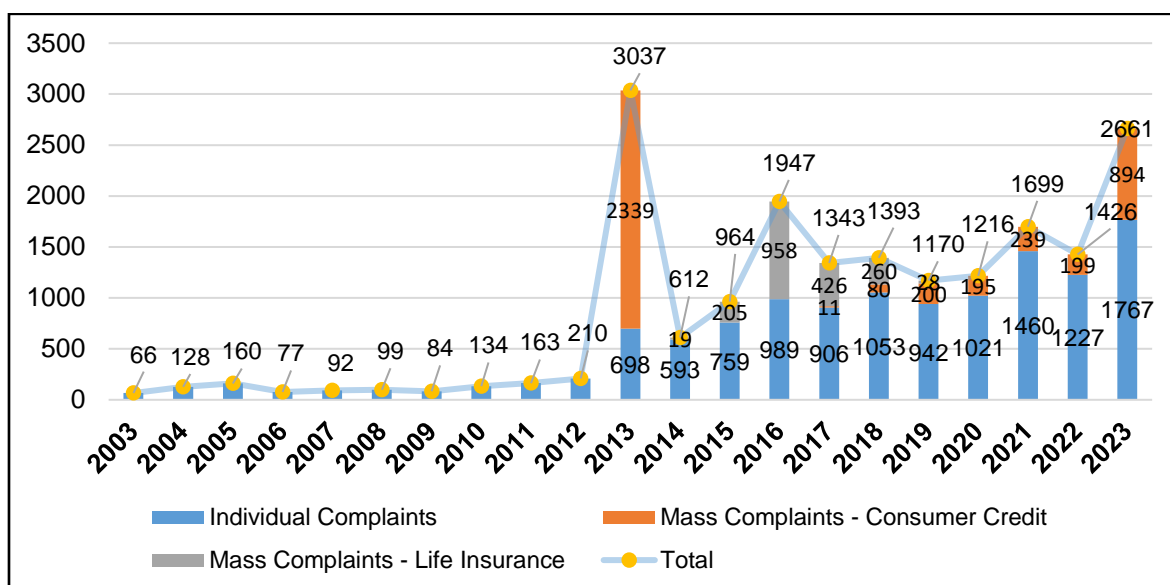


The number of proceedings initiated in 2023 (2,661) represents a year-on-year increase of 87% compared to the total number of proceedings initiated in 2022 (1,426).

Individual requests for the initiation of proceedings, which are submitted en masse by lawyers offering representation before the Financial Arbitrator as a paid service on social networks, contribute significantly to this increase, in particular consumer credit disputes. In 2023, for example, 4 lawyers accounted for 894 submitted complaints.

In most cases, the complaints submitted in this way do not have all the requirements required by law, they show frequent errors in the description of the factual circumstances, and their assessment cannot in any case be carried out en masse. The duration of the proceedings on these complaints is then fundamentally extended by the lawyers themselves, who repeatedly request an extension of the deadline to eliminate the shortcomings of the complaints or to negotiate an amicable settlement of the dispute with the other party. The unrepresented complainant, i.e. the consumer himself, is usually faster and better able, in cooperation with the Financial Arbitrator, to eliminate the shortcomings of the complaints, to go through the proceedings themselves, as well as negotiations for an amicable settlement of the dispute.

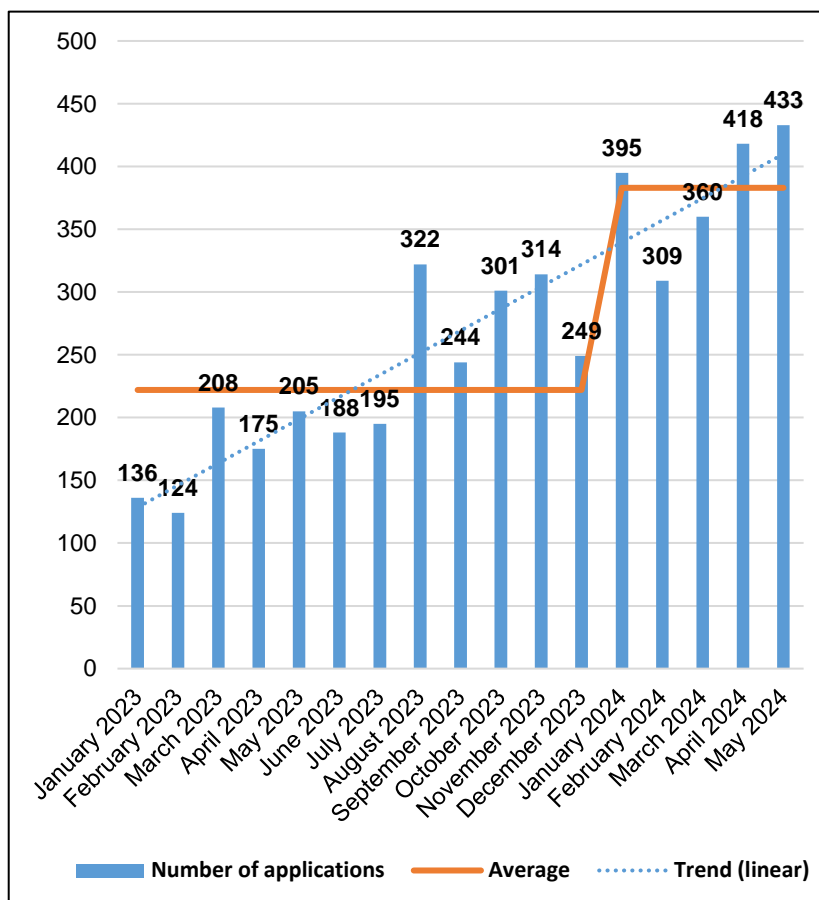
- Number of proceedings commenced since the establishment of the Financial Arbitrator (2003–2023))



The growing trend of newly filed complaints is also evident from the distribution of newly filed complaints during 2023.

- The number of proceedings commenced in individual months in 2023 and at the beginning of 2024

Month	Number
January 2023	136
February 2023	124
March 2023	208
April 2023	175
May 2023	205
June 2023	188
July 2023	195
August 2023	322
September 2023	244
October 2023	301
November 2023	314
December 2023	249
January 2024	395
February 2024	309
March 2024	360
April 2024	418
May 2024	433
Average 2023	222
Average 2024	383



Number of new complaints during 2023 is on an upward trend, with an average of 222 new complaints per month.

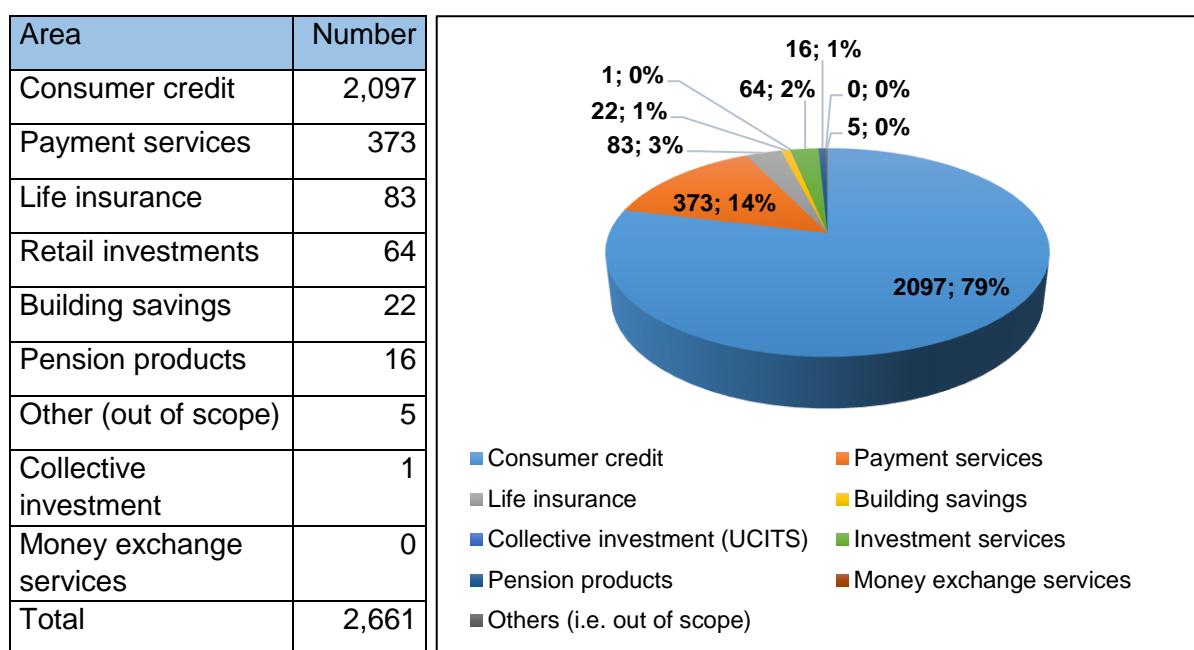


This upward trend continued in the first five months of 2024, when the Financial Arbitrator received a total of 1,915 complaints compared to 848 complaints received in the same period of the previous year, an increase of more than 125% year-on-year, i.e. 2.25 times, with an average monthly filing of 383 complaints.

Consumer credit disputes accounted for the largest number of complaints received in 2023, with 2,097 complaints accounting for 79% of all complaints received. At the same time, compared to the 825 complaints in this area received in 2022, this area saw the largest increase in new complaints, up 154%, or more than 2.5 times.

The second largest group consisted of 373 complaints in the area of payments, representing 14% of all complaints. Although there was a slight year-on-year decrease of 8% compared to the 406 complaints filed in 2022, this is still almost double the number of complaints compared to the 209 complaints filed in 2021. Life insurance complaints were the third most frequent, although they saw a year-on-year decrease of 15% from 98 complaints in 2022 to 83 complaints in 2023.

#### ○ Breakdown of proceedings initiated by area in 2023



Of course, proceedings initiated in previous periods were also ongoing during the period under review; in addition to the 2,661 proceedings initiated in 2023, a further 663 proceedings initiated in the previous period were ongoing.

Excluding the previously terminated proceedings, a total of 3,324 proceedings were pending in 2023, of which 57 were subsequently merged with other proceedings already pending for reasons of procedural economy (disputes between the same parties but arising from a different obligation), 17 proceedings were terminated (most often due to the declaration of insolvency proceedings on the complainant's property), 1,752 were finally terminated in 2023 and 1,498 proceedings are continuing in 2024.

Pending proceedings are proceedings which have not yet reached a final conclusion because

- the gathering of evidence for a decision on the dispute is still ongoing (the consumer is rectifying deficiencies in the application to initiate proceedings, or the institution or the requested party has not yet submitted all the evidence that the Financial Arbitrator has asked them to submit;
- the Financial Arbitrator informs the parties of the dispute of the preliminary legal

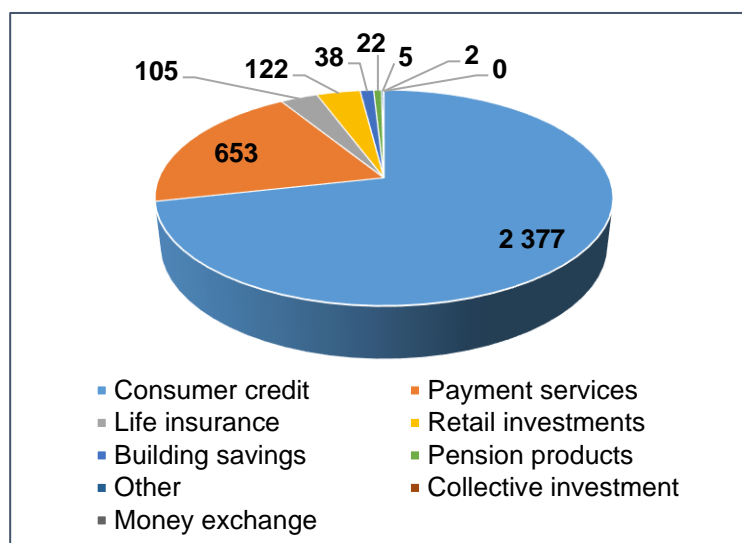


assessment so that each party can consider whether it is willing to resolve the dispute amicably or, in the case of a consumer, to withdraw from the dispute;

- negotiations are held on an amicable settlement of the dispute or on the terms of an amicable settlement or the conclusion of a settlement agreement, or the time limit agreed in the settlement agreement for the payment of the consideration and the agreed time limit for the withdrawal of the application to initiate proceedings;
- the time limit for the issuance of a decision or the Financial Arbitrator's processing of the collected documents into an award or decision on objections;
- an award has been made but the opposition procedure is pending;
- a decision has been rendered but the decision has not yet been delivered to both parties;
- a decision has been delivered to both parties but the time limit for appeal is still running for some of them.

#### ○ Distribution of all disputes handled by area in 2023

Area	Number
Consumer credit	2,377
Payment services	653
Life insurance	105
Retail investments	122
Building savings	38
Pension products	22
Other	5
Collective investment	2
Money exchange	0
Total	3,324



#### ● Consumer credit

In the area of consumer credit, 2,097 proceedings were initiated in 2023, with a total of 2,377 proceedings pending in the period under review.

The most frequent disputes arising from consumer credit were disputes concerning the assessment of the validity of the credit agreement due to the breach of the credit provider's obligation to assess the borrower's creditworthiness with professional care before concluding the credit agreement (over 80%).

In the context of creditworthiness assessments, the Financial Arbitrator also decided disputes about the validity of a settlement agreement concluded between the debtor and the creditor after the debtor objected to the invalidity of the credit agreement for failure to assess creditworthiness. In most of these cases, the Financial Arbitrator found that the settlement agreement concluded was invalid or that the agreement concluded between the consumer and the financial institution was not a settlement agreement within the meaning of Section 1903 of the Civil Code.

In the period under review, the Financial Arbitrator also ruled on disputes arising from early repayment of consumer housing loans.

Consumer credit agreements concluded under the previous legislation, which were already subject to arbitration and enforcement proceedings, were also subject to proceedings before the Financial Arbitrator. Since in the enforcement proceedings the court had stopped the enforcement proceedings, e.g. because of the immorality of the enforced performance or because the enforcement title was ineligible, the Financial Arbitrator concluded in the

proceedings that there was no obstacle and assessed the validity of the credit agreement under the applicable legal and contractual provisions.

- **Payment services (payment transactions, electronic money, non-payment accounts, time deposits, dynamic currency conversion)**

A total of 373 proceedings were initiated in the payments area in 2023, an 8% year-on-year decrease in disputes, with a total of 653 proceedings pending.

The most frequent type of payment disputes was disputes during the provision of payment services by banks and within them disputes arising from unauthorised payment transactions, usually in connection with the misuse of payment instruments (phishing, vishing) such as internet/mobile banking, payment cards or applications in the consumer's electronic device intended for controlling the account, or also disputes arising from authorised payment transactions made by consumers as a result of being misled by a third party when selling goods on advertising portals or by a person claiming to be a bank employee in a telephone call, etc. (almost 60%).

Disputes over proper execution of a payment transaction were also frequent in the period under review, especially in connection with the use of an ATM, e.g. disputes over the amount of cash deposited into an ATM, where the consumer claims that the amount deposited was higher than the amount credited to the account by the payment service provider, or disputes over the amount of cash withdrawn from an ATM, where the consumers claim that they received a different (lower) amount than he requested or that the payment service provider debited their account with a different (higher) amount than they actually withdrew. In these disputes, the Financial Arbitrator must assess the output of the banks' information systems as well as the output of the individual ATMs, including the performance of test deposits or withdrawals, in order to provide a credible basis for her decision.

The Financial Arbitrator has also dealt with disputes over the proper execution of the transfer of funds abroad, which involves the exchange of currencies or the charging of fees by the correspondent banks through which the transfers abroad take place.

- **Life insurance**

In the area of life insurance, 83 proceedings were initiated in 2023, with a total of 105 proceedings pending; in the period under review, there was a slight decrease in the number of proceedings initiated compared to the previous period; at the same time, more than 45% of the proceedings initiated had to be terminated by the Financial Arbitrator because in the course of the proceedings the Arbitrator found that the dispute did not concern life insurance, but non-life insurance (most often it was insurance against accident, illness, incapacity for work).

The most common type of life insurance disputes were disputes over insurance benefits, where insurers refused to pay claims, and disputes over the return of premiums paid by consumers under investment life insurance contracts to the insurer because they claimed they were not interested in investment life insurance, but were interested in saving, and the insurance intermediary or the insurance company misled them when they took out the insurance contract about the nature and, in particular, the cost of the product, or they alleged various defects in the insurance contracts and contractual documentation for which the insurance contracts should have been invalid.

- **Pension products**

In the area of disputes arising from pension products, which were only entrusted to the Financial Arbitrator from 1 May 2022, 16 proceedings were initiated in 2023, in addition to the 6 proceedings initiated in 2022. Thus, a total of 22 proceedings were conducted.

The most frequent claims are for payment of a benefit to which consumers believe they are entitled and which the pension company has denied them; they also allege a mistake, either in the conclusion of the contract or in the application for the benefit or in the termination of the contract; and another group are claims for compensation for damage which the pension companies should have caused to the complainants in the management of the funds or in the termination of the contract.

- **Retail investments**

A total of 64 proceedings were initiated in the area of the provision of investment services, with a total of 122 proceedings pending.

The number of disputes in the area of collective investment and investment services (retail investment) was lower compared to other areas of the Financial Arbitrator's competence, but these disputes are factually more complex, as the subjects of the individual disputes vary considerably, and their assessment affects many areas of the financial market.

The most common investment disputes are disputes for compensation for loss-making investments.

- **Collective investment**

In the period under review, only 1 collective investment dispute was initiated, with a total of 2 proceedings pending.

- **Building savings**

In the area of building savings (the subject of the dispute is the savings part of the product), 22 proceedings were initiated, with a total of 38 proceedings pending.

The most frequent building savings disputes were disputes about the validity of the unilateral termination of the building savings by the building savings bank.

- **Money exchange**

No proceedings were initiated in the area of currency exchange disputes during the reporting period.

After 1 April 2019, when the amendment to the Exchange Act came into force, which regulated the customer's right to withdraw from an exchange transaction or part thereof, disputes have hardly occurred. In approximately two dozen cases, the Financial Arbitrator responded to submissions from foreign consumers by referring them to the withdrawal rules and the rules of procedure before the Financial Arbitrator, in particular the qualified filing of a complaint, which these inquirers subsequently failed to do.

- **Disputes outside the jurisdiction of the Financial Arbitrator**

In 2023, the Financial Arbitrator received 5 requests for the initiation of proceedings in which the subject matter of the dispute was, on the face of it, clearly outside the Financial Arbitrator's jurisdiction. Hundreds of consumers made written or telephone enquiries to the Financial Arbitrator during the period under review about similar disputes outside the Financial Arbitrator's jurisdiction. The Financial Arbitrator provided each consumer with a proper explanation and a link to the relevant out-of-court dispute resolution body with contacts.

- Average length of proceedings before the Financial Arbitrator in 2023

Some disputes end amicably within weeks after the proceedings have been initiated, while other complex disputes take more than 2 years.

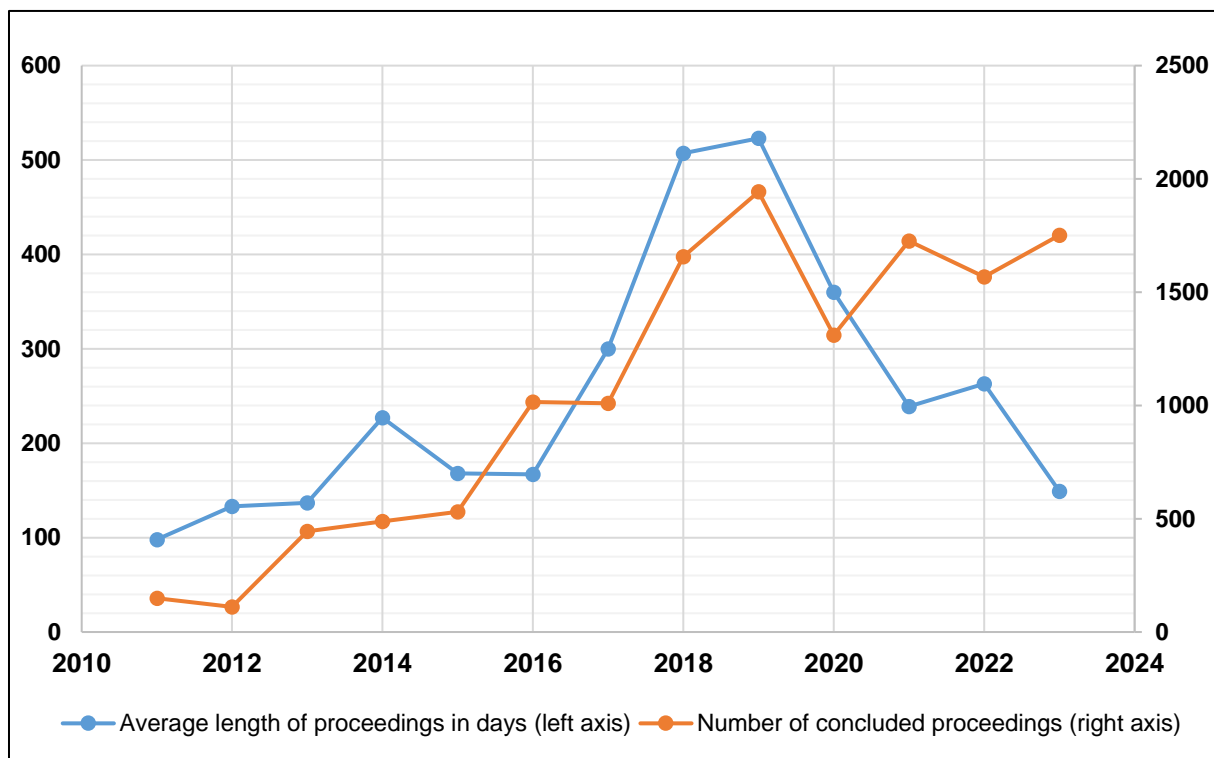
The average length of proceedings concluded in 2023 was 149 days from the start of the proceedings to the legally binding decision concluding the proceedings, a 43% reduction compared to 263 days in 2022.

Similarly, the median length of proceedings was also significantly reduced to 102 days, a 21% decrease from 129 days in 2022.

In fact, it can be said that one half of the proceedings were finally concluded (including the service of the decision, the expiry of the time limit for lodging an appeal, etc.) within about 3 months from the moment the proceedings were initiated, regardless of the quality of the application or the defects it suffered.

The methodology used to calculate the average length of proceedings also takes no account of the period of interruption of proceedings, which leads to an effective increase in the length of proceedings.

- Average length and number of completed proceedings between 2011 and 2023



With the number of staff in the Office of the Financial Arbitrator unchanged, a long-term correlation (direct proportionality) can be observed between the number of proceedings completed and the average length of proceedings. From 2021 onwards, this trend is reversing, with the number of terminated proceedings increasing while the average length of terminated proceedings is decreasing. This opening of the scissors (difference) was most evident in 2023, when the number of terminated proceedings increased by 12% compared to 2022, from 1,568 to 1,752 terminated proceedings, while the average length of terminated proceedings was reduced by 43% from 263 days to 149 days.

○ Average and median length of proceedings finally concluded in 2023 compared to 2022

Area	Number of completed proceedings 2023	Average length of proceedings 2023	Median length of proceedings 2023	Number of terminated proceedings 2022	Average length of proceedings 2022	Median length of proceedings 2022	Change in number of terminated proceedings 2023/2022	Change in average length of proceedings 2023/2022	Change in median length of proceedings 2023/2022
Customer credit	1,265	111	96	1,032	172	119	+23%	-35%	-19%
Life insurance	86	209	57	130	297	102	-34%	-29%	-45%
Payment service	301	235	163	243	225	151	+24%	+4%	+8%
Building savings	26	378	256	88	1,262	1,595	-70%	-70%	-84%
Retail investment	50	386	278	67	411	299	-25%	-6%	-7%
Collective investment	1	54	54	2	1,159	1,159	-50%	-95%	-95%
Pension product	19	91	78	2	90	90	+850%	+2%	-13%
Money exchange	0	-	-	1	172	172	-100%	-	-
Other	4	30	31	3	30	28	+33%	-2%	+9%
Total	1,752	149	102	1,568	263	129	+12%	-44%	-21%

In terms of the average length of proceedings, the fastest rate of resolution for the Financial Arbitrator in 2023 was for disputes arising from pension products. The average length of 91 days represents a 2% increase on 2022, but the median length of 78 days represents a 13% year-on-year decrease.

Consumer credit disputes were the largest group of cases dealt with, with 1,265 concluded proceedings (more than 72% of all concluded proceedings). In this subject area, the average length of proceedings was reduced by 35% from 172 days in 2022 to just 111 days in 2023, and the median length of proceedings was also reduced by 19% from 119 to 96 days.

The total of 301 concluded payment proceedings represents a 24% year-on-year increase, yet this increase has not translated into a substantial increase in the average (235 days in 2023, up 4% from 225 days in 2022) or median (163 days in 2023, up 8% year-on-year from 151 days in 2022) length of proceedings. It should be borne in mind that these disputes are among the most factually and legally complex, particularly in the context of the greater sophistication of attacks on users' payment facilities.

In life insurance, the reduced number of decisions issued (86 proceedings concluded in 2023 compared to 130 proceedings concluded in 2022, a decrease of 34% year-on-year) has adequately reduced both the average (209 days compared to 297 days in 2022, a decrease of 29%) and median (57 days compared to 102 days in 2022, a decrease of 45%) length of proceedings.

The length of proceedings in building savings disputes has been reduced very significantly, but this must also be attributed to the high base in 2022, when dozens of proceedings whose parties had been waiting 4.5 years for the results of judicial review of other decisions of the Financial Arbitrator in a similar case ended amicably. The number of terminated proceedings fell by 70% from 88 to 26, as did the average length of proceedings from 1,262 days in 2022

to 378 days in 2023, and the median length of proceedings fell by 84% from 1,595 days in 2022 to 256 days in 2023.

The average and median length of proceedings in collective investment disputes was reduced most significantly, by 95% (from 1,159 to 54 days). However, even this figure must be read in the context of the very low number of cases resolved (1 terminated case, moreover, terminated due to the lack of jurisdiction of the Financial Arbitrator to resolve the dispute) and the high comparative base of 2022.

Overall, therefore, the Financial Arbitrator has managed to significantly reduce the average and median length of proceedings year-on-year while increasing the number of completed proceedings.

- Average and median length of proceedings pending on 31 December 2023 compared to those pending on 31 December 2022

Area	Number of proceedings pending on 31.12.2023	Average length of proceedings pending on 31.12.2023	Median length of proceedings pending on 31.12.2023	Number of proceedings pending on 31.12.2022	Average length of proceedings pending on 31.12.2022	Median length of proceedings pending on 31.12.2022	Change in the number of proceedings pending 2023/2022	Change in the average length of proceedings pending 2023/2022	Change in median length of pending proceedings 2023/2022
Customer credit	1,041	92	68	280	114	59	+272%	-19%	+15%
Life insurance	18	126	49	22	722	99	-18%	-83%	-51%
Payment service	352	267	269	280	147	102	+26%	+81%	+164%
Building savings	12	341	114	16	581	220	-25%	-41%	-48%
Retail investment	70	454	297	58	480	356	+21%	-6%	-17%
Collective investment	1	1,647	1,647	1	1,282	1,282	0%	+28%	+28%
Pension product	3	95	103	6	63	72	-50%	+53%	+43%
Money exchange	0	0	0	0	0	0	0%	0%	0%
Other	1	14	14	0	0	0	-	-	-
Total	1,498	154	89	663	263	86	+126%	-42%	+3%

While there were 663 active (pending) proceedings as of 31 December 2022, there were 1,498 proceedings as of 31 December 2023, an increase of 126% year-on-year, more than doubling.

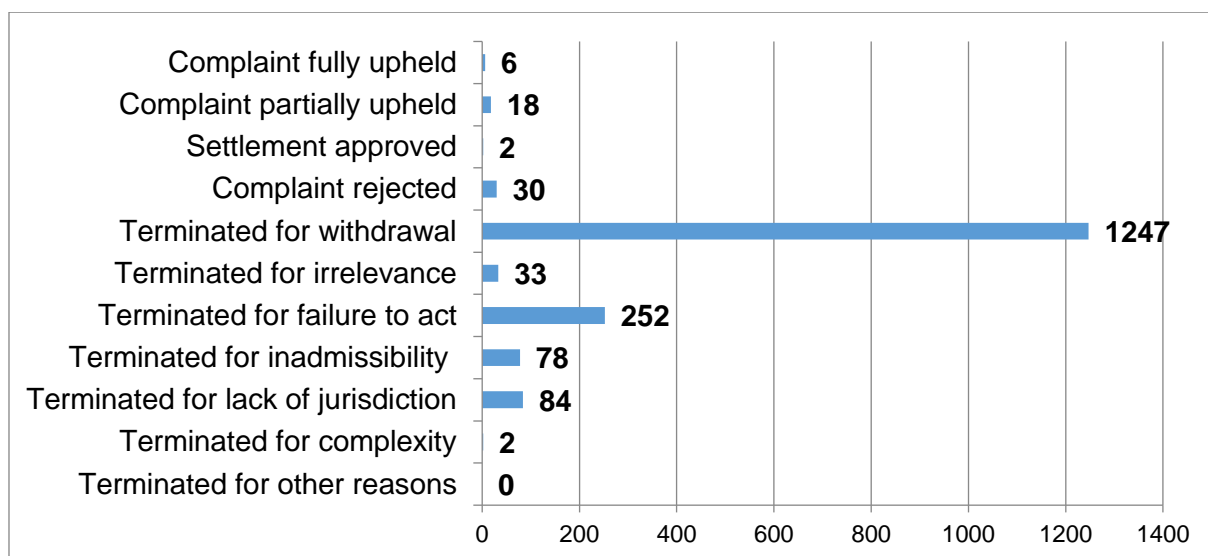
This increase is mainly due to the large number of new applications to start proceedings in the fourth quarter of 2023, which, given the usual average and median length of proceedings, did not have time to be completed in 2023.

The fact that these are newly initiated proceedings is evidenced by the fact that the average length of proceedings pending on 31 December 2023 was 154 days, while the average length of proceedings pending on 31 December 2022 was 263 days, a significant year-on-year decrease of 41%, while the median length of pending proceedings was 89 days compared to 86 days in 2022, a slight increase of 3%.



- Length of proceedings finally concluded as at 31 December 2023 by method of dispute settlement

Result of proceedings	Number of completed proceedings	Average length of completed proceedings (in days)	Median length of completed proceedings (in days)
Complaint partially upheld	18	352	324
Complaint fully upheld	6	546	368
Complaint rejected	30	467	387
Settlement approved	2	904	904
Terminated for irrelevance	33	165	153
Terminated for lack of jurisdiction	84	72	32
Terminated for inadmissibility - court	65	119	65
Terminated for inadmissibility - arbitrator	13	44	30
Terminated for failure to act	252	142	106
Terminated for complexity	2	54	54
Terminated for withdrawal	1,247	144	102
<b>Total</b>	<b>1,752</b>	<b>149</b>	<b>102</b>



In 2023, the Financial Arbitrator terminated proceedings in 1,247 cases due to the withdrawal of the request.

In 1,069 cases, the Financial Arbitrator has documented that a settlement agreement has been reached between the parties to the dispute. In a further 87 cases, the complainant withdrew its complaint after the Financial Arbitrator sent her preliminary legal assessment, explaining to the complainant that she would have to issue a negative decision. These cases must also be considered as amicable settlements of the dispute, since without the need to issue an authoritative decision, the consumers changed their mind and the dispute between them and the financial institution ceased. Consumers also perceive the preliminary legal assessment of the Financial Arbitrator as finally having been given a convincing explanation of what exactly happened and what they are or are not entitled to. In the remaining 91 cases, the Financial Arbitrator has no information as to why the complainant withdrew the claim, but even these

cases can be considered as amicable settlements as they will fall into either the first or the second category (a settlement agreement has been concluded or the consumer has understood what happened and has no interest in continuing the dispute).

The other 33 proceedings were dismissed by the Financial Arbitrator for lack of merit because the financial institution had fully satisfied the complainant's claims and had documented this fact to the Financial Arbitrator, but the complainants did not withdraw their claim because due to the financial compensation the dispute was "over" for them. In 2 cases, the Financial Arbitrator approved the settlement. In total, therefore, 1,282 proceedings ended amicably in 2023, which represents more than 73% of the 1,752 proceedings concluded.

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 granting or denying the consumer's claim. In total, the Financial Arbitrator issued 54 decisions in the case, of which she rejected the claim in 30 cases, partially granted the claim in 18 cases and fully granted the consumer's claim in 6 cases.

Consumers (complainants) have not always provided the Financial Arbitrator with sufficient cooperation 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 the complainants on what evidence to provide in support of their claims or how to formulate their claims against the financial institution. In total, the Financial Arbitrator had to stop 252 proceedings for consumer non-cooperation, an increase of almost 50% year-on-year compared to the 170 proceedings stopped for consumer non-cooperation in 2022.

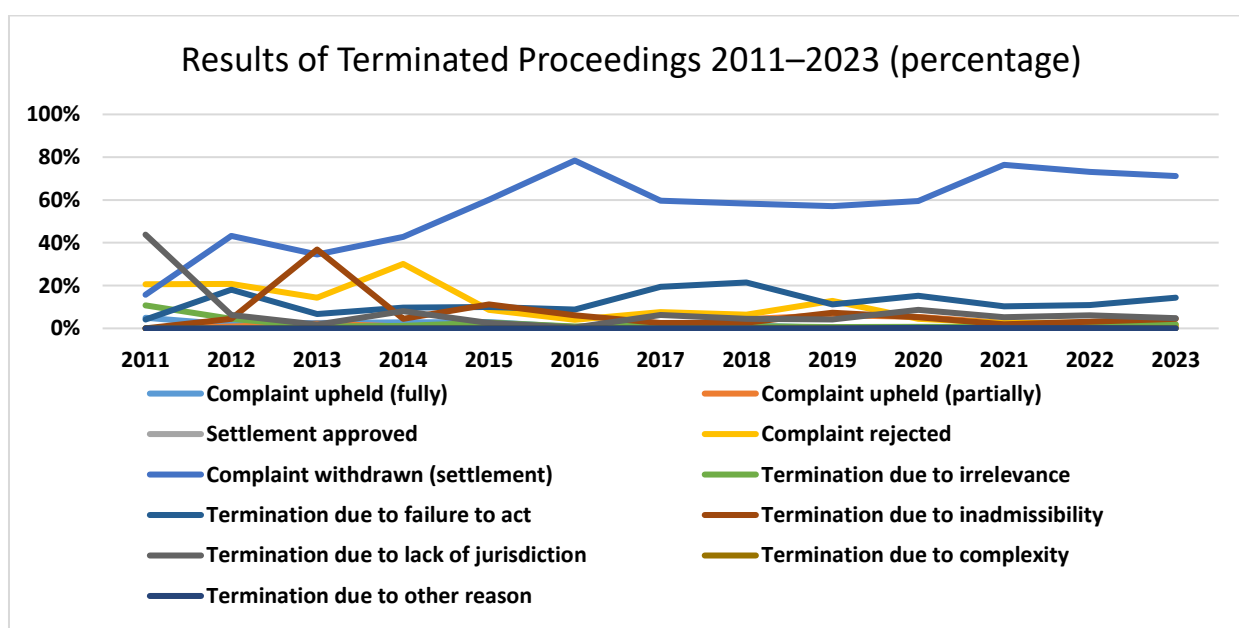
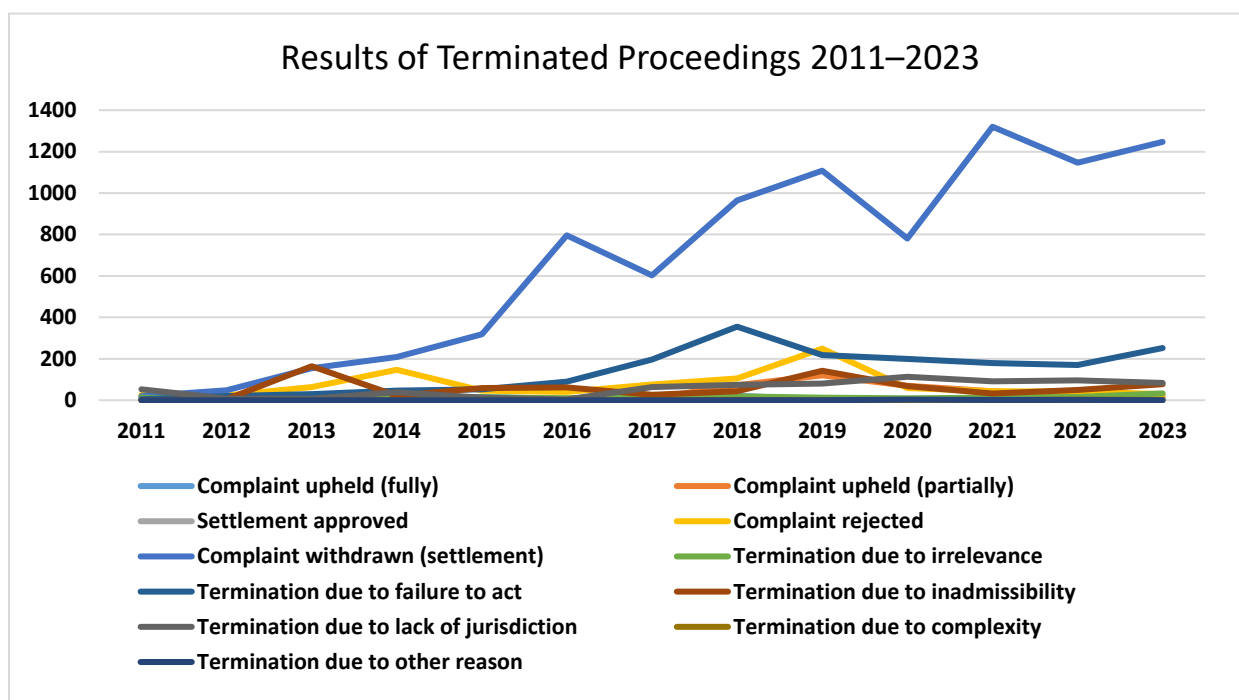
In the event that the Financial Arbitrator finds during the proceedings that she does not have jurisdiction to resolve the dispute (usually it is eventually found that the complainants acted as an entrepreneurs in the legal relationship which they made the subject of the proceedings before the Financial Arbitrator, or the dispute is one which does not fall within the competence of the Financial Arbitrator, most often non-life insurance), the Financial Arbitrator shall terminate the proceedings for lack of jurisdiction. In 2023, a total of 84 proceedings were terminated for lack of jurisdiction of the Financial Arbitrator.

Even in the case of applications within the scope of the Financial Arbitrator's jurisdiction, it may become apparent in the proceedings that the Financial Arbitrator cannot deal with them, for example because the same matter has been decided by a Financial Arbitrator or a court or because such proceedings are pending in parallel. A total of 78 proceedings (13 due to the impediment of other proceedings before the Financial Arbitrator and 65 due to the impediment of pending court proceedings or a matter decided by a court) were thus terminated by the Financial Arbitrator for inadmissibility.

The proportion of amicable settlements in 2023 does not deviate from the long-term trend, where the proportion of amicable settlements in the last 9 years has been roughly in the range of 2/3 to 3/4 of all concluded proceedings.



- Outcomes of final proceedings from 2011-2023 by method of dispute resolution (absolute and percentage)



- Management results broken down by subject area

Result	Consumer credit	Life insurance	Payment services	Building Savings	Retail investments	Collective investment	Pension products	Foreign exchange	Other	Total
Complaint partially upheld	17	0	0	0	1	0	0	0	0	18
Complaint fully upheld	3	1	0	0	2	0	0	0	0	6
Complaint rejected	7	3	10	5	2	0	3	0	0	30

Settlement approved	1	0	0	0	1	0	0	0	0	2
Terminated for irrelevance	28	0	5	0	0	0	0	0	0	33
Terminated for lack of jurisdiction	23	37	7	0	12	1	0	0	4	84
Terminated for inadmissibility - court	63	0	1	0	1	0	0	0	0	65
Terminated for inadmissibility - arbitrator	12	0	1	0	0	0	0	0	0	13
Terminated for failure to act	179	10	49	3	8	0	3	0	0	252
Terminated for complexity	0	0	0	0	2	0	0	0	0	2
Terminated for withdrawal	932	35	228	18	21	0	13	0	0	1,247
Terminated	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>1,265</b>	<b>86</b>	<b>301</b>	<b>26</b>	<b>50</b>	<b>1</b>	<b>19</b>	<b>0</b>	<b>4</b>	<b>1,752</b>

The total number of 3,324 cases pending in 2023 means a large caseload of cases for specific staff, both law clerks handling individual cases and their department heads.

Taking into account the size of the time commitment and the part of the year the employment relationship lasted, the average number of legal officers is 27.4. Each full-time legal officer thus accounted for an average of 121 cases handled over the year. Each of the 7 heads of department had an average of 475 cases pending for the year.

With an average length of completed and pending proceedings of 151 days, the turnover of cases is 2.42 (in one year, the composition of cases handled changes almost 2.5 times).

This also means that, on average, for every full-time legal officer, on any given day of the year, there are 50 pending cases on their desk at the same time, while the head of department has to deal with an average of almost 200 pending cases at the same time.

#### ○ Number of proceedings per OFA staff member

Converted number of legal officers	27.4
Number of heads of department	7
Total number of proceedings in 2023	3,324
Average length of completed proceedings in days	148
Average length of pending proceedings in days	154
Weighted average length of proceedings	151
Case turnover (length of year / weighted average length of proceedings)	2.42
Average number of cases open at each point in time	1,373
Number of cases per full-time legal officer per year	121
Number of cases per head of department per year	475
Number of cases per full-time legal officer handled simultaneously	50
Number of cases per head of department handled simultaneously	196

#### ● Results of measures taken to speed up proceedings before the Financial Arbitrator

The Financial Arbitrator has been successful in reducing the length of proceedings or speeding up proceedings.

During the period under review, systemic measures were taken to modify the information system used for proceedings before the Financial Arbitrator.

Refraining from sending repeated summonses to financial institutions and replacing them with

a fine procedure has contributed to speeding up the procedure.

In order to expedite the procedure, the Financial Arbitrator communicates with consumers by means of hand-delivered mail through the postal service provider or data box, by email or by telephone, with the exception of the first notice of initiation and the decision.

However, the length of the procedure is influenced by consumers themselves, including those represented by lawyers, when they submit complaints which suffer from a number of defects and which need to be clarified or supplemented, and extend the time limits granted for the submission of documents or statements.

Similarly, the same applies to the financial institutions' side, which ask for an extension of the 15-day time limit, even repeatedly. The Financial Arbitrator will only extend the time limit if there are reasons for doing so, in particular in complex proceedings where a large number of different documents need to be obtained and subsequently assessed.

In the case of an amicable settlement of a dispute, the dispute is effectively resolved when the amicable settlement is negotiated between the consumer and the financial institution, followed by the formal process of concluding a settlement agreement, usually the execution of the settlement agreement, and only then by the issuance of a decision to terminate the proceedings and the entry into force of the decision terminate the proceedings, which sometimes occurs after a delay of a month or more.

At the same time, it is not possible to avoid proceedings that are demanding in terms of gathering and assessing documents, serving them abroad, repeated negotiations for an amicable settlement, etc. Their length then distorts the results of the average length of proceedings. The complexity of the dispute, for which the Financial Arbitrator could stop the proceedings, relates to the applicable law rather than to the collection and assessment of documents. The Financial Arbitrator cannot stop such proceedings and is obliged to conduct the proceedings even at the cost of their length.

## VI. SANCTIONS, FINES, JUDICIAL REVIEW

### • Sanctions

In the event that the Financial Arbitrator decides the case by award and grants the consumer's claim, even if only in part, the Financial Arbitrator is obliged under Section 17 a (1) of the Financial Arbitrator Act to impose a penalty on the financial institution of 10% of the amount the financial institution is obliged to pay to the complainant, but not less than CZK 15,000. This amount is to be paid to the state budget. In 2023, the Financial Arbitrator imposed sanctions in finally concluded proceedings in which she did not bring the parties of the dispute to an amicable settlement and in which she granted partial or full satisfaction to the consumer:

Case no.	Year	Result of the proceedings	Area	Financial institution	Acquisition of legal force	Legal sanction	Requested amount
1922	2019	Granted	Retail investments	F1 Markets Ltd	10.04.2023	10% of the amount it is obliged to pay to the claimant	€68,882.24 and 10% of €45,900 from 4 September 2019 until payment and of €22,782.24 from 25 September 2019 until payment
1755	2020	Granted	Retail investments	Notesco Financial Services Limited	17.03.2023	10% of the amount it is obliged to pay to the claimant	\$41,993.40, together with statutory default interest at the rate of 8.25% per annum on the amount of \$41,993.40 from February 4, 2021 until payment
786	2021	Partially granted	Consumer credit	GO InvexFinance s.r.o.	24.04.2023	CZK 15,000	CZK 88,764
1573	2021	Partially granted	Consumer credit	SIM PŮJČKA s.r.o.	26.01.2023	CZK 15,000	CZK 42,518.39
1929	2021	Partially granted	Consumer credit	OPR-Finance s.r.o.	03.01.2023	CZK 15,000	CZK 20,964 together with default interest at the rate of 8.25% per annum on the amount of CZK 1,320 from 23 March 2021 until payment
1960	2021	Partially granted	Consumer credit	OPR-Finance s.r.o.	03.01.2023	CZK 37,518.40	CZK 375,184 together with default interest at the rate of 8.25% per annum on the amount of CZK 371,809 from 17 April 2021 until payment
2082	2021	Partially granted	Retail investments	Goldenburg Group Limited	25.05.2023	10% of the amount it is obliged to pay to the claimant	CZK 2,201,962.02 together with statutory default interest on the amount of CZK 2,118,287 at the rate of 8.25% per annum from 13 April 2021 until payment and on the amount of CZK 83,695.02 at the rate of 8.25% per annum from 1 December 2021 until payment
2221	2021	Partially granted	Consumer credit	UNICREDO SYSTEM a.s., Vostřáková Valerie	21.01.2023	CZK 15,000	the loan agreement was declared void
2222	2021	Granted	Consumer credit	UNICREDO SYSTEM a.s., Vostřáková Valerie	19.01.2023	CZK 15,000	the loan agreement was declared void
197	2022	Partially granted	Consumer credit	CentroFinance, s.ro.	16.01.2023	CZK 15,000	CZK 10,377
991	2022	Partially granted	Consumer credit	Credittal, a.s.	11.05.2023	CZK 15,000	CZK 16,852 together with default interest of 11.75% per annum on the amount of CZK 16,852 from 25 March 2022 until payment
1264	2022	Partially granted	Consumer credit	Martin Svoboda	18.09.2023	CZK 23,407.50	CZK 234,075
1355	2022	Partially granted	Consumer credit	HELP FINANCIAL s.r.o.	17.01.2023	CZK 15,000	CZK 16,127
1897	2022	Partially granted	Consumer credit	HELP FINANCIAL s.r.o.	31.03.2023	CZK 15,000	CZK 26,250
2066	2022	Granted	Consumer credit	PROFI CREDIT Czech, a .s.	27.06.2023	CZK 15,000	the loan agreement was declared void
2485	2022	Partially granted	Consumer credit	FINDIGO službys.r.o.	10.05.2023	CZK 15,000	CZK 5,849.28
2534	2022	Partially granted	Consumer credit	HELP FINANCIAL s.r.o.	14.06.2023	CZK 15,000	CZK 21,175
362	2023	Partially granted	Consumer credit	CFIG Credit as.	15.08.2023	CZK 15,000	the loan agreement was declared void
493	2023	Partially granted	Consumer credit	PROFI CREDIT Czech, a .s.	13.12.2023	CZK 15,000	CZK 18,744.40
708	2023	Granted	Consumer credit	HELP FINANCIAL s.r.o.	13.09.2023	CZK 15,000	the loan agreement was declared void
932	2023	Partially granted	Consumer credit	HELP FINANCIAL s.r.o.	13.07.2023	CZK 15,000	CZK 2,770

977	2023	Partially granted	Consumer credit	PROFI CREDIT Czech, a .s.	29.11.2023	CZK 15,000	CZK 8,547
1429	2023	Partially granted	Consumer credit	PROFI CREDIT Czech, a .s.	13.12.2023	CZK 15,000	CZK 23,566
1590	2023	Partially granted	Life insurance	Quantum Leben AG	23.12.2023	CZK 25,000	CZK 250,000

## • Fines

Pursuant to Section 23 of the Financial Arbitrator Act, the Financial Arbitrator is entitled to impose a fine on a financial institution for violation of the obligation to submit supporting documents in proceedings before the Financial Arbitrator; the fine may be imposed up to CZK 100,000, and can be imposed even repeatedly, and it is also an income to the state budget.

In 2023, the Financial Arbitrator imposed fines in 29 proceedings in the total amount of CZK 270,000.

The Financial Arbitrator imposes a fine in cases where a financial institution fails to respond to the Financial Arbitrator's request to submit statements or documents.

Compared to the previous period, the Financial Arbitrator has completely refrained from sending repeated notices or from initiating proceedings for a fine by means of a notice of initiation.

Accordingly, where a financial institution was in default of its obligation to cooperate with the Financial Arbitrator, the Financial Arbitrator initiated proceedings for a fine by issuing a decision imposing the fine.

In general, the cooperation of financial institutions can be assessed as good.

The Financial Arbitrator had to impose a fixed penalty in a small number of cases compared to the number of pending proceedings. At the same time, the failure of the financial institutions to cooperate in most cases stemmed from the failure to send statements or documents or to negotiate an amicable settlement directly with the complainant.

## • Judicial reviews of decisions of the Financial Arbitrator

The primary objective of the establishment of the Institute of Financial Arbitrator is to provide consumers as clients of financial institutions with a fast, efficient and inexpensive out-of-court procedure, in which they could enforce their rights, which would otherwise be discouraging for them to apply to a general court, either because of the costs involved (costs of court proceedings, costs of their own legal representation) or the time required.

Any party to the dispute (both the consumer and the financial institution) may bring an action against the final decision of the Financial Arbitrator in the case (award and decision on objections) before the general court with jurisdiction in the subject matter and place of jurisdiction for the replacement of the decision of the Financial Arbitrator by a decision of the court under Part 5 of the Civil Procedure Code.

The parties to the proceedings before the court are not the Financial Arbitrator, but are the complainant and the institution, who shall bear the costs of the proceedings as determined by the court.

Any party may file an administrative action under Act No. 150/2002 Coll., the Administrative Code, as amended, against the decision of the Financial Arbitrator by which the Financial Arbitrator decides to terminate the proceedings (for lack of cooperation, lack of jurisdiction, inadmissibility, complexity, etc.) and seek annulment/declaration of nullity of the decision of the Financial Arbitrator. The consumers may also apply to the Administrative Court if they have the impression that the Financial Arbitrator is inactive in their dispute.

It is virtually impossible to compile statistics on the actions filed against the decision of the Financial Arbitrator and the decision of the courts in the period under review, because not all courts notify the Financial Arbitrator of the filed action, request the case file and comments, and at the same time the hearing of the action to replace the decision of the Financial Arbitrator in the first instance often takes place up to two years after the filing of the action.

The Financial Arbitrator is not aware of any decision overturned by a court during the reporting period because the Financial Arbitrator ruled on a consumer's claim in violation of the law.

During the reporting period, the Financial Arbitrator received information on the initiation, progress or outcome of review proceedings before the general or administrative courts:

The competent court	Case number	Plaintiff	Dispute before the Financial Arbitrator	Type of review/state
District Court for Prague 2	46 C 231/2022	Goldenburg Group Limited	FA/SR/RI/13/2020	cpc/ongoing
District Court in Zlín	26 C 118/2023	Notesco Financial Services limited, spin-off plant	FA/SR/RI/1755/2020	cpc/ongoing
District Court for Prague 6	28 C 83/2022	Notesco Financial Services limited, spin-off plant	FA/SR/RI/2284/2019	cpc/ongoing
District Court in Pardubice	6 C 91/2021	CFIG SE	FA/SR/SU/1138/2019	dismissal of the action
District Court in Mladá Boleslav	19 C 47/2023	HELP FINANCIAL s.r.o.	FA/SR/SU/1161/2022	cpc/ongoing
Municipal Court in Prague	11 Af 18/2023	consumer	FA/SR/SU/1264/2022	pc/cpc/Pending
District Court for Prague 1	27 C 257/2023	institution/Martin Svoboda	FA/SR/SU/1264/2022	pc/cpc/Pending
District Court in Mladá Boleslav	7 C 42/2023	HELP FINANCIAL s.r.o.	FA/SR/SU/1271/2022	cpc/ongoing
Regional Court in Prague	103 Co 23/2023	HELP FINANCIAL s.r.o.	FA/SR/SU/1355/2022	cpc/ongoing
Municipal Court in Prague	15 Af 11/2021	consumer	FA/SR/SU/165/2020	Judgement/ comment in text
District Court in Mladá Boleslav	14 C 187/2023	HELP FINANCIAL s.r.o.	FA/SR/SU/1897/2022	cpc/ongoing
District Court for Prague 8	25 C 58/2021	ACEMA Credit Czech, a.s.	FA/SR/SU/1978/2018	cpc/ongoing
District Court in Liberec	12 C 30/2023	EXPRESS MONEY s.r.o.	FA/SR/SU/2048/2018	cpc/ongoing
District Court for Prague 2	48 C 7/2022	consumer	FA/SR/SU/2054/2018	cpc/ongoing
Regional Court in Prague	103 Co 26/2023	HELP FINANCIAL s.r.o.	FA/SR/SU/556/2022	cpc/ongoing
District Court for Prague 1	38 C 23/2020	consumer	FA/SR/ZP/1246/2017	cpc/ongoing
Supreme Administrative Court	6 Afs 152/2022	consumer	FA/SR/ZP/1889/2016	Judgement/ comment in text
Supreme Administrative Court	9 Afs 120/2023	consumer	FA/SR/ZP/2068/2018	judgment/ comment in text
Supreme Administrative Court	7 Afs 87/2023	consumer	FA/SR/ZP/271/2017	judgment/ commentary in text
Supreme Administrative Court	6 Afs 161/2022	consumer	FA/SR/ZP/362/2017	judgment/ commentary in text
Supreme Administrative Court	6 Afs 337/2021	consumer	FA/SR/ZP/60/2017	judgment/ commentary in text
Municipal Court in Prague	8 Af 32/2020	Generali Česká pojišťovna a.s.	FA/SR/ZP/690/2019	judgment/ commentary in text
District Court for Prague 1	12 C 37/2023	consumer	FA/SR/ZP/690/2019	Ongoing
Municipal Court in Prague	6 Af 15/2021	consumer	FA/SR/ZP/702/2019	judgment/ comment in text

Municipal Court in Prague	5 Af 16/2019	consumer	FA/SR/ZP/774/2017	judgment/ comment in text
District Court for Prague 1	14 C 113/2019	consumer	FA/SR/ZP/838/2015	cpc/ongoing

SU – consumer credit dispute, ZP – life insurance dispute, RI – investment dispute

cpc – Review of the decision of the Financial Arbitrator under Part Five of the Civil Procedure Code

pc – Review of the decision of the Financial Arbitrator under the Administrative Procedure Code

The Financial Arbitrator attaches a commentary to some court proceedings:

#### *Case No. FA/SR/ZP/690/2019*

In the proceedings before the Financial Arbitrator, the consumer filed a claim against Generali Pojišť'ovna a.s. for the recovery of unjust enrichment from an invalid insurance contract she had concluded with the insurance company, along with statutory interest for delay. During the proceedings, the Financial Arbitrator discovered from the publicly available information in the public part of the Commercial Register that, effective from 21 December 2019, Generali Pojišť'ovna a.s. had transferred the insurance portfolio, which included the insurance policy in question, to Generali Česká pojišť'ovna a.s. and on the same date, Generali Pojišť'ovna a.s. also changed its business name to Pojišť'ovna Patricie a.s. The Financial Arbitrator issued an award against Generali Česká pojišť'ovna a.s, which had taken over the insurance portfolio, including the insurance policy in question, and which the Financial Arbitrator regarded in the proceedings to be the legal successor to Generali Pojišť'ovna a.s. The Financial Arbitrator ruled on the merits of the objections filed against the award, ruling against the legal successor of Generali Pojišť'ovna a.s., namely Generali Česká pojišť'ovna a.s.

On 6 December 2022 the Municipal Court in Prague decided, in judgment No. 8 Af 32/2020 - 88, on the consumer's claim by annulling the order to terminate the proceedings and the decision on the objections filed against the order to terminate the proceedings, while dismissing the claim for annulment of the award and the decision on the objections filed against the award. The court dismissed the remainder of the claim and ordered the Financial Arbitrator to pay the consumer's costs.

The Municipal Court in Prague stated that the Financial Arbitrator is bound by the consumer's procedural actions and cannot unilaterally add other entities to the proceedings without further intervention unless the consumers themselves have proposed it. Only if the consumer makes such a procedural request would it be appropriate for the Financial Arbitrator to decide on procedural succession by analogy with the Civil Procedure Code. In the absence of such a procedural step by the consumer, the Financial Arbitrator should have ruled on the merits by rejecting the claim against the company Pojišť'ovna Patricie a.s., if that company did not have standing.

The Municipal Court in Prague did not find the award, as amended by the objection decision, to be null and void. It referred the consumer to the civil proceedings under Part Five of the Civil Procedure Code to assess the legality of the award and the subsequent objection decision.

#### *Case No. FA/SR/ZP/774/2017*

In the proceedings before the Financial Arbitrator, the consumer sought the recovery of unjust enrichment on the grounds that the insurance contract was invalid, with statutory default interest. The Financial Arbitrator, in an award upholding the decision on the objections, dismissed the proceedings on the part of the claim relating to the waiver of premium and accident insurance provided for in the insurance contract on the ground of lack of jurisdiction and dismissed the claim for the remainder (i.e., the life insurance part).

The consumer brought an action against the operative part of the award by which the Financial Arbitrator dismissed the proceedings on the consumer's claim in respect of the waiver of premium and accident insurance, arguing that the award was unlawful because the Financial



Arbitrator should, in the consumer's view, have decided on the insurance policy as a whole, and seeking annulment of the award in question.

On 22 February 2023 the Municipal Court in Prague, in judgement No. 5 Af 16/2019 - 104, dismissed the consumer's claim and confirmed the procedure of the Financial Arbitrator, who terminated the proceedings in the part of the claim relating to non-life insurance, because such a dispute does not fall within her jurisdiction.

In accordance with the decision-making practice of the Financial Arbitrator, the Municipal Court in Prague reminded that for the purposes of determining the jurisdiction of the Financial Arbitrator to adjudicate life insurance disputes, the relevant definition of life insurance is that contained in Act No. 37/2004 Coll., on the Insurance Contract and on Amendments to Related Acts, as amended, and in the Civil Code, and not the definition of the life insurance sector contained in the Annex to Act No. 277/2009 Coll., Insurance Act, as amended.

#### *Case No. FA/SR/ZP/271/2017*

In the proceedings before the Financial Arbitrator, the consumer sought the recovery of unjust enrichment with statutory default interest on the grounds that the insurance contract was void because the insurer had acted without legal capacity, because the insurance contract did not specify the extent of the insurance coverage or the manner in which the beneficiary would share in the insurer's proceeds, and because the subject matter of the insurance contract was not insurance.

As the consumer failed to provide the necessary cooperation to the Financial Arbitrator in the proceedings by not providing an oral explanation, although the Financial Arbitrator requested the consumer to provide an oral explanation on the matter, the Financial Arbitrator terminated the proceedings by order.

The consumer filed an administrative action against the order to terminate the proceedings, which was decided by the Municipal Court in Prague on 29 March 2023, No. 5 Af 28/2019 - 86, by a judgment annulling the decision on objections, returning the case to the Financial Arbitrator for further proceedings and ordering the Financial Arbitrator to reimburse the consumer for the costs of the proceedings, as it found the Financial Arbitrator's request for an oral explanation by the consumer in the case to be contrary to the law and the case law of the Supreme Administrative Court due to insufficient justification.

The Financial Arbitrator filed a cassation complaint against the judgment of the Municipal Court in Prague, in which she pointed out that the judgment is not in line with the existing decision-making practice of the Municipal Court in Prague in similar disputes, namely the decisions of the Municipal Court in Prague of 25 October 2021, no. 6 Af 37/2019 - 66, in which the Municipal Court in Prague dismissed as unfounded completely similar actions directed against the orders of the Financial Arbitrator on the discontinuance of the proceedings, which contained similar reasoning and were preceded by a similar procedure of the Financial Arbitrator in the proceedings as regards the requests to eliminate the deficiencies of the application and the requests to submit oral explanations as in the present case. The Financial Arbitrator also referred to the judgment of the Municipal Court in Prague of 20 May 2020, no. 11 Af 8/2019 - 34, and the judgment of the Municipal Court in Prague of 16 April 2020, no. 6 Af 8/2019 - 41, by which the Municipal Court in Prague also dismissed the actions brought against the decision of the Financial Arbitrator to terminate the proceedings, and the judgments of the Supreme Administrative Court of 27 January 2023, no. 6 Afs 337/2021 - 40, and of 30 November 2021, no. 7 Afs 173/2021 - 49.

The Supreme Administrative Court dismissed the cassation complaint of the Financial Arbitrator as unfounded in its judgment of 14 November 2023, No. 7 Afs 87/2023 - 37. The Supreme Administrative Court reasoned that the proceedings may be terminated for failure to provide cooperation only if the failure to provide such cooperation led to impossible assessment of the claim on the merits, whereas the Financial Arbitrator must justify what deficiencies the consumer's application had and how they should have been remedied, or for

what factual and legal reasons the provision of an oral explanation was necessary for the merits of the case in the circumstances of the proceedings on a particular application, whereas, according to the Supreme Administrative Court, such reasons were not apparent from the administrative file.

*Case No. FA/SR/ZP/2068/2018*

In the proceedings before the Financial Arbitrator, the consumer sought the recovery of unjust enrichment with statutory default interest on the grounds that the insurance contract was invalid because the subject matter of the insurance contract was not insurance, the insurer was acting on behalf of a person without legal capacity, the insurance contract did not establish the scope of the insurance coverage, and the insurance contract did not provide for the manner in which the consumer would share in the insurer's profits.

As the consumer failed to provide the necessary cooperation in the proceedings by not providing an oral explanation, although the Financial Arbitrator requested the consumer to provide an oral explanation on the matter, the Financial Arbitrator terminated the proceedings by order.

The consumer filed a lawsuit against the order to terminate the proceedings, which was decided by the Municipal Court in Prague on 12 April 2023, no. 5 Af 17/2019 - 110, by judgment annulling the decision on objections, returning the case to the Financial Arbitrator for further proceedings and ordering the Financial Arbitrator to reimburse the Consumer for the costs of the proceedings, as it found the Financial Arbitrator's requirement for the Consumer to provide an oral explanation in the case to be contrary to the law and the case law of the Supreme Administrative Court due to insufficient justification as to what specific circumstances the Financial Arbitrator needed to know and, more importantly, for what reason the circumstances of the case as yet established were insufficient for him to decide on the merits.

The Financial Arbitrator filed a cassation complaint against the judgment of the Municipal Court in Prague, in which she pointed out that the judgment is not in line with the existing decision-making practice of the Municipal Court in Prague in similar disputes, namely the decisions of the Municipal Court in Prague of 25 October 2021, no. 6 Af 37/2019 - 66, in which the Municipal Court in Prague dismissed as unfounded completely similar actions directed against the orders of the Financial Arbitrator on the discontinuance of the proceedings, which contained similar reasoning and were preceded by a similar procedure of the Financial Arbitrator in the proceedings as regards the requests to eliminate the deficiencies of the application and the requests to submit oral explanations as in the present case. The Financial Arbitrator also referred to the judgment of the Municipal Court in Prague of 20 May 2020, no. 11 Af 8/2019 - 34, and the judgment of the Municipal Court in Prague of 16 April 2020, no. 6 Af 8/2019 - 41, by which the Municipal Court in Prague also dismissed the actions brought against the decision of the Financial Arbitrator to terminate the proceedings, and the judgments of the Supreme Administrative Court of 27 January 2023, no. 6 Afs 337/2021 - 40, and of 30 November 2021, no. 7 Afs 173/2021 - 49.

The Supreme Administrative Court dismissed the appeal of the Financial Arbitrator as unfounded by its judgment of 31 August 2023, No 9 Afs 120/2023 - 41. The Supreme Administrative Court ruled that the proceedings may be terminated for failure to provide cooperation only if the failure to provide such cooperation led to the fact that the application could not be assessed on its merits, whereas the Financial Arbitrator must justify what deficiencies the consumer's application had and how they should have been remedied, or for what factual and legal reasons the provision of an oral explanation was necessary for the merits of the case in the circumstances of the proceedings on a particular application, whereas,

according to the Supreme Administrative Court, such reasons were not apparent from the administrative file.

*Case No. FA/SR/ZP/60/2017*

In the proceedings before the Financial Arbitrator, the Consumer sought a declaration of invalidity of the insurance contract and the award of unjust enrichment with statutory default interest on the grounds that the insurance contract was absolutely invalid because the contract did not provide protection in breach of the law, did not fulfil the economic purpose of the insurance and lacked the Consumer's insurable interest.

As the consumer failed to provide the necessary cooperation in the proceedings by failing to provide an oral explanation, although the Financial Arbitrator had requested the consumer to provide an oral explanation in the matter, the Financial Arbitrator terminated the proceedings by order under Section 14(1)(b) of the Financial Arbitrator Act for the consumer's failure to cooperate (act), which was subsequently upheld by the decision on the objections filed against the order.

The consumer brought an action against the order to terminate the proceedings, which the Municipal Court in Prague decided on 25 October 2021, No. 9 Af 23/2019 - 83, in a judgment rejecting the consumer's action on the grounds that the Financial Arbitrator was entitled to investigate the relevant facts and, for that purpose, to request the consumer to provide an oral explanation and, in a situation where the consumer did not respond to the request, she was entitled to terminate the proceedings.

The consumer filed a cassation complaint against the judgment of the Municipal Court in Prague, which the Supreme Administrative Court dismissed as unfounded in its judgment of 27 January 2023, No. 6 Afs 337/2021 - 40.

The Supreme Administrative Court reasoned that the power of the Financial Arbitrator to require the parties to submit evidence in support of their claims, including the submission of oral explanations, is closely linked to the obligation of the Financial Arbitrator to establish the facts on which the decision will be based. Corresponding to this procedural power of the Financial Arbitrator is the obligation of the party to cooperate, and without these interrelated powers and obligations, the exercise of the Financial Arbitrator's discretion would be impracticable and its purpose unfulfilled. The Supreme Administrative Court did not find that the requests for oral explanation, the order for discontinuance of proceedings or the decision on the objections lodged against the order for discontinuance of proceedings were not properly reasoned.

*Case No. FA/SR/ZP/362/2017*

In the proceedings before the Financial Arbitrator, the consumer sought a declaration that the insurance contract was invalid, inter alia, because it was contrary to law and indefinite, and the payment of unjust enrichment under the invalid insurance contract, together with statutory default interest.

The Financial Arbitrator made an award, as amended by the decision on objections, by terminating the proceedings on the application to the extent of the withdrawal, terminating the proceedings on the part of the application relating to the accident insurance provided for in the insurance policy on the ground of lack of jurisdiction, determining that the insurance policy was invalid as regards to the life insurance part, dismissing the application as regards the remaining part and imposing a penalty on the institution under Section 17a of the Financial Arbitrator Act.

The Institution brought an action against the award by which the Financial Arbitrator determined that the life insurance policy was void and sought a declaration that the award in question was void for lack of subject matter jurisdiction of the Financial Arbitrator to make the determination.

By order of 7 December 2020, No. 14 Af 23/2020 - 44, the Municipal Court in Prague rejected the institution's claim and referred the institution to proceedings under Part Five of the Civil Procedure Code.

The institution filed a cassation complaint against the judgment of the Municipal Court in Prague, on which the Supreme Administrative Court ruled by judgment of 2 February 2022, No. 6 Afs 6/2021 - 25, by annulling the order of the Municipal Court in Prague and returning the case to the Municipal Court in Prague for further proceedings.

By judgment of 27 June 2022, No. 14 Af 23/2020 - 92, the Municipal Court in Prague dismissed the institution's action in part of the alleged nullity of the award of the Financial Arbitrator and rejected the rest of the action. The Municipal Court held that the Financial Arbitrator is not prohibited from making a determination and that the term 'dispute' in Section 1(1) of the Financial Arbitrator Act must be seen as a legal controversy between the parties to an insurance contract which must be resolved. According to the Municipal Court in Prague, it follows from the purpose of the Financial Arbitrator Act that the term dispute covers both disputes concerning performance and disputes concerning the determination of a legal relationship.

The institution filed a cassation complaint against the judgment of the Municipal Court in Prague, which the Supreme Administrative Court dismissed as unfounded in its judgment on 11 October 2023, No. 6 Afs 161/2022 - 36. The Supreme Administrative Court upheld the conclusion of the Municipal Court in Prague that the term 'dispute' used in the competence clause must be interpreted in its general legal meaning and sense, i.e. as a legal controversy between the parties to a contractual relationship that must be resolved, which may be either a decree of performance or a decree of determination. The Supreme Administrative Court has confirmed that the Financial Arbitrator did not exceed her powers in her decision to declare the life insurance contract invalid and that her decision is therefore not void on that ground.

#### *Case No. FA/SR/ZP/1889/2016*

In the proceedings before the Financial Arbitrator, the consumer sought a declaration that the insurance contract was invalid and the payment of an unjust enrichment with the statutory default interest.

The Financial Arbitrator decided the consumer's application by an award which dismissed the proceedings on the application in respect of the premium waiver and accident insurance policies agreed in the policy on the grounds that he did not have jurisdiction to resolve the dispute in respect of those non-life insurance policies under Section 14(1)(a) of the Financial Arbitrator Act and dismissed the application in respect of the remaining (life) portion under Section 15(1) of the Financial Arbitrator Act. The award was subsequently upheld by the Financial Arbitrator in her decision on the objections.

The consumer brought an action against the award by which the Financial Arbitrator terminated the proceedings in the part of the insurance exemption from payment of insurance premiums and accident insurance to the Municipal Court in Prague, which dismissed the action as unfounded by the judgment of 18 May 2022, No. 9 Af 20/2019 - 97, because it found that the Financial Arbitrator had correctly terminated the proceedings on the claim in that part.

The consumer filed a cassation complaint against the judgment of the Municipal Court in Prague, which the Supreme Administrative Court dismissed as unfounded in its judgment of 11 October 2023, No. 6 Afs 152/2022 - 47.

The Supreme Administrative Court has ruled that the systematics of the Insurance Contract Act and the Civil Code currently in force clearly show that accident insurance and sickness insurance (which also includes insurance of exemption from payment of premiums as disability insurance) are different categories of personal insurance than life insurance and that, in view of the private law nature of disputes resolved by the Financial Arbitrator, it is necessary to rely on the category of insurance arising from private law when interpreting her competence to resolve disputes in the field of life insurance.

The Supreme Administrative Court upheld as correct the Financial Arbitrator's practice of separating the non-life insurance portions of the requests and terminating the proceedings.

*Case No. FA/SR/SU/165/2020*

In the proceedings before the Financial Arbitrator, the consumer sought a declaration that the credit agreement he had entered into, the pledge agreement, the promissory note agreement and the notarial deed were invalid because the original creditor had failed to comply with its statutory information obligations and its duty to assess the consumer's creditworthiness, used a bill of exchange to secure the claim under the credit agreement, secured the credit against the consumer's immovable property in breach of the law, when the value of the collateral securing the claim was almost ten times the value of the claim under the credit agreement.

In the order to terminate the proceedings the Financial Arbitrator, referring to Section 9(a) of the Financial Arbitrator Act, held that the complainant was not in the position of a consumer in entering into the contracts in question and further referred to Section 9(b) of the same Act on the ground that the matter had already been finally decided by the court.

In proceedings under Case No. 15 Af 11/2021, the Municipal Court dismissed the consumer's administrative action as unfounded, holding that the Financial Arbitrator was right.

*Case No. FA/SR/ZP/702/2019*

By the complaint the consumer sought termination of the insurance and reimbursement of the premiums paid on the grounds that the insurance contract was disadvantageous to him and that the purpose of the product was to enrich the institution to the detriment of the complainant; he also sought reimbursement of the funds invested in the contracts preceding the insurance contract, which have not yet been reimbursed; he also sought information as to what had happened to the workers' pension insurance contract and the funds paid by the complainant into that contract.

As the consumer did not eliminate the deficiencies of the request specified in the notices even after several requests by the Financial Arbitrator to eliminate the deficiencies of the request, the Financial Arbitrator had to terminate the proceedings by the order subsequently confirmed by the decision on objections pursuant to Section 14(1)(b) of the Financial Arbitrator Act.

The consumer, by an action filed with the Municipal Court in Prague, challenged the decision on the objections by which the Financial Arbitrator confirmed the order to terminate the proceedings.

In its judgment of 22 June 2023, No. 6 Af 15/2021 - 47, the Municipal Court in Prague upheld the procedure of the Financial Arbitrator, who terminated the proceedings on the consumer's application on the grounds of unremoved defects in the application and failure to provide the necessary cooperation, as correct, taking into account the specific circumstances of the case, as it found the Financial Arbitrator's requests to remedy the defects in the application to be justified and found the decision to terminate the proceedings and the decision on the objections filed against the decision to terminate the proceedings to be sufficiently reasoned.

## VII. INSTITUTION OF THE FINANCIAL ARBITRATOR

For the sake of completeness, it is appropriate not to omit information on the historical development of the institution of the Financial Arbitrator in the Czech Republic. Its establishment dates back to 1 January 2003 with the approval of Act No. 229/2002 Coll., on the Financial Arbitrator.

One of the basic motives for the establishment of the institute of the Financial Arbitrator was an effort to harmonise the Czech legal system with the law of the European Union in the period before the Czech Republic was admitted as a member state. The requirement to harmonise Czech law with Community law resulted in particular from:

- Article 10 of Directive 97/5/EC of the European Parliament and of the Council of 27 January 1997 on cross-border credit transfers (repealed by Directive 2007/64/EC of the European Parliament and of the Council),
- European Commission Recommendation 98/257/EC of 30 March 1998 on the principles applicable to the bodies responsible for out-of-court settlement of consumer disputes,
- European Commission Recommendation 2001/310/EC of 4 April 2001 on the principles for out-of-court bodies involved in the consensual resolution of consumer disputes,
- Regulation (EC) No 2560/2001 of the European Parliament and of the Council of 19 December 2001 on cross-border payments in euro.

The fulfilment of these requirements and recommendations implied the adoption of a special law, i.e. the Financial Arbitrator Act, regarding the out-of-court settlement of money transfer disputes pursuant to Act No. 124/2002 Coll., on money transfers, electronic means of payment and payment systems (the Payment System Act), with the proviso that clients may refer disputes arising between transferring institutions and their clients in the course of money transfers to a dispute resolution body operating under a special legal regulation. Similarly, in disputes arising between issuers and holders in the issuance and use of electronic payment instruments, holders could start to refer to a dispute resolution body operating under a specific legal provision, i.e. the Financial Arbitrator. However, the customer's right to go to court was not affected.

With the adoption of the Financial Arbitrator Act, a new specialised administrative body has been established in the Czech legal system, which is competent to adjudicate disputes of a personal nature between private persons, disputes of a substantive nature between private persons, and disputes of a legal nature between persons defined by law, where it adjudicates subjective private rights.

From the point of view of procedural means, the proceedings are facultative and petition proceedings, from the point of view of the position of the Financial Arbitrator, they are decisions of a public authority (which, however, is not part of the judicial system of the Czech Republic), where the individual rights of the disputing parties are the subject of the decision and the result of the decision is an individual administrative act that is binding and enforceable. In accordance with the constitutional order, the possibility of reviewing the decision of the Financial Arbitrator (award, decision to impose a fine) by the court has been retained.

The completely exceptional position of the Financial Arbitrator in the adjudication of disputes was enshrined in the provision that the Financial Arbitrator is a conciliator. The resolution of consumer disputes, where possible, by conciliation is a trend that is explicitly required within EU countries.

Since the beginning of the Financial Arbitrator's existence, the costs of the Financial Arbitrator's activities have been covered by the budget of the Czech National Bank. The Financial Arbitrator carried out her decision-making activities with the help of temporarily assigned employees of the Czech National Bank, which created a separate chapter "Financial Arbitrator" in its budget and had the possibility to control the Financial Arbitrator's management through the budget and the agreement concluded with the Financial Arbitrator.

The financing of the Financial Arbitrator's activities from the Czech National Bank's budget has long been the subject of repeated criticism by the European Commission and the European Central Bank for gross inconsistency with Community law. This criticism appeared, for example, in the convergence reports of the European Commission and the European Central Bank for the period 2006-2008. The Czech Republic has been asked to amend the existing legislation to bring it into line with the principle of the prohibition of monetary financing and the requirement to ensure the independence of national central banks.

In addition to the extension of the scope of the Financial Arbitrator's powers, the OFA was established as an organisational unit of the state with effect from 1 July 2011 by Act No. 180/2011 Coll., amending Act No. 229/2002 Coll., on the Financial Arbitrator, as amended, and other related acts, with a view to eliminating the alleged deficiency in the funding of the Financial Arbitrator.

The OFA performs tasks related to the professional, organisational and technical support of the activities of the Financial Arbitrator and is an independent accounting unit whose income and expenditure are part of the budget chapter of the Ministry of Finance. The Financial Arbitrator is the head of the OFA.

As of 1 July 2011, the Financial Arbitrator and the Deputy Financial Arbitrator are appointed and dismissed by the Government by a request 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.

- **Financial Arbitrator**

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 requests 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.

- **Organisational structure of the OFA**

Organisational structure of the Office of the Financial Arbitrator was formed by its organisational units:

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

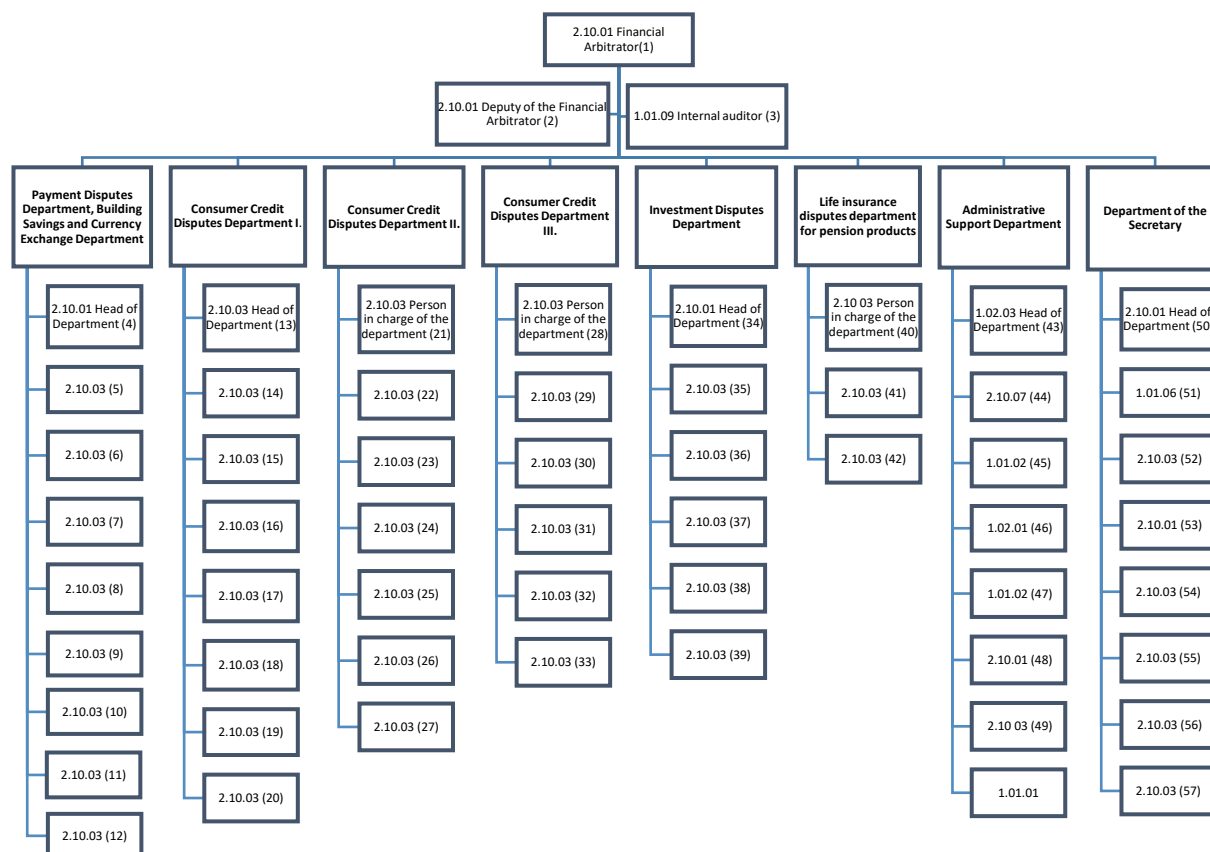
The structure of the management is:

- the Financial Arbitrator and, in her absence, the Deputy Financial Arbitrator,
- the Deputy Financial Arbitrator, if authorised 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 post of Financial Arbitrator and Deputy Financial Arbitrator, the following posts have been established to support the work of the OFA in accordance with the Catalogue of Jobs in Public Services and Administration:

- 2.10.03 – Out-of-court dispute resolution officer in the financial market;
- 2.10.01 – Officer for joint state and local government
- 1.01.02 – Secretary.
- 1.01.06 – PR Manager,
- 1.02.03 – Accountant,
- 1.01.01 – Administrative Officer,
- 2.10.07 – State and local government property management officer;
- 1.01.09 – Internal Auditor.
- 1.02.01 – Personnel officer.

## ○ Organisational chart as of 31 December 2023



The organisational structure of the Office of the Financial Arbitrator changes depending on the current need.

### • Development of the OFA staffing

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 systemised posts
Year 2012	14 systemised posts
Year 2013	14 systemised posts
Year 2014	35 systemised posts
Year 2015	39 systemised posts
Year 2016	45 systemised posts
Year 2017	55 systemised posts
Year 2018	55 systemised posts
Year 2019	60 systemised posts
Year 2020	57 systemised posts
Year 2021	57 systemised posts
Year 2022	57 systemised posts
Year 2023	57 systemised posts

The number of systemised posts in the OFA has been set at 57 for 2023.

As of 31 December 2023, the average number of staff was 53, as the OFA employs several part-time staff, mainly employees caring for minors or caring for a close relative, and the OFA has vacant posts of female employees on maternity/parental leave, who are expected to return

in 2024 and whose posts can no longer be filled temporarily due to lack of interest from applicants for temporary employment.

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.).

The Office of the Financial Arbitrator does not have separate systemized posts for ensuring activities in the field of public procurement, digitalization and cybersecurity, as is common in other offices. All these agendas have to be handled through agreements on work performed outside of employment or by professional staff assigned to dispute resolution activities outside the scope of their duties.

In addition, there is a need for increased daily professional contact with the public, which is currently provided by administrative or specialist employees beyond their scope of duties and working hours.

During the period under review, these activities were to be carried out by the Department of the Secretary of the Financial Arbitrator, which ultimately did not happen. Instead, the Department of the Secretary of the Financial Arbitrator was entrusted with the handling of part of the disputes falling within the competence of the Payment, Building Savings and Money Exchange Department.

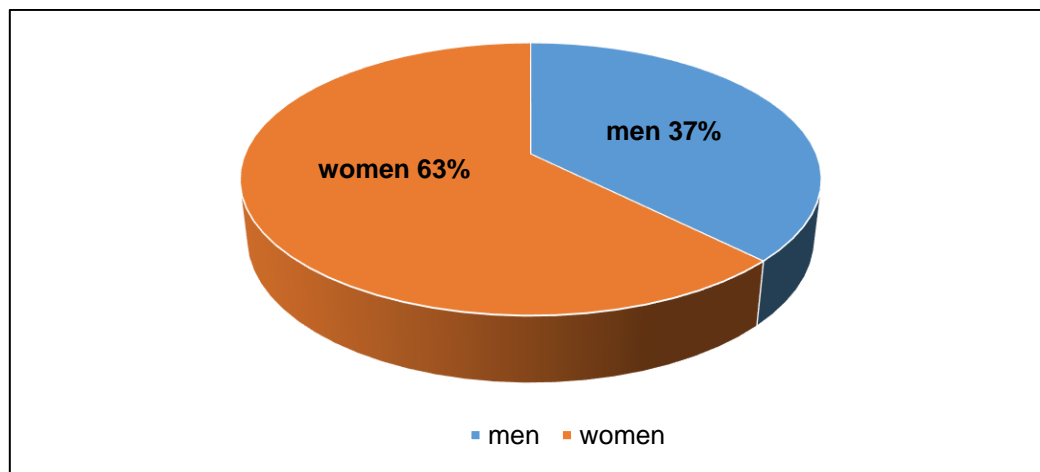
During the period under review, the OFA employed 7 employees (including 2 female employees on parental leave) on agreements for work performed outside the employment relationship, in particular to ensure activities related to the OFA's participation in public procurement, the fulfilment of obligations arising from legislation governing cyber security, archiving activities, and the management of the Collection of Decisions.

During 2023, the OFA provided language training and professional seminars for its staff to the extent necessary, particularly in civil and financial law.

- **Gender equality**

There are no significant differences in the representation of women and men in management positions in the OFA. The representation of women in the OFA is 68%. In the management function of the OFA, the representation of women is 50% (Financial Arbitrator, Deputy Financial Arbitrator). In senior positions, the representation of women is 63%.

- **Gender representation of women and men in management positions as of 31 December 2023**



## VIII. INFORMATION DUTIES

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

The Deputy of the Financial Arbitrator is a member of the Working Group on Financial Education at the Ministry of Finance.

The Deputy Financial Arbitrator is engaged in lecturing activities for the professional and general public.

On the occasion of the 20th anniversary of the Financial Arbitrator institution, the Deputy of the Financial Arbitrator participated in the recording of the "Třicítka dTestu" podcast in January 2023. In June 2023, the Deputy took part in the recording of a podcast for the "Realitní shaker" channel, where he mainly discussed the resolution of disputes related to consumer credits and the reasonable costs associated with the early repayment of consumer housing loans.

In 2023, the Deputy of the Financial Arbitrator gave lectures in an academic setting, as is traditional, at the Faculty of Law of Charles University in Prague as part of the elective course on Consumer Protection.

A completely new experience was the two lectures given by the Deputy of the Financial Arbitrator at the Judicial Academy in Kroměříž in June and August 2023. These lectures were intended for judges of the district courts of Prague and for judges of the district courts within the jurisdiction of the Regional Court in Brno. They focused on consumer credit and, above all, the proper assessment of consumer creditworthiness.

In November 2023, the Deputy of the Financial Arbitrator visited a high school for the first time, introducing the Financial Arbitrator institution to students of OA Hovorčovická in Prague as part of the Financial Literacy course.

The Deputy of the Financial Arbitrator also gave lectures for professionals involved in debt counselling. In May 2023, he delivered an online lecture on proceedings before the Financial Arbitrator, focusing especially on resolving disputes related to consumer credits, for the staff of the organisation „Člověk v tísní“ (People in Need). This was a follow-up lecture in response to experiences with submitting requests by consumers seeking help from the organisation „Člověk v tísní“. In June 2023, he lectured on a similar topic for the first time to staff of counselling centres that are members of the Association of Civil Counselling Centres. Also in June 2023, the Deputy of the Financial Arbitrator gave a lecture in České Budějovice for social workers from municipal offices of types II and III within the jurisdiction of the South Bohemian Regional Office.

- Informing the public

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 fulfils the obligation to inform consumers, as complainants, about the possibility of assistance in proceedings before the Financial Arbitrator and about its decision-making process according to the Financial Arbitrator Act and the disputes being addressed. This is done through individual actions in specific proceedings, by responding to public inquiries, and primarily through the website operated by the Office of the Financial Arbitrator.

During 2023, the Financial Arbitrator kept consumers frequently and extensively informed through press releases or news published both on the main page of the website and in the Information for the Public section of <https://finarbitr.cz/cs/informace-pro->

[verejnost/aktuality.html](#) in Czech language. In particular she informed consumers of the so-called Gracious Summer II (or “Milostivé léto II” in Czech language, which is a legal regulation enabling extraordinary forgiveness of accessories for social security debts, tax debts and certain other debts), as well as of the continuous updates and advice regarding Sberbank CZ, a.s. in liquidation.

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/vyrocní-zpravy.html> in Czech language. There are also English versions of the reports available at <https://www.finarbitr.cz/en/information-for-public/annual-reports.html>.

- Informing supervisory authorities and state supervision

The Financial Arbitrator shall, as appropriate, inform the public oversight or state supervisory authorities of the financial institutions, against which the Financial Arbitrator conducted the proceedings, of the deficiencies identified in the form of written suggestions or at joint working meetings.

- Handling of inquiries

The Financial Arbitrator and the Office of 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 the Financial Arbitrator's competence and, where possible, referring to the relevant authority.

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 they should attach to the complaint.

The Financial Arbitrator received over 5,000 inquiries (including telephonic inquiries) in 2022. She managed to answer the inquiries in writing without undue delay, usually within a few days.

- Internet website

The Financial Arbitrator uses the website <https://finarbitr.cz/en/>, 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 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 the application, the consumers can prepare a complaint themselves according to the instructions and attach the relevant annexes to the request. In order to commence the proceedings, it is sufficient to sign the printed and completed complaint and send it by post, via data box or email.

The complainants can now amend or correct their complaints through the website via an internet application, which can be accessed here: <https://finarbitr.cz/cs/reseni-sporu/pruvodce-doplňením-navrhu.html> (*Financial Arbitrator's Note: This feature is available only on the Czech version of the website at the moment*) or they can send the documents via email to [arbitr@finarbitr.cz](mailto:arbitr@finarbitr.cz) (maximum message size is 14 MB), data box, by post to the address of the Office of the Financial Arbitrator or personally.

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 navigate as possible.

During the year, the downloadable forms section (<https://finarbitr.cz/en/dispute-resolution/forms.html>) was expanded.

Thanks to the modifications, the main page provides easy access to information about the Financial Arbitrator, the basic rules of proceedings before her, the individual areas and types of disputes that the Financial Arbitrator is competent to resolve, including links to the legislation and the Collection of Decisions.

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>.

The form for withdrawal of the complaint, the form for requesting an extension of time limit in the proceedings can now be downloaded and used. The template of the power of attorney for representation before the Financial Arbitrator and the template of the request for remedy can also be used.

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 their 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 can be searched using a full-text search by entering a file tag or a 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 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 on termination of 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 on termination of the proceedings for failure to act of the complainant. The rulings on termination of the proceedings for inadmissibility of the complaint shall be published only if they are of information value to the public.

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, in other statements during the proceedings or even in their submissions to the courts.

- Public relations

The Financial Arbitrator communicates with the lay and professional public as standard through her website, where she uses several communication options, namely on the following pages:

- news: <https://finarbitr.cz/en/information-for-public/news.html>,
- press releases: <https://finarbitr.cz/en/information-for-public/official-notice-board.html>,
- important information on the main page of the website: <https://finarbitr.cz/en/>,
- frequently asked questions: <https://finarbitr.cz/en/information-for-public/what-to-do-if.html>,
- annual reports: <https://finarbitr.cz/en/information-for-public/annual-reports.html>.



## 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.

- 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.

- Interdepartmental comment procedure

In 2023, the Financial Adjudicator commented on, or participated in the settlement of, the following draft legislation as part of the inter-ministerial comment procedure:

- a bill amending certain laws in connection with the adoption of the Non-Performing Loan Market Act;
- a draft law amending certain laws in connection with the development of the capital market;
- a bill amending Act No 240/2013 Coll., on investment companies and investment funds, as amended, and other related acts;
- a draft law amending certain laws in connection with the implementation of European Union regulations in the field of digital finance and sustainability finance;
- a draft law on collective proceedings.

Subsequently, the Financial Arbitrator also participated in further discussions of these bills and explained her opinion on them in committees (Budget Committee, Constitutional Law Committee) or subcommittees (Subcommittee on Consumer Protection, Subcommittee on Banking, Insurance and Financial Markets) of the Chamber of Deputies of the Parliament of the Czech Republic.

- Public and non-public consultation materials, conferences, roundtables

In addition, the Financial Arbitrator was involved with her comments, observations and opinions in these consultations organised by the Ministry of Finance:

- preparation of the Czech Republic's framework position on the request for a Regulation of the European Parliament and of the Council on payment services amending Regulation (EU) 1093/2010,
- transposition of Directive 2023/2225 on consumer credit agreements (CCD2),

and also cooperated with the Ministry of Industry and Trade in the preparation of:

- The Czech Republic's framework position on the package for the revision of the alternative dispute resolution system for consumer disputes.

In November 2023, the Deputy Financial Arbitrator participated in a roundtable with MEP Ondřej Kovařík at the European House on the Future of Payment Services in the EU.

- **Interdepartmental Working Group**

In connection with the implementation of the Consumer Policy Strategy 2021–2030 approved by the Government Resolution No. 518 on 7 June 2021, an interdepartmental working group was established at the Ministry of Industry and Trade. The Deputy Financial Arbitrator is a full member of this working group with the Financial Arbitrator as his alternate.

Two meetings of this group were held in 2023, in January and November. While in January the agenda focused on the evaluation of the Czech Presidency of the EU Council and energy prices, in November a lot of attention was also paid to financial services and the current problems faced by consumers in this area (payment fraud) or upcoming legislative changes (transposition of the Consumer Credit Directive, amendment of the Act on Consumer Credit 2016 as regards early repayment of consumer housing loans).

- **Cooperation with other ADR entities in the Czech Republic**

In addition to meetings on the platform operated by the Ministry of Industry and Trade, the Financial Arbitrator meets or communicates with representatives of other consumer dispute resolution entities on an ad hoc basis if there is a need to clarify some potential positive or negative conflicts of competence.

In January 2023, the Office of the Financial Arbitrator held a meeting with representatives of the Czech Telecommunications Office and the Czech Trade Inspectorate on the issue of resolving disputes arising from services that are not payment services within the meaning of the Payment System Act (under-limit payments made through an electronic communications service provider).

In March 2023, a meeting was held with the staff of the Czech Trade Inspection on the issue of resolving disputes arising from investments that are not investment services within the meaning of the Capital Market Undertakings Act or collective investment within the meaning of the Investment Companies and Investment Funds Act.

In November 2023, the Deputy of the Financial Arbitrator participated in a workshop of the Czech Telecommunications Office on spoofing (spoofing of a caller's number used mainly as part of a sophisticated payment fraud) and the way to prevent it, and in December 2023 in a workshop of the Czech Telecommunications Office dedicated mainly to the Digital Services Regulation (DSA).

- **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 various questions of journalists. The Financial Arbitrator is bound by a strict duty of confidentiality and can therefore only provide general information.

## X. INTERNATIONAL COOPERATION

- 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.

The foreign cooperation agenda is permanently delegated to the Deputy Financial Arbitrator, who not only represents the institution of the Financial Arbitrator at the international level, but also, thanks to his extensive experience with this agenda, is being re-elected or appointed by other members of the international networks (of which the Financial Arbitrator is a member) to the governing bodies of these networks.

- 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.

The Ministry of Industry and Trade always organises at least once a year a meeting of representatives of notified entities for the out-of-court settlement of consumer disputes. The meeting is regularly attended, as was the case in October 2022, by the Deputy Financial Arbitrator.

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 2023, no complaint was submitted to the Financial Arbitrator through 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 2023, there were 2 plenary meetings of this network, the May meeting was held via video conference and the agenda included dispute resolution under foreign law and fraud in payment services and investment services (crypto). The November plenary session took place in person in Brussels. At this meeting, the European Commission presented the request for the PSD3 Directive and the PSR Regulation, the revision of the ADR Directive and the request to cancel the ODR Regulation or the Retail Investment Strategy, AML rules and the resolution of related disputes, fraud in online insurance contracts and the transfer of cases abroad to the relevant ADR entity were also discussed.

Both meetings were preceded by a meeting of the Steering Committee, which took place via video conference.

- **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](#) (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.).

After a 3-year hiatus and repeated postponements due to the ongoing COVID-19 pandemic, the annual conference combined with the general assembly of this network took place in person in Kuala Lumpur in September 2023. The conference agenda included topics such as the use of artificial intelligence (AI) in out-of-court dispute resolution, payment fraud, personnel issues following the end of the COVID-19 pandemic, and the successes achieved by individual members at the national level (such as legislative changes, the creation of new generally accepted case law, etc.). The Deputy of the Financial Arbitrator gave a lecture in the session dedicated to the speed and quality of dispute resolution.

In addition, a "town hall" format videoconference on the topic of fraud, particularly in the provision of payment services, took place in February 2023. In June 2023, a webinar on the use of neuro-linguistic programming in dispute resolution was also conducted via videoconference.

Since the Deputy of the Financial Arbitrator has been a member of the INFO Network Committee's Steering Committee since September 2022, he participated in four meetings of this Steering Committee in 2023, which were held via videoconference in March, June, September, and November.

- **Further International Cooperation**

In April 2023, the Deputy of the Financial Arbitrator participated in a meeting with representatives from the Albanian Ministry of Finance and Economy as part of the Technical Assistance and Information Exchange instrument of the European Commission (TAIEX). The aim of this meeting was to present the functioning of the out-of-court consumer dispute resolution system in the Czech Republic to foreign partners.

- **International business trips**

In the second half of 2023, following the gradual subsidence of the COVID-19 pandemic, the Deputy of the Financial Arbitrator undertook three international business trips to attend the following meetings:

- Annual INFO Network Conference (Kuala Lumpur, Malaysia, September 2023)
- 6th Conference on Alternative Dispute Resolution (Budapest, Hungary, Hungarian National Bank, October 2023)
- Annual FIN-NET Meeting (Brussels, Belgium, European Commission, November 2023)

All of the business trips were beneficial for the activities of the Office of the Financial Arbitrator, with regard to the information obtained on the activities of foreign entities involved in the out-of-court resolution of consumer disputes as well as on the changes in European legislation being prepared and implemented.

During his international trips, the Deputy of the Financial Arbitrator strengthened cooperation with foreign partners, gave lectures on the situation in the Czech Republic, and gathered insights from abroad on areas not thoroughly regulated by domestic legislation. He also explored options for resolving disputes with foreign elements governed by laws other than Czech law.

A highly discussed topic at all forums was fraud in the provision of financial services, particularly in the area of payment transactions (such as phishing, vishing, Anydesk, etc.) and the resolution of disputes arising from these (authorised vs. unauthorised payment transactions, private law liability, the concept of gross negligence, etc.).

The benefits of the Deputy's international trips are undeniable, particularly due to the development of relationships with similar institutions within the Visegrad Group (V4), the European FIN-NET network, and the global INFO Network. They also address the need for a relatively uniform Euro-compliant interpretation of European regulations (e.g., the Payment Services Directive) across all EU/EEA countries.

## XI. COSTS RELATED TO THE FINANCIAL ARBITRATOR'S ACTIVITIES

- Implementation of State Budget Priorities Set by the Government

As in previous years, the Office of the Financial Arbitrator (OFA) only incurred necessary expenses for the activities of the Financial Arbitrator and the operation of the OFA.

Most public contracts participated in by the OFA are centrally awarded by the Ministry of Finance. Other public contracts (such as the development of information systems and language training for employees) are organised by the OFA.

During the reporting period, as in previous years, the OFA did not utilise external legal or consulting services. The OFA sent only the Deputy of the Financial Arbitrator on both international and domestic business trips, in fulfilment of legal obligations related to foreign cooperation and outreach.

- Implementation of mandatory indicators

### Implementation of mandatory indicators (in thousands CZK)

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Indicator	2022	2023				Implementation (%)		
	Actual amount	Approved budget	Amended budget	Final budget	Actual amount	of which extra-budgetary resources	on the budget as amended	to the final budget
Summary indicators								
Total revenues	979.33				878.01			
Total expenses	61,598.46	69,829.17	69,829.17	101,423.15	68,823.22	30,865.58	98.6	67.9
Specific indicators - revenues								
Tax revenues								
Revenue from social security contributions and state employment policy contributions								
of which: pension insurance premiums								
sickness insurance premiums and								
contributions to state employment policy								
Total non-tax revenue, capital revenue and transfers received	979.33				878.01			
of which: total revenue from the budget of the European Union excluding the Common Agricultural Policy								
revenue from financial mechanisms								
total other non-tax revenue, capital revenue and transfers receivable	979.33				878.01			
Specific indicators - expenses								
Cost of securing the tasks of the financial administration								
Cost of ensuring the performance of the tasks of the central authority								
Cost of customs administration tasks								
including: social benefits								
expenses for customs administration								
activities								
Administration of state property and legal representation of the state in property matters								
Expenses for the operation of the Office of the Financial Arbitrator	61,598.46	69,829.17	69,829.17	101,423.15	68,823.22	30,865.58	98.6	67.9
Expenses for the operation of the Financial Analysis Office								
Expenses related to the Czech Presidency of the Council of the European Union								
Cross-sectional indicators								
Staff salaries and other payments for work performed	41,321.61	48,828.11	36,928.11	54,560.38	45,154.24	18,032.30	122.3	82.8
Compulsory insurance premiums paid by the employer	13,918.55	16,537.70	16,537.70	23,194.52	15,157.68	6,792.03	91.7	65.4
Basic allocation of the cultural and social needs fund	815.20	966.64	966.64	1,569.65	893.92	611.01	92.5	57.0
Salaries of staff in an employment contract, excluding staff on official posts	40,760.92	48,332.12	36,332.12	53,654.24	44,687.87	17,722.15	123.0	83.3
Salaries of employees of the security forces and the armed forces in service								
Salaries of staff in official posts under the Civil Service Act								
Salaries of staff in an employment relationship derived from the salaries of constitutional officials								
International development cooperation								
Ensuring preparation for crisis situations pursuant to Act No. 240/2000 Coll.								
Total expenses co-financed in full or in part by the European Union budget excluding the Common Agricultural Policy								

of which: from the state budget share of the European Union budget								
Total expenses on joint projects financed in whole or in part by the financial mechanisms								
of which: from the state budget share of funding from financial mechanisms								
Total expenses recorded in the EDS/SMVS programme funding information systém	340.37	1,000.00	13,000.00	13,570.90	570.90	570.90	4.4	4.2

Source: IISSP

The OFA does not have budgeted revenues due to the nature of its activities, which involve fulfilling tasks related to the professional, organisational, and technical support of the Financial Arbitrator's work. Income from sanctions and administrative fines is therefore unpredictable. Sanctions are imposed only when the Financial Arbitrator is unable to bring the parties of a dispute to a settlement, and administrative fines are a measure of last resort in cases of non-cooperation by financial institutions.

The budgeted regular expenses for the operation of the OFA were insufficient to cover actual expenditures during the reporting period, as it was necessary to cover mandatory costs associated with the use of non-residential premises—particularly energy, repairs and maintenance, including building security, as well as service payments and other regular expenses. To address this shortfall, the OFA utilised claims from unspent funds from previous periods.

During the reporting period, the OFA allocated state budget funds for unoccupied positions, specifically for positions held by employees on maternity or parental leave. In total, the OFA allocated state budget funds (including salaries and related expenses) amounting to CZK 543,000.

- Claims from unspent expenditures of past periods

Claims from unspent funds accumulated by the OFA over previous years were primarily due to insufficient staffing, which resulted in the underutilisation of funds allocated for salaries and other operational expenses. Additionally, these claims were also related to preparations for the OFA's move to new premises and the transition from shared services with the Ministry of Finance.

In individual years, it was not always possible to fully staff the allocated positions, or to temporarily fill positions held by employees on maternity or parental leave. Subsequently, employees returning from parental leave often worked part-time. Thus, the unspent funds for salaries and related payments reflect the staffing levels at the OFA.

#### Claims from unspent expenditures of past periods (in thousands CZK)

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	Row no.	NNV status as at 1 January of the current year	Change in NNV balance in the current year	from which:			NNV balance as at the last day of the month of the current year	Actual NNV spending in the current year	Status of connected unspent NNV as of the last day of the month of the current year	NNV balance including unspent involved NNV at the last day of the month of the current year	NNV status on 1 January of the following year
				termination of the NNV pursuant to Section 47(6)(b) to (e) of Act No. 218/2000 Coll.	involvement of NNV according to § 47 (6) (a) of Act No. 218/2000 Coll.	NNV involvement according to government decision					
<b>PROFILING EXPENDITURES (r. 2+3+4+7+10+11+12+13)</b>	1	19,302.10	-18,762.82		18,762.82		539.27	18,762.82	0	539.27	22,945.41
A. For the salaries of state employees	2										
B. For salaries and other payments for work done, excluding salaries of state employees	3	18,032.30	-18,032.30		18,032.30			18,032.30			9,406.13
C. For the execution of which the Czech Republic receives funds or part thereof from the EU budget	4										
Part of expenditure financed from national funds	5										
Part of expenditure covered or to be covered by EU funds	6										
D. For the implementation of which the Czech Republic receives funds or part thereof from financial mechanisms	7										
Part of expenditure financed from national funds	8										
Part of the expenditure covered or to be covered by funds from financial mechanisms	9										
E. For the execution of which the Czech Republic receives funds or part thereof from NATO	10										
F. For programmes under Article 13(3) of the Financial Regulation	11	1,110.18	-570.90		570.90		539.27	570.90	0	539.27	13,539.27
G. Assigned pursuant to Article 21(3) and (4) of the Financial Regulation	12	159.63	-159.63		159.63			159.63			
H. For research and development	13										
NON-PROFILING EXPENDITURES	14	13,460.90	-13,374.40		13,374.40		86.50	12,102.75	1,271.64	1,358.14	10,280.30
<b>Total (r. 1 + r. 14)</b>	15	<b>32,762.99</b>	<b>-32,137.22</b>		<b>32,137.22</b>		<b>625.77</b>	<b>30,865.57</b>	<b>1,271.64</b>	<b>1,897.41</b>	<b>33,225.71</b>

Source: IISSP



As of January 1, 2023, claims from unspent funds totalled CZK 32,763,000, with CZK 19,302,000 in profile expenditures and CZK 13,461,000 in non-profile expenditures. By December 31, 2023, these claims amounted to CZK 32,137,000, including CZK 18,763,000 in profile expenditures and CZK 13,374,000 in non-profile expenditures. As of January 1, 2024, the total amount of unspent claims was CZK 33,226,000, with CZK 22,946,000 in profile expenditures and CZK 10,280,000 in non-profile expenditures.

Other claims from unspent funds reflect the fact that since its establishment in 2011 (with 8 allocated positions) until now (with 57 allocated positions), the budget for the OFA has anticipated the gradual development of an independent office with its own IT infrastructure, etc. Until 2021, the OFA shared very limited space in the Ministry of Finance building on Legerova Street, Prague 1, based on a lease agreement for non-residential premises. It was not until 2022 that the area of used premises was increased, but there was no creation of an independent facility or IT infrastructure. The OFA continues to share IT infrastructure with the Ministry of Finance under an agreement for the provision of information, communication, and telecommunications services.

Claims from unspent funds also arise due to the inability to properly utilise the expenditures allocated for the activities of the OFA. The insufficient staffing and the high number of cases, or their complexity, prevent the OFA from carrying out other activities for which it has budgetary allocations.

## • REVENUES

For the year 2023, as in previous periods, revenues were not determined in the OFA budget due to their unpredictability.

If the parties fail to reach an amicable settlement of the dispute and the Financial Arbitrator decides the case and upholds the consumer's complaint, even partially, she is obliged under 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 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.

Other unpredictable incomes of the OFA are transfers from own funds and refunds of foreign business trips. The OFA is not a participant in the European Union budget or other financial mechanisms. The OFA has no income from social security premiums or a contribution to the state employment policy.

### Revenue by type (in thousands CZK)

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		2022	2023		Implementation to amended budget (%)	Difference
		Actual amount	Approved budget	Amended budget		
Grade						
2	Non-tax revenue	874.44			756.45	-117.99
4	Transfers received	104.89			120.66	15.77
Grouping						
22	Penalty payments and refunds of transfers received	863.21			733.80	-129.41
23	Proceeds from the sale of non-investment property and other non-tax revenue	11.23			22.65	11.42
41	Non-investment transfers receivable	104.89			120.66	15.77
Subgrouping						
221	Penalty payments received	863.21			733.80	-129.41
222	Refunds of transfers received and other similar revenue				0.90	0.90
232	Other non-tax revenue	11.23			22.65	11.42
413	Non-investment transfers from own funds and in respect of departments without legal personality	104.89			120.66	15.77
Item						
2212	Receipt of penalty payments received from other persons	863.21			733.80	-129.41
2324	Non-investment contributions and refunds received				0.90	0.90
2329	Other non-tax revenue not elsewhere classified	11.23			22.65	11.42
4132	Transfers from other own funds	104.89			120.66	15.77

Source: IJSSP

In the monitored period, penalty payments and refunds of transfers and transfers from the OFA's own funds totalled CZK 878,000. Income from penalty payments always reflects in particular the number of disputes that the Financial Arbitrator resolved and in which he failed to bring the parties of the dispute to an amicable settlement, and therefore decided on the matter and imposed sanctions on financial institutions. Furthermore, actual income reflects the amount of the transferred reserve for salaries for December of the calendar year, which are paid in January of the following calendar year, which depends on the number of occupied systemized positions.

## • EXPENDITURES

The OFA does not have expenses financed in whole or in part from the budget of the European Union. The OFA does not use funds from loans drawn by the Czech Republic, nor does it pay any benefits.

### Expenses by type (in thousands CZK)

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		2022	2023				Implementation to amended budget (%)	Implementation to final budget (%)	Difference
		Actual amount	Approved budget	Amended budget	Final budget	Actual amount			
Group									
5	Current expenses	61,258.09	69,829.17	56,829.17	87,852.25	68,252.35	120.1	77.7	6,994.3
6	Capital expenses	340.37	1,000.00	13,000.00	13,570.90	570.90	4.4	4.2	230.5
Grouping									
50	Salary expenses and similar related expenses	55,240.16	65465.814	53,465.81	77,754.90	60,311.93	112.8	77.6	5,071.77
51	Non-investment expenditure and related expenses	4,737.38	2331.715	2,203.96	7,875.27	6,419.75	291.3	81.5	1,682.37
53	Non-investment transfers to public officials and between funds of the same official body and tax payments	816.70	966.644	966.64	1,571.15	895.42	92.6	57.0	78.72
54	Non-investment transfers and and certain refunds to individuals	343.85	55	151.52	232.39	232.39	153.4	100.0	-111.46
55	Non-investment transfers and related international payments		10	10.00	10.00				
59	Other non-investment expenditure	120.00	0	31.23	408.55	392.83	1,257.9	96.2	272.83
61	Investment purchases and related expenditure	340.37	1000	13,000.00	13,570.90	570.90	4.4	4.2	230.53
Subgrouping									
501	Salaries	40,760.92	48,332.12	36,332.12	53,654.24	44,687.87	123.0	83.3	3,926.95
502	Expenditure on other payments for work carried out	560.70	595.99	595.99	906.13	466.38	78.3	51.5	-94.32
503	Compulsory and statutory employer contributions	13,918.55	16,537.70	16,537.70	23,194.52	15,157.68	91.7	65.4	1,239.14
513	Expenditure on the purchase of materials	227.62	111.43	111.43	355.19	216.96	194.7	61.1	-10.66
514	Interest and other financial expenses	2.83	2.00	3.20	5.20	4.88	152.4	93.8	2.05
515	Expenditure on the purchase of water, fuel and energy	580.39	275.00	217.67	603.79	567.05	260.5	93.9	-13.34
516	Expenditure on the purchase of services	3,433.58	1,345.05	1,334.19	6,100.49	4,834.79	362.4	79.3	1,401.21
517	Expenditure on other purchases	268.71	222.66	241.83	675.35	585.79	242.2	86.7	317.08
519	Expenditure relating to non-investment purchases, allowances, reimbursements and expenditure on gifts	224.26	280.00	263.38	263.38	210.29	79.8	79.8	-13.96
534	Non-investment transfers to own funds and in relation to departments without legal personality	815.20	966.64	966.64	1,569.65	893.92	92.5	57.0	78.72
536	Other non-investment transfers to other budgets and tax payments	1.50			1.50	1.50		100.0	
542	Compensation paid to natural persons	343.85	55.00	151.52	232.39	232.39	153.4	100.0	-111.46
551	Non-investment transfers to international governmental organisations and supranational bodies		10.00	10.00	10.00				
590	Other non-investment expenditure	120.00		31.23	408.55	392.83	1,257.9	96.2	272.83
611	Acquisition of intangible fixed assets	340.37	200.00	13,000.00	13,570.90	570.90	4.4	4.2	230.53
612	Acquisition of tangible fixed assets		800.00						
Item									
5011	Salaries of staff in an employment relationship excluding staff in official posts	40,760.92	48,332.12	36,332.12	53,654.24	44,687.87	123.0	83.3	3,926.95
5021	Other personal expenditure	560.70	595.99	595.99	906.13	466.38	78.3	51.5	-94.32
5031	Compulsory social security contributions and contributions to state employment policy	10,205.32	12,134.17	12,134.17	16,461.08	11,106.32	91.5	67.5	901.00
5032	Compulsory public health insurance contributions	3,713.23	4,403.53	4,403.53	6,733.44	4,051.37	92.0	60.2	338.14
5133	Medicines and medical supplies	13.18	22.00	5.12	5.12	2.12	41.4	41.4	-11.06
5136	Books and similar documentary means of information	30.83	35.00	20.84	20.84	20.84	100.0	100.0	-9.99
5137	Small tangible fixed assets	81.05	50.00						-81.05
5139	Purchases of materials not elsewhere classified	102.56	100.00	117.73	201.08	194.00	164.8	96.5	91.43
5142	Exchange differences in expenditure	2.83	2.00	3.20	5.20	4.88	152.4	93.8	2.05
5151	Cold water including sewerage and storm water drainage charges	72.44	70.00	35.00	50.75	41.34	118.1	81.5	-31.10
5153	Gas	154.76	85.00	85.00	170.84	170.84	201.0	100.0	16.08
5154	Electricity	309.52	100.00	77.67	331.94	329.14	423.7	99.2	19.61
5156	Fuel and lubricants	43.67	20.00	20.00	50.26	25.73	128.6	51.2	-17.94
5161	Postal services	220.00	155.00	305.00	508.23	498.59	163.5	98.1	278.59
5162	Electronic communications services	58.20	62.00	63.00	66.03	56.19	89.2	85.1	-2.01
5163	Financial institution services	20.20	20.00	20.00	20.99	20.99	104.9	100.0	0.79

5164	Rent	7.00	10.00	7.00	7.00	7.00	100.0	100.0	
5167	Training and education services	200.11	93.11	93.11	264.52	182.32	195.8	68.9	-17.79
5168	Data processing and information and communication technology services	1,310.06	333.50	333.50	1,823.53	1,790.17	536.8	98.2	480.11
5169	Purchase of other services	1,618.00	671.44	511.78	3,365.20	2,279.53	445.4	67.7	661.53
5171	Repair and maintenance services	201.17	18.00	96.36	482.59	433.93	450.3	89.9	232.76
5172	Sub-limited software								
5173	Travel	32.70	154.00	70.65	87.95	87.69	124.1	99.7	54.99
5175	Hospitality	3.02	10.66	10.66	10.66	10.36	97.1	97.1	7.34
5176	Conference attendance fees	31.83	40.00	64.15	94.15	53.81	83.9	57.2	21.98
5192	Refunds provided	30.68	130.00	130.00	130.00	82.55	63.5	63.5	51.87
5195	Deductions for non-compliance with the obligation to employ the disabled	193.57	150.00	133.38	133.38	127.75	95.8	95.8	-65.83
5342	Basic allocation to the cultural and social needs fund and the social fund of municipalities and regions	815.20	966.64	966.64	1,569.65	893.92	92.5	57.0	78.72
5362	Tax payments to the state budget	1.50			1.50	1.50		100.0	
5424	Wage compensation and allowances during periods of sickness or quarantine	343.85	55.00	151.52	232.39	232.39	153.4	100.0	-111.46
5511	Non-investment transfers to international governmental organisations		10.00	10.00	10.00				
5909	Other non-investment expenditure not elsewhere classified	120.00		31.23	408.55	392.83	1,257.9	96.2	272.83
6111	Software	340.37	200.00	13,000.00	13,570.90	570.90	4.4	4.2	230.53
6123	Means of transportation		800.00						

Source: IISSP

The total expenses for the security of the OFA activities were approved in the amount of CZK 69,829 thousand. After the changes, the budget remained at CZK 69,829 thousand, the final budget reached CZK 101,423 thousand. The actual drawdown of total expenses for the OFA security amounted to CZK 68,823 thousand.

The approved budget for current (non-investment) expenses amounted to CZK 68,829 thousand, the final budget was CZK 87,852 thousand. Actual current expenses in the period under review reached CZK 68,252 thousand.

The total capital expenditure (investment) of the program financing was approved in the amount of CZK 1,000 thousand, the budget after the changes reached CZK 13,000 thousand, and the final budget was CZK 13,571 thousand. The actual drawdown of program financing expenses reached the amount of CZK 571 thousand.

The approved budget for expenses for employee salaries and other payments for work performed amounted to CZK 48,928 thousand, the budget after the changes totalled CZK 36,928 thousand. The final budget was CZK 54,560 thousand. The actual drawdown of expenses for employee salaries and other payments for work performed amounted to CZK 45,154 thousand.

### ○ Current expenditure

Current expenditure covers mainly staff salaries and other payments for work performed, related expenditure on insurance premiums, expenditure on the operation of the OFA in the form of expenditure on services related to the use of non-residential premises, expenditure on services related to the operation of information systems, expenditure on postal services and electronic communications services.

The number of systemised posts in the OFA has been set at 57 for 2023. As of 31 December 2023, the average number of staff was 53, as the OFA employs several part-time staff, mainly employees caring for minors or caring for a close relative, and the OFA has vacant posts of female employees on maternity/parental leave, who are expected to return in 2024 and whose posts can no longer be filled temporarily due to lack of interest from applicants for temporary employment.

The salary budget for 2023 was set at CZK 48,332 thousand. The budget for payments for other work carried out was set at CZK 596 thousand. The amended budget for salaries was CZK 36,332 thousand. The budget for other payments for work carried out amounted to CZK 596 thousand. A total of CZK 44,688 thousand was spent on salaries and CZK 466 thousand for other payments for work carried out.

The actual expenditure on salaries and other payments for work carried out amounted to CZK 45,154 thousand.

The actual implementation of the OFA budget for staff salaries and other work payments reflects the occupation of regular posts and salary increases in the state administration. The average number of staff was higher in the period under review (53) than in the previous year (51).

Despite the fact that the OFA or the Financial Arbitrator has been assigned new contentious agendas and the OFA has been involved in the project of digitalization of the state administration, and the OFA, like other state bodies, is subject to new legal obligations of cybersecurity, the OFA has not been allocated from the state budget adequate systemised positions or budget funds to ensure related activities.

For compulsory employer-paid insurance premiums, the approved OFA budget totalled CZK 16,538 thousand. There were no changes in the period under review and the final budget totalled CZK 23,195 thousand. Actual expenditure on compulsory insurance premiums amounted to CZK 15,158 thousand.

The basic allocation to the Cultural and Social Needs Fund represented 2% of the staff salary allocation and totalled CZK 967 thousand. There were no changes to the budget during the period under review and the final budget amounted to CZK 1,570 thousand. The actual expenditure on the Cultural and Social Needs Fund totalled CZK 894 thousand.

The approved budget for other current expenditure of the OFA amounted to CZK 2,397 thousand, the budget remained unchanged after amendments. In the period under review, funds totalling CZK 7,047 thousand were used.

The other current expenditure budgeted for the operation of the OFA was insufficient to cover actual expenditure, as it was necessary to cover the expenses related to the use of non-residential premises - in particular the purchase of energy, repairs and maintenance, security of the building and payment of services. Throughout the period under review, entitlements from unspent expenditure of previous years were brought in to cover mandated expenditure. The OFA budget for other current expenditure has not been adjusted since 2011.

In the period under review, other current expenditure funds totalling CZK 7,047 thousand were used, which is 193.99% more than the amended budget.

Purchases of services accounted for the largest share of other current expenditure. In the period under review, CZK 4,835 thousand was spent. This sub-group (516) covered expenditure on other services, IT services - data processing, training and education services, postal services, telecommunications and radio-communication services, services of money institutions and other services (security, cleaning, waste removal).

Purchase of services accounted for the largest share of the use of other current expenditure, with 262.44% more funds being used than the level of the amended budget. Other purchases accounted for 142.15 % more than the amended budget. Expenditure on the purchase of materials represented an increase of 50.7 % over the amended budget. Expenditure on water, fuel and energy represented an increase of 160 % over the amended budget.

The amended budget for other purchases amounted to CZK 242 thousand, a total of CZK 586 thousand was spent. The largest amount of funds was spent on repairs and maintenance of the OFA property (services were paid for on the basis of a contract for the use of non-residential premises concluded with the Ministry of Finance in 2011 and are calculated per premises used and invoiced in advance on a quarterly basis). This sub-heading (517) was also used for travel expenses for business trips and conference attendance fees. The largest amount of expenditure was spent on repairs and maintenance, amounting to CZK 434 thousand.

The amended budget for the purchase of materials of sub-group (513) amounted to CZK 144 thousand, CZK 217 thousand was spent. Most of this amount was spent on the purchase of office supplies and office paper, the purchase of academic books and publications and the purchase of medical supplies.

The budget after changes for water, fuel and energy of sub-heading (515) amounted to CZK 218 thousand. The total amount spent was CZK 567 thousand. The consumption of this is due to climatic effects and energy prices.

The amended budget for other items of other current expenditure amounted to CZK 459 thousand. The total amount spent was CZK 842 thousand.

Among the most significant expenses were sick pay and contributions for breach of the employer's obligation to employ disabled persons. In the period under review, the OFA reimbursed financial institutions a total of CZK 393 thousand in penalties imposed. In 8 cases, the General Courts reviewing the decision of the Financial Arbitrator replaced the decision of the Financial Arbitrator with a judgement on conciliation, i.e. they had to annul the decision of the Financial Arbitrator, including the sentence imposing the penalty, because the parties to the dispute had conciliated before the court, which they had refused to do in the proceedings before the Financial Arbitrator.

One of the most significant items influencing the development of operating expenses is the expenditure on services related to the use of non-residential premises. In the period under review CZK 1,401 thousand more was spent in comparison to 2022, because in the reporting period the OFA had to pay arrears for the use of non-residential premises (energy, security and maintenance of the building), which amounted to CZK 952 thousand in the previous period. These were not paid until 2023.

In the period under review, the amount spent on services was CZK 700 thousand more than in 2022, mainly on payments for services of the postal service provider - the increase compared to the previous year amounts to CZK 300 thousand, as well as payments for IT services - the increase compared to 2022 amounts to CZK 400 thousand. The increase is related to the mandatory acquisition of Microsoft licences.

- **Internal audit**

No external audits or Supreme Audit Office audits were carried out at the OFA in 2023. The internal auditor independently and objectively evaluated and reviewed operations and other activities in the Office of the Financial Arbitrator.

In the year 2023 (1/1/2023 to 12/31/2023), 4 audits (3 system audits, 1 financial audit) were performed with total resources (1 internal auditor). One financial audit was carried out.

The aim of all audits was:

- to focus on the risks and the management and control mechanisms that were relevant to the activities audited;
- economic, efficient and effective performance of the Office of the Financial Arbitrator;
- compliance with legislation, internal rules, programmes and contracts;
- ensuring that public funds are protected against risks, irregularities or other deficiencies caused in particular by breaches of legislation;
- providing timely and reliable information on all facts;
- protection of the organisation.

In order to meet the audit objectives, the Internal Auditor had to identify, analyse, evaluate and document all available information.

The audits were carried out to the extent of:

- audit planning;
- notification of the audit to the relevant department, the staff of the Office of the Financial Arbitrator;
- implementation of the audit;
- preparation of the report, proposed recommendations;
- consultation;
- follow-up control, if necessary.

- Overview of audits performed in 2023

1/2023	Implementation of the binding budget indicators for 2023, in terms of current and capital expenditure (financial audit)
2/2023	Register of contracts - publication of contracts
3/2023	Fulfilment of obligations under Act No 106/1999 Coll., on free access to information
4/2023	Gender issues, equality

- Specific description and findings of the audits carried out

*Audit: Implementation of the binding budgetary indicators for 2023, in terms of current and capital expenditure*

There was no misconduct or exceptional events that would suggest a violation. The disposition of funds is appropriate. Mismanagement or inefficiency in this area has been ruled out.

*Audit: Register of contracts - publication of contracts*

Errors and minor deficiencies were found in this audit. The Internal Auditor suggested that this area should be regularly audited by a designated staff member (e.g. once a month). Based on the errors/deficiencies found, the Internal Auditor made several recommendations to the Financial Arbitrator that would result in the elimination of deficiencies in this audit area. A follow-up audit was recommended.

*Audit: Fulfilment of obligations under Act No 106/1999 Coll., on free access to information*

For this audit, 2 errors were found which were corrected during the course of the audit performed. The Internal Auditor informed the Financial Arbitrator of these errors and actions were recommended to prevent and avoid similar situations. Due to the elimination of the errors, the internal auditor did not propose a follow-up audit.

*Audit: Gender issues, equality*

The audit focused on assessing the representation of women in the OFA, the equal opportunities agenda in the OFA, work-life balance, equal treatment of employees, the remuneration system

During the course of the audit, it was not found that there were any forms of discrimination, general inequalities or power inequalities in the OFA. The audit did not result in any significant findings.

## XII. INFORMATION PROVIDED PURSUANT TO ACT NO. 106/1999 COLL., ON FREE ACCESS TO INFORMATION

- Annual report on the activities of the Office of the Financial Arbitrator for the year 2023 in the area of providing information pursuant to Act No. 106/1999 Coll., on free access to information, as amended

The procedure of the Office of the Financial Arbitrator in the performance of tasks arising from the Act is regulated by the internal regulation of the Financial Arbitrator from 22 February 2017.

### *Information provided on request*

a) number of submitted requests for information	5
b) number of information provided	5
c) number of decisions issued refusing the requests	0
d) number of appeals lodged against decisions	0
e) copy of the essential parts of the court judgment on the review of the lawfulness of the decision of the obliged entity to reject a request for information and summary of all expenses incurred by the obliged entity in connection with legal proceedings concerning rights and obligations under the Act	0
f) list of exclusive licences granted	0
g) number of filed complaints	1
h) other information relating to the application of the Act	0

Requests for information and responses from the Office of the Financial Arbitrator can be found on the website at <https://finarbitr.cz/cs/informace-pro-verejnost/informace-podle-zakona-106-1999-sb/otazky-a-odpovedi.html> in Czech language.



### **XIII. FUTURE OUTLOOK**

A continuing challenge that the Financial Arbitrator has and will continue to address is the pursuit of efficient dispute resolution, particularly in terms of length of proceedings.

To this end, the OFA will continue to develop its information systems.

In the coming periods, all professional staff of the OFA will continue to raise awareness of the Financial Arbitrator among the public through 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.

The OFA will work towards the creation of a new website and a portal for the public that will allow the filing of a complaint even through using a bank identity, etc.