ANNUAL REPORT

2006

Financial Arbiter of the Czech Republic

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Introductory Word by the Financial Arbiter of the CR

The year 2006 was already the fourth year when, in the area of the protection of a consumer on the financial market, a special body of out-of-court settlement of disputes in selected areas of banking activities, the Financial Arbiter, operated. The report presented to you, documents the activities of the Financial Arbiter, his deputy and persons authorized to prepare Individual cases during the year under review.

The Financial Arbiter is, within the meaning of act No. 229/2002 Coll. on Financial Arbiter, as amended, S. 21(1), obliged to prepare every year the annual report and to present it to the public.

In the last year's annual report for 2005, the information was presented to you that year 2005 was a year when the Financial Arbiter was presented with the most petitions to open proceedings out of the period of 2003 to 2005. The trend in the increase in the number of petitions to open proceedings did not continue in 2006 since „only" 77 petitions were delivered to the Financial Arbiter which represents a decrease by approx. 52% when compared with year 2005, and by 40% when compared with the year 2004. However, it is not possible to deduce any special conclusions from the figures of only one year, however, a question arises how to explain that the number of petitions to open proceedings in front of the Financial Arbiter was lower.

I basically explain the figures of 2006 by two things. The reason for the decrease in the number of petitions may be an efficient consequence of the effects of the preventive function. This is based on the fact that institutions are aware of the existence of the Financial Arbiter and therefore behave to their clients, when settling their complaints, in a more forthcoming manner and may directly satisfy the justified claims thereof. The Financial Arbiter will not learn about these complaints since the clients do not present them anymore. Another reason for the decrease in complaints may be the fact that the public still does not know sufficiently enough about the existence of the Financial Arbiter.

However, I am personally convinced that the decrease in the number of petitions to open proceedings is due to the first above-mentioned reason. A certain indirect piece of evidence may also be the fact that, in 2006, the praiseworthy trend continued in the increase in the number of the so-called withdrawal of petitions by the petitioners or the stopping of the proceedings for reasons of groundlessness. These are cases whereby the Financial Arbiter opens proceedings concerning a matter based on a petitioner's petition and invites the institution to comment on the case. However, instead of providing its comments, the institution informs the Financial Arbiter that it agreed the indemnification with the petitioner. Subsequently, the petitioner hands over to the Financial Arbiter a petition to withdraw the original petition or the Financial Arbiter stops the proceedings for reasons of groundlessness out of his own initiative. The reason for the dispute disappeared, the client/petitioner received what he requested in the petition to commence the proceedings.

I do not consider valid the other reason, i.e. the fact that the public does not know sufficiently enough about the existence of the Financial Arbiter. I am personally very much involved in various events of both expert and social nature where I always present the existence of the body for out-of-court settlement of disputes. I appear in various radio programmes including the regional broadcasting, I comment on selected issues concerning the banking services in television broadcasting, I present the Financial Arbiter in press in a form of expert articles or interviews. I co-operate with top interest groups for protection of consumers like e.g. the Consumer Protection Association, Association of Czech Consumers or the SPES Association. In 2006, I also, for the first time in the last four years, started works on the publishing of a promotion leaflet providing information about the existence of the Financial Arbiter, the print and distribution of which was realized in the year that followed, especially by the means of various consumer protection associations.
In late 2006, the works were completed concerning a brand new software in the Financial Arbiter's office to ensure the existence of the single, uniform database of all petitions to open proceedings which will serve also as a significant aid in the whole course of the proceedings concerning specific cases including the opportunity to generate statistic overviews according to the criteria entered.

Unfortunately, even in 2006, some selected institutions continued in their practices of the previous years which consisted in the fact that the institutions, after having complied with the Financial Arbiter's finding, handed the whole case over to the court and required that the payment, they had had to provide to their client, within the meaning of the Financial Arbiter's finding, was returned. The number of cases did decrease, however, in my opinion, the aggressiveness of some institutions grew. The institution requires that the payment awarded by the Financial Arbiter to the client is returned back at all costs, even when within other, this time criminal proceedings, it has been proved that the institution was attacked by a third party. The client's fault was not proved within the proceedings at all. My question then is: what kind of a „client approach" the institution has? Does it want to keep the client at all?

In April 2006, the Financial Arbiter of the Czech Republic became an official member of the so-called FIN-NET (Cross-Border Out-of-Court Complaints Network for Financial Services). The preparations for the full membership started as early as in the second half of 2005, however, the official acceptance was declared only in the first half of 2006. Personally, I consider it an extraordinary international success.

In 2006, starting from 1 April, another amendment of the act on Financial Arbiter became effective which removed some difficulties in relation to the new Rules of Administrative Procedure and set clear rules when charging a so-called obligatory fine in case that the institution is unsuccessful in the dispute. This removed controversial points which gave rise to speculations in terms of various interpretations. The amendment made also a breakthrough into the area of the Financial Arbiter's confidentiality which I, for reasons of prudence, have not used yet.

Dear readers – clients of institutions! I enter my fifth and the last year of my term with a good feeling that the activities of the Financial Arbiter found their place in the banking community and that they assist in building its good name.
I can seriously say that the positive findings from my practice prevail over the negative ones.

Prague, May 2007

JUDr. Ing. Otakar Schlossberger
Financial Arbiter

Introduction

The annual report on the activities of the Financial Arbiter (hereinafter referred to also as the „Arbiter“) is processed and presented in compliance with the provisions of S. 21 of Act 229/2002 Coll. on Financial Arbiter, as amended (hereinafter referred to only as the „FA act“).

The report on activities is a report of the institute of out-of-court settlement of disputes and consumer protection in selected activities in the area of the banking industry in the Czech Republic. The Financial Arbiter may be perceived as a special body responsible for out-of-court settlement of disputes that may arise between the providers of payment services and their clients or between the issuers and users of electronic payment instruments.

In accordance with the Financial Arbiter Act, the Arbiter settled disputes that have arisen as of 1 January 2003 or rather 1 January 2005 inclusive, namely:

– between entities that execute transfers of funds (hereinafter referred to as "Transfer Institutions") and their clients when executing transfers of funds pursuant to a special legal regulation[1];

– when making corrective settlement;

– when performing the collection form of making payments on the territory of the Czech Republic;

– all up to the maximum amount of EUR 50,000;

– between entities that issue electronic payment instruments (hereinafter referred to as the "Issuers of Electronic Payment Instruments") and the holder of electronic payment instruments when issuing and using electronic payment instruments pursuant to special legal regulation[1].

The Financial Arbiter's activities are fully in compliance not only with the law of the Czech Republic but with the law of the European Union as well[2].

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[1] Act No. 124/2002 Coll., on transfers of funds, electronic payment instruments and payment systems (the Payment System Act).

[2] E.g. Directive of the European Communities No. 97/5/EC, on cross-border credit transfers, sets forth a speedy and effective out-of-court settlement of clients' disputes with institutions executing transfers.

1. Activities of the Arbiter and the Arbiter's Office

During the period under review, the position of the Financial Arbiter continued to be held by JUDr. Ing. Otakar Schlossberger (sitting) and his Deputy, JUDr. Petr Scholz (standing).

For the performance of the Arbiter's position, the Czech National Bank (CNB) ensured, also in 2006, all the material requirements including the reimbursement of costs relating to activities of the authorized persons.

Address of the Arbiter's registered office:
Washingtonova 25, 110 00 Prague 1

Contact:
Tel.: 221 674 600
Fax.: 221 674 666
e-mail: arbitr@finarbitr.cz
http://www.finarbitr.cz

From the left, sitting, Iveta Walterová, Dana Klofáčová, Zuzana Hornychová, from the left, standing, Marcela Soldánová and Vadim Beneš

The Arbiter set office hours for the public as follows: from Monday to Thursday 8.30 a.m. – 3.30 p.m., Friday: 8.30 a.m. – 2.30 p.m.

Also in 2006, as per the prior agreement, the consultation hours for the public were adjusted so that the requirements of the clients are met as much as possible. They were especially clients from other places than Prague who were interested in personal consultation in the registered office of the Arbiter.

The operation of the Financial Arbiter's and his deputy's office was ensured by CNB employees authorized to perform these activities for the period of the Financial Arbiter's term.

2. Staffing and Administrative Provision of the Performance of the Arbiter's Work

Currently the compliance with the FA act is ensured directly by the Arbiter, his deputy and other 5 employees. They are specifically: main analyst, legal expert, methodology specialist, specialist and an expert secretary.

All employees of the FA office are employed by the CNB for a definite period which is limited by the FA's term.

In the course of the period under review, the Financial Arbiter authorized in writing other persons, who are not employees of the CNB, to carry out investigations concerning specific matters in accordance with the FA Act.
They were especially judicial experts in the field of graphology, one judicial expert in the field of economy, namely banking and insurance, specialized in direct debit – domestic and foreign payment cards and cheques, international payment systems, computer processing, settlement and security and protective elements in payment cards systems and an attorney. Other than that, they were experts in the area of issuing and using electronic payment instruments and persons specialized in the area of the payment system.

The Arbiter regularly performed checks of cases filed by petitioners which started to be processed. The authorized persons informed the Arbiter about the stage of the processing of individual opened cases.

Pursuant to S. 19 of the FA Act, authorized persons monitored, at least 4 times in a year, whether the duty of institutions to notify was fulfilled.

3. Budget

The costs of the performance of the Financial Arbiter's activities are tied with the CNB's budget. These costs amounted to CZK 10.008 million in 2006 and, in the period of 2003–2006, they represented the total of CZK 34.7 million.

A more detailed overview of the utilization of funds for the performance of the Financial Arbiter's activities in the period 2003–2006 is set out in appendix No. 1 to this report.

A comparison of costs in individual years is set out in the following diagram.

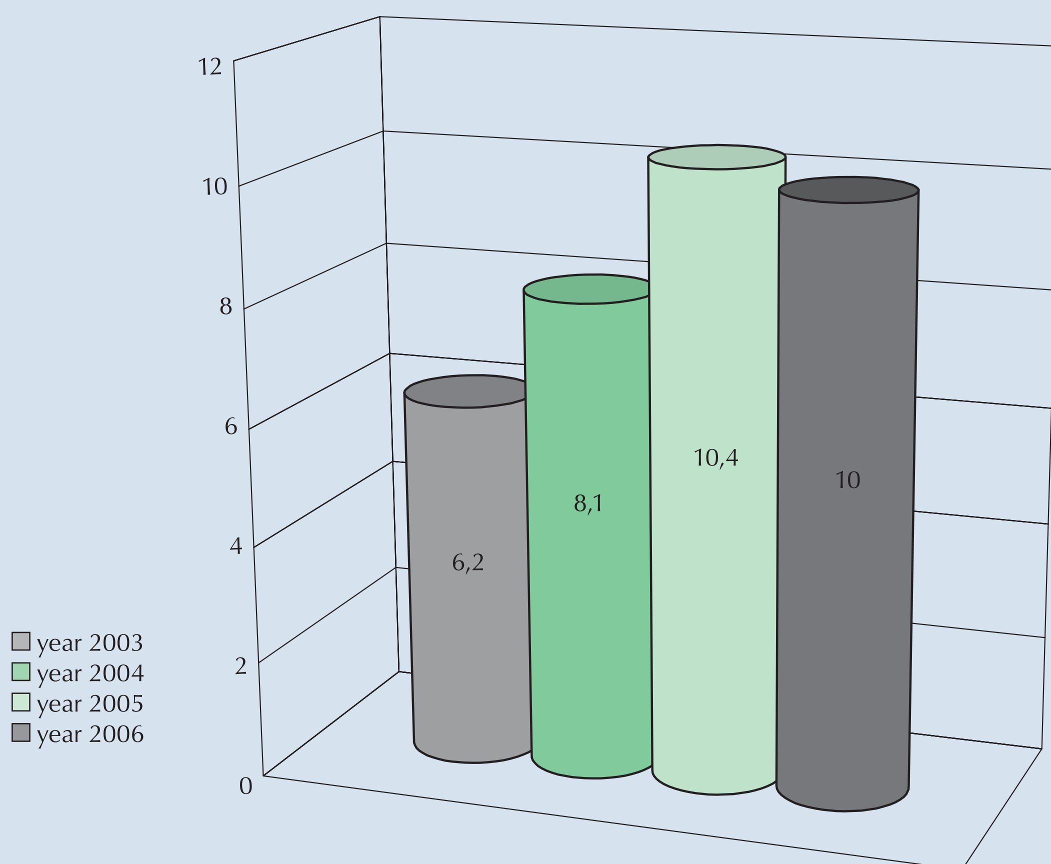

Diagram No. 1
Comparison of costs of the Arbiter's activities in the years 2003–2006

CNB income generated from the performance of the Arbiter's activities comprised only income from imposed penalties (see below). During the period under review, penalties in the amount of approx. CZK 2.27 million were imposed.

4. The Arbiter's Notification Activities and the Duty of Institutions to Notify

The Financial Arbiter carried out the duty to notify as per S. 21 of the FA Act and, since 2005, newly, also as per the provisions of S. 5 of the FA Act.

In February 2006, the Arbiter organized a press conference where he informed the audience, in the presence of all important representatives of the media, about the activities of the Arbiter in the previous period. Also this press conference was co-organized by the CNB, its co-operation consisted in providing the premises including the technical equipment.

Based on the requirement of the Standing Commission for Banking of the Chamber of Deputies, the Arbiter presented the Arbiter's Report for the year 2005 which was discussed on 20 April 2006 at a meeting of this Commission (Chamber of Deputies' print 1275/0).

In compliance with the FA Act[3], the Arbiter then made public, in June 2006, the annual report on his activities in the previous year. The annual report was, as in the previous period, distributed in a printed form with an appendix in a PDF format on a CD and it was also published on the Arbiter's website.

The Arbiter also continuously updated and amended his website (www.finarbitr.cz).
This website provides basic information about the Arbiter's and his Deputy's roles and powers together with conditions for opening proceedings designed especially for the petitioners. In addition to other information, there is also available a form for filing a petition in the PDF format and a form to file a petition to open proceedings before the Financial Arbiter in an electronic form. Also the model examples of disputes that are/are not within the Arbiter's powers are being updated. Also the actual legal standards related to the Arbiter's activities are made public on the website. At the same time, there are references to websites of central banks of the EU member states and countries that are part of the EEA and similar institutes in the EU member states (see below).
The Arbiter also disclosed on his website some specific findings and decisions, however, without providing the identification data of both the petitioners and the institutions.

Also in this period under review, the Arbiter was asked many times by the representatives of the media to provide information concerning his powers and activities. He was also asked to provide expert consultations and opinions in a form of interviews and appearances on TV and radio stations. His opinions were several times published in expert and daily press. The Arbiter also answered questions through on-line discussions. An employee, authorized by the Arbiter, regularly monitors and archives the above reports and information.
During the period under review, the Arbiter was invited to a number of conferences and workshops organized especially by the Consumer Protection Association of the CR, the Association for Banking Cards, renowned education agencies or directly by institutions upon their own requests. The Arbiter presented his activities several times in a form of lectures at various conferences.
The Arbiter also performed a training for the employees of civic consultants (members of the Civic Consultants Association) which received a very favourable response.

In late 2006, works were commenced concerning the preparation of a promotion leaflet for the public in order to inform the public even more about the activities of the body for the out-of-court settlements in the CR[4] in selected areas of the banking industry.

During the period under review, the Arbiter notified bodies that perform supervision over the institutions about ascertained facts which he learned when performing his work. The representatives of the CNB and the Financial and Analytical Section of the Ministry of Finance of the CR were informed. In justified cases, the Financial Arbiter also notified directly the relevant institution.

In compliance with the FA Act, all Transfer Institutions and Issuers of Electronic Payment Instruments are obliged to communicate to the Arbiter updated information concerning the correct data stipulated by the law, e.g. their business name, to identify a person authorized to communicate with the Financial Arbiter or to provide other statutory data. A list of these institutions, updated on a regular basis, is presented on the Arbiter's website (see diagram No. 2).

[3] S. 21 of Act No. 229/2002 Coll. on the Financial Arbiter, as amended
[4] The leaflet was published in February 2007 and distributed in co-operation with various consumer protection associations (e.g. SOS, SČS, SPES, Civic Colsuntants Association etc.)

This website also contains a model form for the fulfilment of the duty of institutions to notify and also the information for the institutions about how to meet their duty to notify.

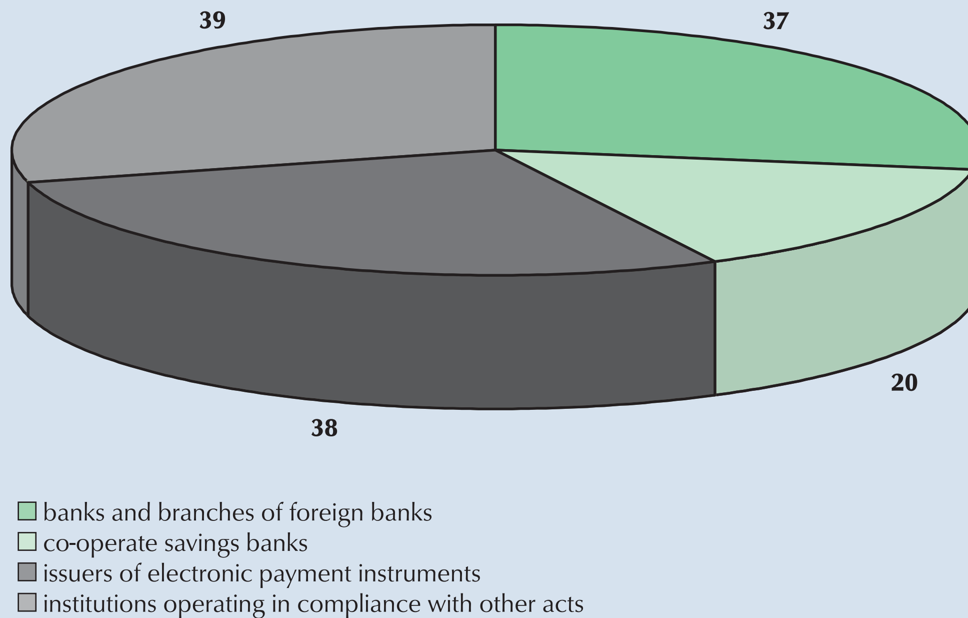

Diagram No. 2
Structure and number of institutions that operate in the CR and have the duty to notify as at 31 December 2006

A total number of 16 penalties were imposed by the Arbiter in the period of 2003–2006 for a failure to fulfil the duty to notify amounting to the total amount of CZK 1,450,000.

Further information about the imposed penalties is presented in Section 5.1 of this Report.

The penalties were collected and exacted by the CNB based upon the Arbiter's decision to impose a penalty or his finding[5].

[5] S. 23 and S. 17a of Act No. 229/2002 Coll. on the Financial Arbiter, as amended.

5. Material Activities

5.1 Principles of Proceedings before the Financial Arbiter

Proceedings before the Arbiter are governed both by the FA Act and by the Rules of Administrative Procedure[6] (until 31 December 2004, by the Administrative Procedure Act No. 71/1967 Coll.).
The proceedings before the Financial Arbiter had to be adjusted, during the period under review, or rather made more exact and the Arbiter, in co-operation with the CNB and the MF, achieved certain major changes in a form of amendments of the FA act, namely by changes executed by act No. 558/2004 Coll. and act No. 57/2006 Coll.
Further information about amendments of acts in connection with the operation of the Arbiter in the CR is presented in Section 7 of this Report.

Opening of Proceedings

Proceedings are opened on the day when the petition to open proceedings is delivered to the Financial Arbiter whether by post or electronically.
In case that the petition does not include obligatory requirements, the Arbiter opens the dispute, but at the same time asks the petitioner to provide the necessary additional information or documents.
In the year 2005, the deadline for the institution to provide its comments was, in compliance with the amendment of the FA Act[7], shortened from 30 to 15 days. However, at an institution's request, even this deadline could be extended by the Arbiter in justified cases.
The information about institutions affected by petitions to open proceedings for the year 2006 is set out in appendix No. 2 to this report.

Course of Proceedings

The Arbiter invited, in several justified cases, an institution to provide synergy in order to provide further information and, in compliance with the FA Act, several petitioners were also asked to come to the Arbiter's office to provide oral explanation in order to ascertain facts required for a finding to be issued.
In justified cases, the Arbiter also asked both petitioners and institutions to submit other evidence (e.g. an original of a document, an original of a payment card or a video recording).
In compliance with the Rules of Administrative Procedure[8], the Arbiter ensured, in part of the addressed disputes, an expert opinion to be prepared by judicial experts in the field of graphology or opinions to be provided by experts in the area of issuance and use of an electronic payment instrument.

Discontinuance of Proceedings

The Arbiter discontinued the proceedings upon a received request to withdraw the petition submitted by the petitioner. Petitioners usually withdrew their petitions since the given institution provided the settlement (for details see part 5.2) or for other reasons on the part of the petitioners.

Issuance of a Finding

The Financial Arbiter makes decisions on the merits, i.e. issues a finding which must contain a statement, justification and advice on objections. Provided that the finding was issued in favour of the petitioner, the statement also included a deadline by which actions leading to a financial settlement with the petitioner on the part of the institution were to be made or damages were to be granted by the institution to the petitioner for a damage caused by the institution to the petitioner.
Even in 2006, the Arbiter, when issuing the finding, co-operated very closely directly with an authorized CNB employee or another person authorized to settle the case. More details about the issued findings are set out in section 5.2.
Information about some of the heard cases is set out in section 5.3.
The average period required to issue the finding was, during the period under review, almost 100 days. This period includes both the total time until a finding is issued and time until objections are issued as well as the statutory time limit before the finding becomes legally effective. This period does not allow for the possibility to stop or interrupt the period which is made possible by the Rules of Administrative Procedure.

[6] Act No. 500/2004 Coll., Rules of Administrative Procedure
[7] Act No. 558/2004 Coll.
[8] S. 56 of act No. 500/2004 Coll., Rules of Administrative Procedure.

Objections
After the issuance of the finding, the institution or the petitioner may file objections which have a dilatory effect within the statutory deadline.
The Arbiter always reviewed the contested findings and subsequently issued a decision on the objections or rather the decision to stop the proceedings. Details about the number and subject matter of the objections during the period under review are listed under section 5.2.

Penalties
In the year 2006, the Arbiter imposed the total number of 19 penalties in accordance with the FA Act[9] in the aggregate amount of CZK 136,989.80. In the period of 2003–2006, the total number of 44 penalties concerning the disputes were imposed by the Arbiter amounting to the total amount of CZK 520,446.80.
The Arbiter must impose a penalty to the institution if it breached, according to a legal finding, its duties pursuant to a special legal regulation, or rather if it failed in the dispute, namely even partly. The amount of the imposed penalty is stipulated by the law. The Arbiter shall impose a penalty amounting to 10% of the disputed amount, however, at least to CZK 10,000.
In the year 2006, the Arbiter imposed one penalty amounting to CZK 100,000 for an institution's failure to fulfil its duty in conjunction with a dispute. The same penalty was imposed by the Arbiter in 2004 amounting to CZK 200,000.
The Financial Arbiter imposed 16 penalties in the aggregate amount of CZK 1,450,000 related to a failure to fulfil the duty of an institution to notify pursuant to S. 19 of the FA Act (see section 4).

The information about the overall subject matters of all imposed penalties during the period under review is set out in the following diagram.

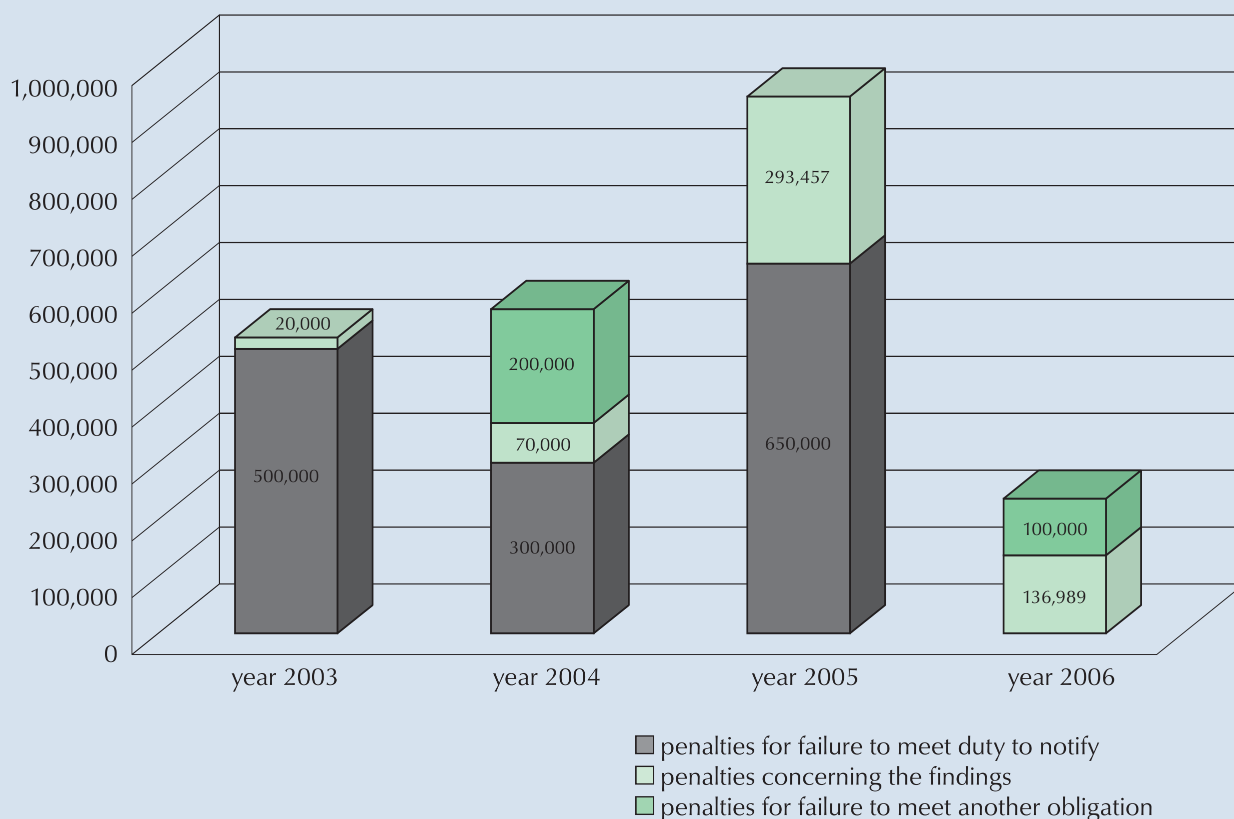

Diagram No. 3
Subject matters of penalties in the period of 2003–2006

[9] **S. 23 and S. 17a of Act No. 229/2002 Coll. on the Financial Arbiter, as amended.**

5.2 General Information about Settled Cases

In 2006, the Arbiter settled 77 cases out of the overall 360 sent suggestions.

In the period of 2003–2006, the Arbiter settled the total number of 255 cases out of the overall number of 1,460 sent suggestions and petitions.

By the Czech Republic's joining the EU, the number of queries grew, both on the part of the clients of institutions and on the part of institutions themselves, concerning the correct accounting for fees in cross-border payments in EUR in connection with the decree of the EP and the Council[10], which concerns all the cross-border payments denominated in EUR and Swedish crowns, however, not the currencies of other member states.

The following diagram provides the number of justified cases received in the period of 2003–2006.

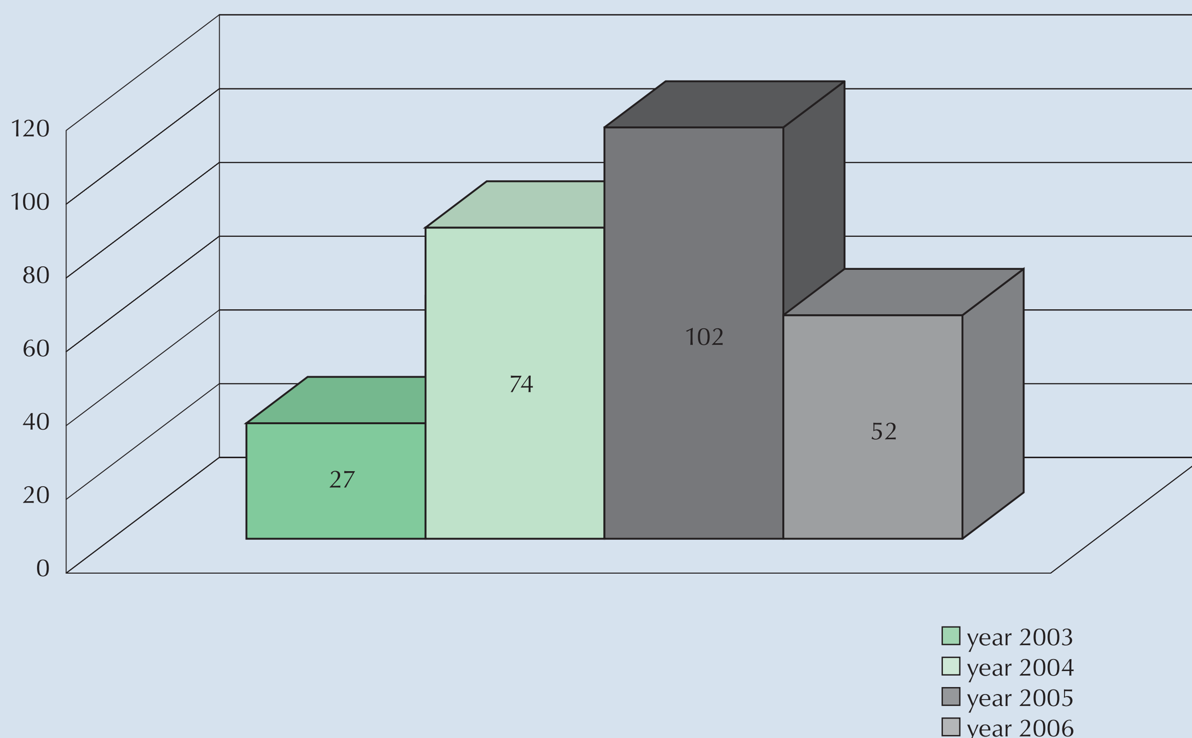

Diagram No. 4
The number of received justified cases in the years 2003–2006

The number of clients' visits in person in the Arbiter's registered office stabilized, during the period under review, on the approximate number of 25 clients a month.

Part of the clients (approximately two thirds), requested advice concerning the potential opening of proceedings before the Arbiter. However, some of the clients had problems which were outside the Arbiter's authority However, they were always provided with the basic guidance or opinions of the expert staff of the office.

[10] Regulation 2560/2001/EC on cross-border payments in EUR.

The overview of the number of petitions to open proceedings before the Financial Arbiter broken down by months is set out in the following diagram.

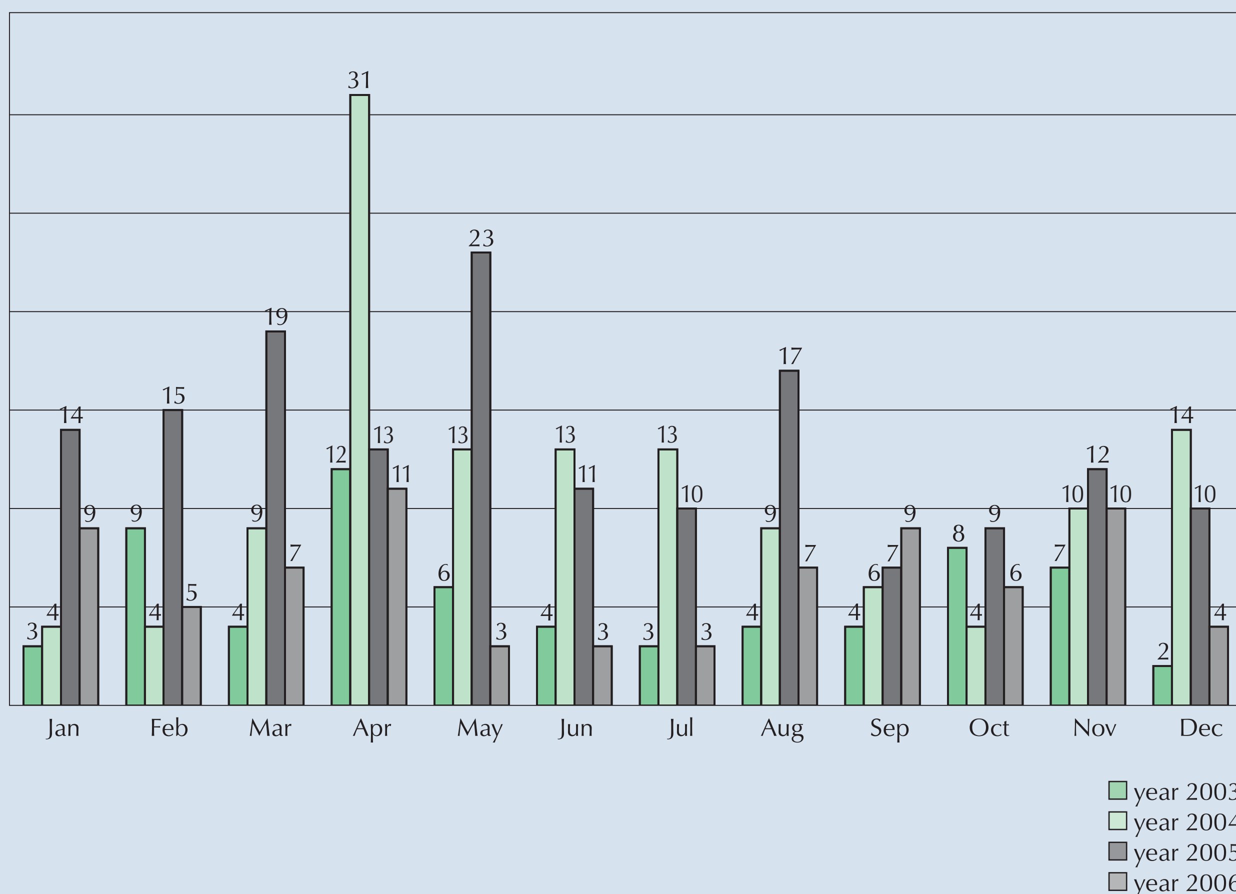

Diagram No. 5
Number of received petitions to open proceedings by months in the period of 2003–2006

From the above diagram No. 5 it is clear that there was a higher number of received petitions in 2004 and 2005 which may be explained by a continuously larger circle of people who were informed about the Arbiter's activities in the field of the consumer protection.

On the other hand, the decreasing number in 2006 is definitely caused by a more forthcoming settlement of claims by institutions, also thanks to the pro-active approach of the Arbiter.

The following diagram shows in what fields and with what frequency petitioners filed their petitions to open proceedings. The problems involved mostly the use of an electronic payment instrument in a cash machine (ATM) (i.e. use of a payment card in a cash machine for money withdrawal), use of this instrument at a trader when purchasing goods or services and problems related to making transfers pursuant to special legal regulation.
Other defects related to the use of an electronic payment instrument concerned e.g. the quality of this instrument, use of the Internet, etc.

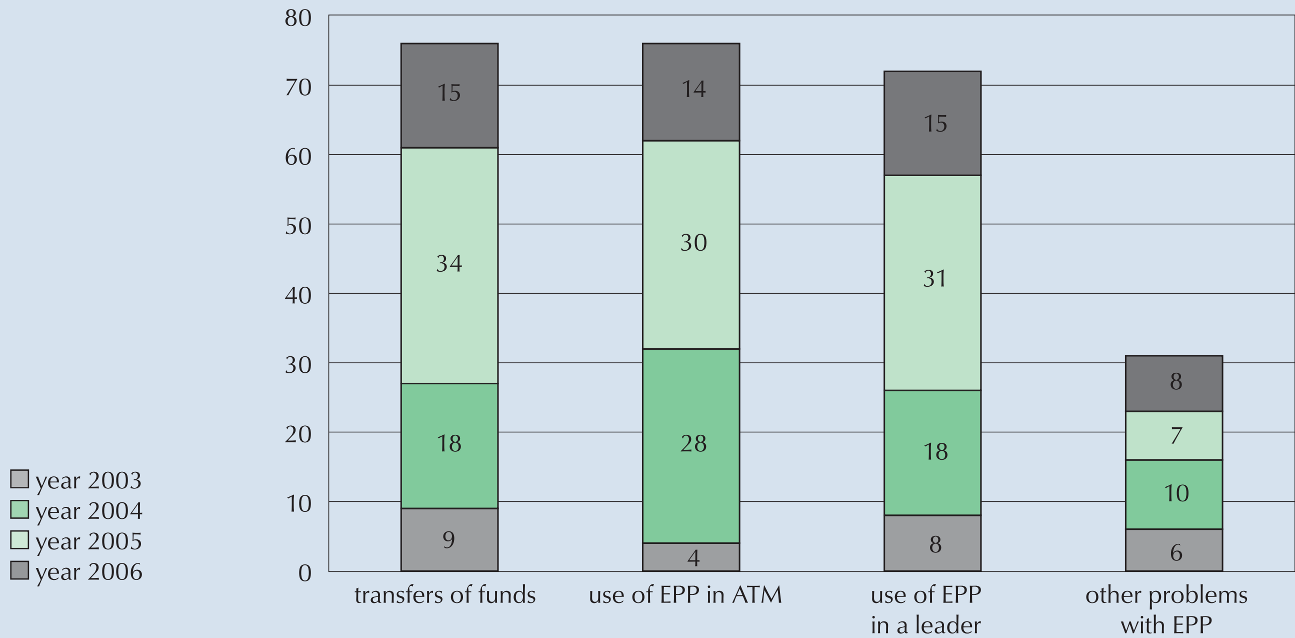

Diagram No. 6
Comparison of the number of justified cases in the period of 2003–2006 according to the fields of dispute

In 2006, there was the total number of 25 unjustified cases which were delivered to the Arbiter's office which is a low number when compared with the previous periods.

To provide a complete overview, we include also the diagram showing unjustified cases delivered to the Arbiter's office in the period of 2003–2006.

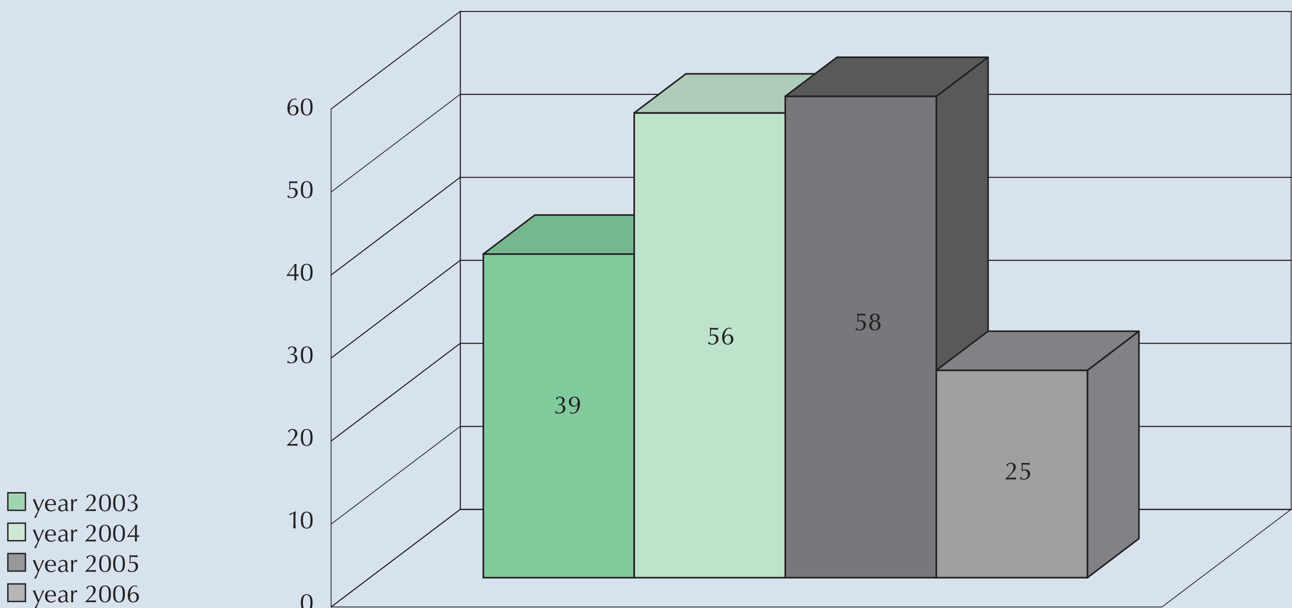

Diagram No. 7
The number of received unjustified cases in the years 2003–2006

Expressed in per cent, the number of delivered unjustified cases, when compared with the number of delivered justified cases, has continuously decreasing trend (60% of unjustified cases in 2003 decreased to almost 30% in 2006 – see diagram No. 8).

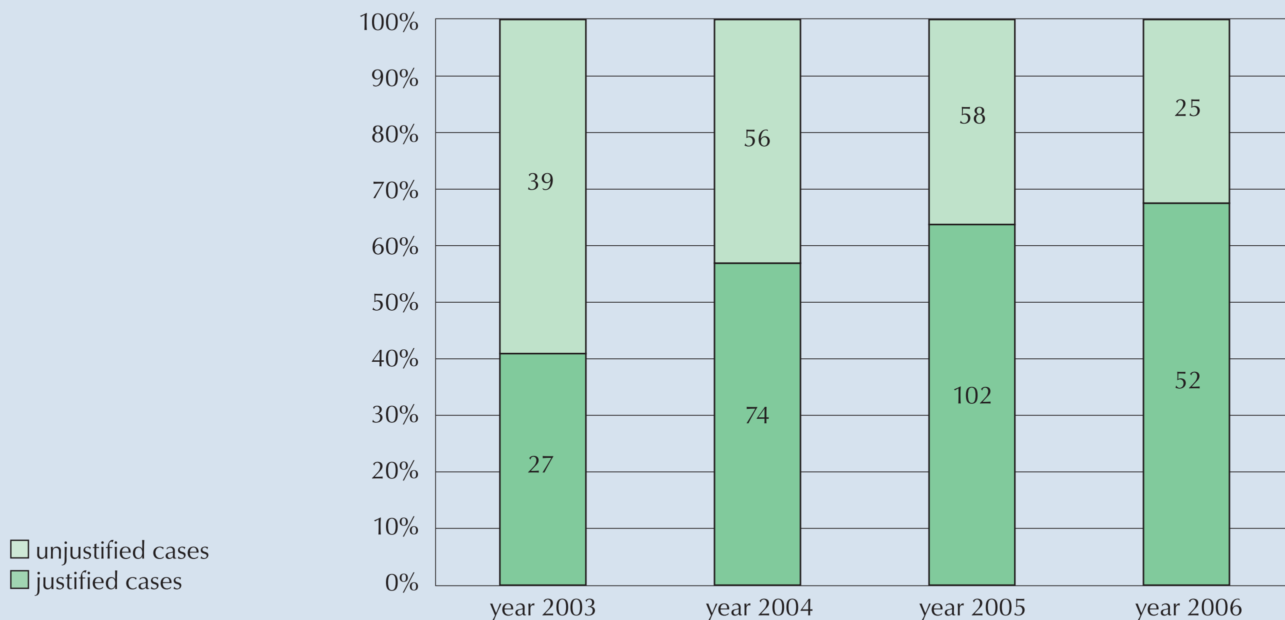

Diagram No. 8
The proportion of the number of unjustified cases and the number of justified cases in the years 2003–2006

In 2006, the total number of 21 cases were stopped at the petitioner's proposal.
In the period of 2003–2006, out of the total number of 255 justified and opened disputes, 71 disputes were discontinued on the basis of the petitioner's request to withdraw the petition.

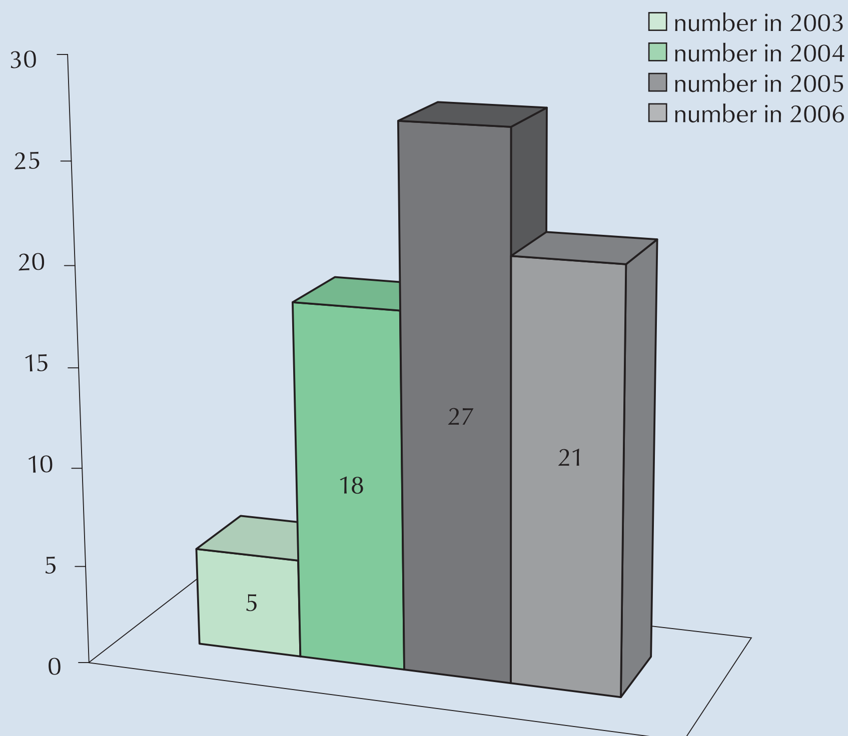

Diagram No. 9
Development in the number of withdrawn petitions in the period of 2003–2006

As already mentioned, it is clear from the presented figures that the existence of the Financial Arbiter in the Czech Republic plays the so-called preventive role, which is reflected in the fact that the institution more and more often indemnifies the client even before the Financial Arbiter issues a decision on the merits in the form of a finding.

Expressed in per cent, the number of withdrawn petitions has a continuously increasing trend (out of almost 20% of withdrawn petitions received in 2003 to 40% received in 2006 – see diagram No. 10).

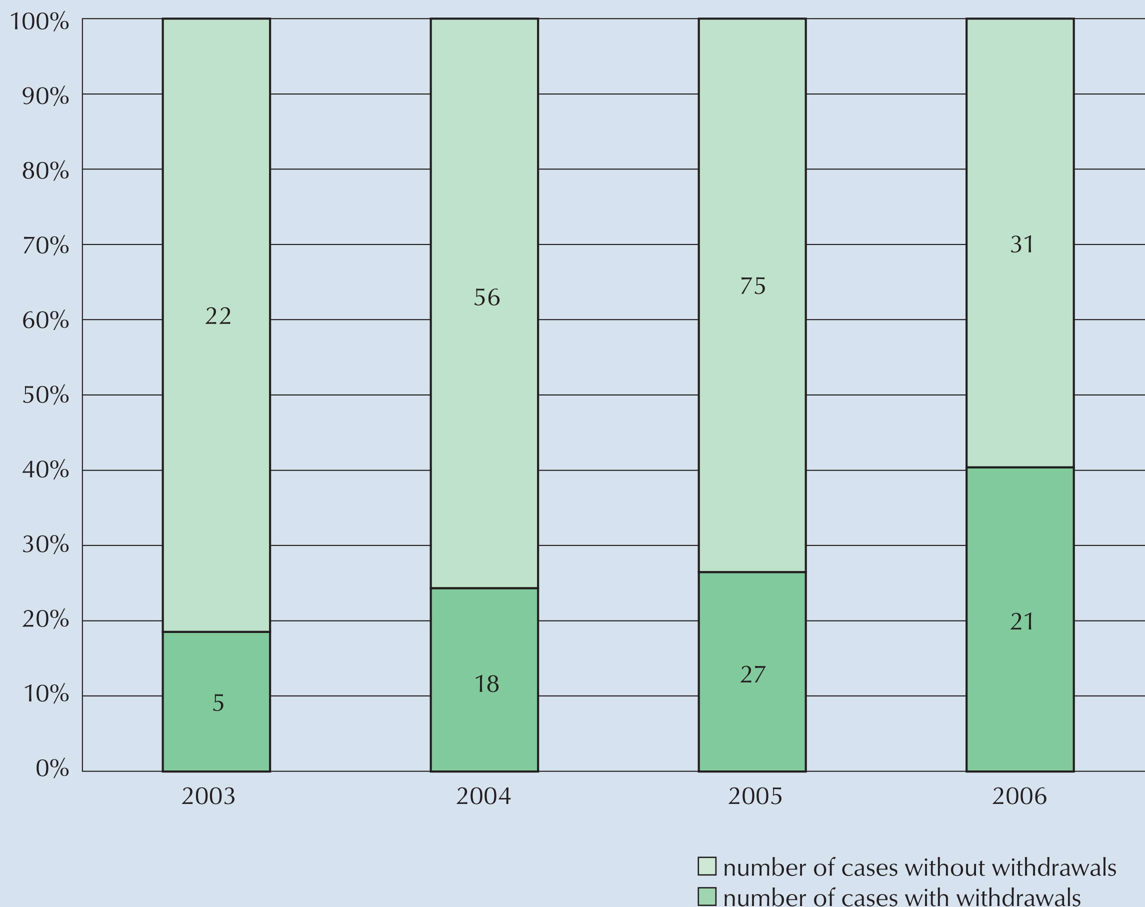

Diagram No. 10
The comparison of the number of justified cases in the given year and the number of withdrawn petitions in the period of 2003–2006

Based on the information which the Arbiter received in the period under review, he must reiterate that there still are institutions that are not interested in a friendly settlement of disputes with their clients.

The increasing number of court disputes (if the Arbiter was informed about them – as at the end of the year 2006, he registered the total number of 13 of them) whereby the institutions require the funds to be returned by their clients/ petitioners in the court including the requirement that the costs of the court proceedings are compensated to them, are indisputable evidence of this.
Other than that, the Arbiter registered cases (12), whereby institutions claim in the court that the Arbiter's decision is cancelled, usually in the matter concerning the imposed penalty. In these court disputes, the Financial Arbiter is a party of the dispute.
The Arbiter continues to hold the opinion which he publicly presents that this fact may be considered a form of pressure exerted by institutions on petitioners not to present claims to the Financial Arbiter.

From the above diagram No. 11 it also ensues that there is an increasing trend in presenting objections to the findings issued by the Arbiter, this diagram is, in order to provide more transparency, split into findings issued in favour of the institution or in favour of the petitioner.

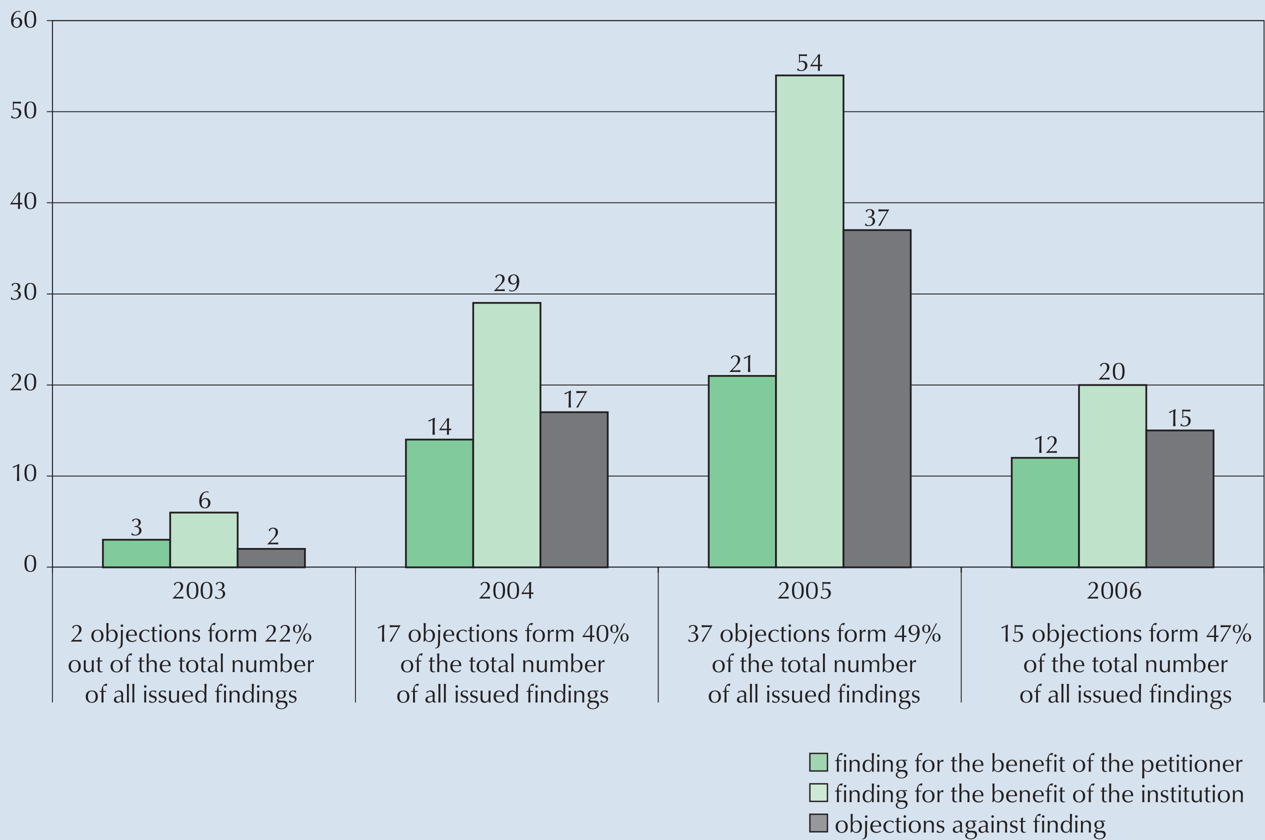

Diagram No. 11
Comparison of the number of objections against issued findings in 2003–2006

Expressed in per cent, the number of delivered objections concerning issued findings, when compared with the total number of issued findings in the period of 2004–2006, is almost the same (40% of received objections in 2004 when compared with 49% received objections in 2005, or rather 47% of received objections in 2006).

5.3 Information about Heard Cases

In compliance with the FA Act[11], the Arbiter presents some interesting cases he addressed in the previous period.

Use of Electronic Payment Instruments

Reg. No. 34/2006
A petitioner sought that the institution returns withdrawn funds in the aggregate amount of CZK 40,749.30 the reason being that on 16 October 2005 a payment card issued by the institution was stolen from him.
Between the theft and the blocking, the given payment card was abused for eleven purchases at various businesses. The persons who committed the theft attempted to withdraw cash using this payment card, during this the card was withheld by the ATM and returned to the institution.

The petitioner claimed all unauthorized transactions at the institution. Two of the claimed transactions amounting to CZK 1,794 and CZK 2,819 were acknowledged by the institution and returned to the petitioner. The claim of the remaining nine transactions amounting to CZK 1,709.20, CZK 8,550, CZK 3,412.80, CZK 6,734, CZK 5,775.50, CZK 1,499.80, CZK 6,388, CZK 5,081 and CZK 1,599 was not acknowledged by the institution as justified.
It ensued from the comments made by the institution that it does not agree with the petitioner's claim that the signatures on individual receipts are contrary to the signature specimen of the petitioner since the signatures on individual receipts do not demonstrate principal differences from the specimen signature of the petitioner on the payment card.
At the same time, the institution stated that the payment card was, as per S. XVII.1 of the Business Conditions, insured against the case of a financial loss sustained in connection with a loss or theft of the card. The insurance is provided by Insurance Company C.
On the basis of an expert report which was prepared upon the Financial Arbiter's request by expert Z., the Financial Arbiter found out that the disputed signatures on the sales receipts of 16 October 2005 in respect of amounts of CZK 8,550, CZK 6,734, CZK 5,775.50, CZK 1,499.80, CZK 1,599, CZK 3,412.80, CZK 6,388 and CZK 1,709.20 were not the petitioner's rightful signatures. A disputed signature on a sales document of 16 October 2005 for the amount of CZK 5,081 is not likely to be the true signature of the petitioner. They are low-quality forgeries of true signatures which were made by imitation, the so-called „free-hand imitation".

Based on the ascertained facts and the assessment of the evidence, the Financial Arbiter arrived at a conclusion that the institution, by its behaviour, violated the basic instruction governing the use of the payment card, although through a third party, by making possible its use contrary to S. 15 of act 124/2002 Coll. on the payment system which anticipates, when using a payment card, the identification of its holder in another way, i.e. by the means of a signature. In compliance with S. 375 and S. 331 of Act No. 513/1991 Coll., as amended, the institution is liable for damage sustained by the petitioner and is therefore obliged to return to the petitioner funds withdrawn in an unauthorized way amounting to CZK 30,749.30.
Other than that, based on the performed proving and applying S. 441 of act No. 40/1964 Coll., as amended, the Financial Arbiter arrived at a conclusion that the petition for CZK 10,000 is not justified since the petitioner, by not using the opportunity to ask for the payment based on the insurance of the financial loss sustained in conjunction with the loss or theft of the payment card, caused its larger scope and thus carries the damage proportionately in the above-mentioned amount.

Institution is therefore obliged to return to the petitioner withdrawn funds in the amount of CZK 30,749,30 with 8.75 % interest on late payment p.a. commencing on 17 October 2005 until 31 December 2005 and with 9 % interest on late payment p.a. commencing on 1 January 2006 until payment, all that within 15 days after this finding becomes legally effective.
The petition to return the withdrawn funds amounting to CZK 10,000 was dismissed.
As per S. 17a of Act No. 229/2002 Coll. on the Financial Arbiter, the Arbiter imposed on the institution a fine amounting to CZK 10,000 (in words: ten thousand Czech crowns) since he grants, in his finding, if only partly, the petitioner's petition.

Reg. No. 51/2006
The petitioner sought that the institution returns funds for unauthorized accounting for insurance C to a credit card, namely for the period of February – April 2006; ensuring that the contractual relationship with the institution is terminated; ensuring that the institution does not abuse its stronger position; imposing of sanctions on the institution for its behaviour; returning of interest charged in an unjustified way; the defrayal of expenses related to the proceedings in the total amount of approximately CZK 1,000 (i.e. for postal, telephone fees, loss of time).
The petitioner asked the institution on 27 January 2006 to cancel insurance C concerning his credit card as at 1 February 2006. However, the institution continued to charge the insurance to the petitioner.
The institution stated to have received from the petitioner a request made in writing for the termination of insurance C to his credit card, however, since the institution does not own specimen signatures of its clients, it could not verify the authenticity of the petitioner's signature on his request.

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[11] **S. 5(3) of Act No. 229/2002 Coll. on the Financial Arbiter, as amended**

The institution repeatedly pointed out to the petitioner in what way it is necessary to proceed in order for his requests to be granted by the institution, at the same time, during a telephone conversation, the petitioner was rerouted to the T service, however, the termination of the Programme did not take place on his part even then.
According to the Financial Arbiter, the petitioner, by sending his request to the institution in writing, did not violate the Business Conditions for the holders of X credit cards (hereinafter referred to only as the „Conditions“), since under point 14.3 letter a) which applies to the sending of communications to the institution, it is stated that „Unless these Business Conditions stipulate otherwise, any of your communications, requests and instructions must be made in writing and in compliance with the prescribed procedure valid at the given time and may be delivered in person or by recommended mail“.

The institution was invited by the Financial Arbiter to document its internal procedure taken by the institution, however, according to its communication, this prescribed procedure has not been prepared in writing by the institution.
From the above, it ensues that the institution proceeded, in respect of the petitioner, in an unauthorized way since it does not have its requirement, which it used as an argument, i.e. that the petitioner did not have his signature on his request for the termination of insurance C verified by a notary, in its Conditions or internal procedures. The petitioner, by sending his request to the institution in writing, did not violate the valid Conditions.

The requirement to be paid the expenses related to the claim, which the petitioner set out in his petition to commence the proceedings before the Financial Arbiter and which the petitioner quantified as amounting to approximately CZK 1,000, cannot be accepted by the Financial Arbiter since the amount of expenses was not precisely quantified by the petitioner and the petitioner failed to provide any documents by which he would support the expenses.
Based on the evidencing, the Financial Arbiter arrived at a conclusion that the petition is partly substantiated since it was proved that the institution breached the legal obligation ensuing from the contractual relationship with the petitioner.
The institution shall therefore be obliged to return to the petitioner withdrawn funds for the payment of the insurance concerning the credit card amounting to CZK 521.41 including the contractual interest on late payment p.a. for the period of 1 March 2006 until 30 April 2006 until paid, all that within 15 days after this finding becomes legally effective.

As per S. 17a of Act No. 229/2002 Coll. on the Financial Arbiter, the Arbiter imposed on the institution a fine amounting to CZK 10,000 (in words: ten thousand Czech crowns) since he grants, in his finding, although only partly, the petitioner‘s petition.

Reg. No. 30/2006
A petitioner sought that the institution returns funds withdrawn in an unauthorized way from cancellations in the aggregate amount of CZK 111,209.66 and CZK 49,874.85 claiming that the institution made, in an unauthorized way, the cancellation of authorized and to the petitioner‘s account credited funds from the acceptance of payment cards. Based on the funds from payment cards credited by the institution, the petitioner supplied goods. Subsequently, the institution cancelled the payments and thus misled the petitioner and injured him. Later, it was found out that the cards were stolen. The institution dismissed the petitioner’s claim in respect of these transactions.

The institution in its comments stated that the funds from the petitioner‘s account were withdrawn rightfully by the institution, namely in compliance with the contractual arrangements between the petitioner and the institution.
To the petitioner‘s account, funds from transactions made using payment cards were credited. However, the institution received, from the rightful holders of the payment cards, claims, whereby the holders disputed the realization of the transactions at the petitioner by a payment card in the amount of CZK 57,443 and by a VISA payment card in the amount of CZK 51,523.60. Based on these claims, the institution contacted the petitioner and asked him to provide all documentation proving that the transactions were authorized. Based on the documentation received, and due to the correctness of the claims, it was not possible to dismiss these claims according to the rules of the associations. The claims were thus granted and the transactions were cancelled for the petitioner, as a business place.
Based on the evidencing, the Financial Arbiter reached a conclusion that the petitioner failed to prove his statements and, at the same time, that the institution did not breach the provisions of Act No. 124/2002 Coll. on transfers of funds, electronic payment instruments and payment systems (the Payment System Act), as amended.
The petition to return the withdrawn funds amounting to the total of CZK 161,084.51 was dismissed by the Arbiter.

<u>Transfers of Funds</u>

Reg. No. 84/2005
A petitioner sought that the institution pays damages for a loss sustained due to a non-executed transfer in the amount of CZK 12,000, consisting in the fact that the tax deduction for pension insurance in the amount of CZK 2,880 failed to be granted. The petitioner justified his petition by the fact that on, 7 December 2004, he asked by phone for a transfer of the total number of seven amounts from his account No. 123456789/1234. From the account statement in January 2005, the petitioner found out that the transfer in the amount of CZK 12,000 to the credit of account No. 12-12345/5555 failed to be executed.

It represented a transfer for a superannuation fund which was to serve the purposes of income tax deductions of his wife and since her income is in the range subject to the tax rate of 32%, she suffered a loss amounting to CZK 2,880.
The petitioner also believed that the institution manipulated the record of his telephone conversation with the operator to obscure her fault in accepting the petitioner's order.

The institution, in its comments, stated that the petitioner made, on 7 December 2004, several orders by phone, in addition to others also a payment order in the amount of CZK 12,000 from his account No. 123456789/1234 to the credit of account 1212345/5555. The number of account, together with other data, was, at the end of their conversation, repeated by the telephone operator and the petitioner reconfirmed that it was correct. Due to the fact that the number of the recipient's account 1212345/5555 was provided incorrectly by the petitioner to the institution, the payment could not be credited and, as a failed transfer, it was returned back to the mandator on 10 December 2004.
In the course of the evidencing, the Financial Arbiter, based on the acoustic record of entering the controversial payment order of 7 December 2004, found out that the petitioner did not mention the expression prefix, hyphen or any other information which might lead to doubts on the part of the institution concerning the correctness or completeness of the number of the recipient's account.
From the above acoustic record, it is also clear that after the transfer was entered by the petitioner, the operator repeated the transfer requirements (i.e. including the number of the recipient's account in the form of 1212345/5555) and, when she asked whether the entered data is correct, the petitioner answered yes and thus expressed his consent with the transfer to be executed.
Based on the evidencing, the Financial Arbiter arrived at a conclusion that the institution, when executing the transfer amounting to CZK 12,000, proceeded as per the petitioner's instructions, in conformity with his order of 7 December 2004, in compliance with act No. 124/2002 Coll. on the Payment System and in conformity with contractual arrangements with the petitioner. For this reason, the institution could not cause any damage to the petitioner and thus cannot be liable for it.
The petitioner filed objections against this finding within the legal deadline saying that, in addition to other things, part of the record where the operator refused, because of a small number of figures, the number of account with the given prefix, was cut out and this missing part was replaced with other sounds including pauses and rustling of paper. The petitioner believes that the original records of conversations between the institution and himself should exist at the operators of telephone connection and the Financial Arbiter should have the right to request the disputed record at the operator as evidence. If the above does not exist, the petitioner has to put up with digital records which exist only at the institution and, in such a case, the petitioner states that the finding lacks any mention or reference to this shortcoming in the finding when the complaint was checked.
The Financial Arbiter assessed the challenged finding to its full extent based on the filed objections and he did not identify himself with the petitioner's objections for the following reasons:

The Financial Arbiter stated that the transfer made via telephone banking, i.e. the telephone conversation between the petitioner and the operator, consists, among other things, of a part in which the petitioner enters the requirements of a transfer (hereinafter referred to only as the „1st part of the conversation“) and of a part where the entered data are repeated by the operator and the petitioner's consent with these data is requested (hereinafter referred to only as the „2nd part of the conversation“). If we admitted the assumption that the 1st part of the conversation was intentionally, additionally adjusted, namely by „inserting sounds including pauses and rustling of paper“ as the petitioner claims, then, in order for this adjustment of the record to be meaningful, also the 2nd part of the conversation would have to be adjusted, namely in a very skilful manner. The reason is that in this 2nd part of the conversation, the operator speaks absolutely fluently. There are no indications of the 2nd part of the conversation being adjusted and not even the petitioner disputes this. Other than that, in this respect, a question arises why also the 1st part of the conversation was not adjusted as perfectly as this. Due to the above, the Financial Arbiter believes that the petitioner's claim concerning the manipulation and adjustment of the record of the telephone conversation is fake. That is why the Financial Arbiter did not find meaningful to check the authenticity of the disputed acoustic record since there is no evidence of the contrary.

The Financial Arbiter further stated that the fact is that the petitioner agreed with the entered requirements of the transfer as repeated by the operator and there is no evidence proving that the petitioner would be misled by the operator which is what the petitioner claims.
These objections, from the point of view of the facts, do not bring anything new, no new evidence that the Financial Arbiter might or should deal with, they basically express the petitioner's discontentment with the manner in which the evidence was assessed by the Financial Arbiter in the previous proceedings. Concerning this, it must be said that the Financial Arbiter protects justified interests of the clients of institutions by deciding disputes among them, namely based on objectively ascertained facts, to the best of his knowledge, in an unbiased way, impartially and without delays, in compliance with S. 12 para1 of act No. 229/2002 Coll. As per S. 12(3) of the same act, the Arbiter is not bound by the petition and, when making his decisions, he takes for basis the facts of a case and freely assesses the evidence.
Any facts set out in this decision, including those mentioned in the contested finding, led the Financial Arbiter to confirming the finding of 13 July 2005, registration number X/2005 contested by the petitioner.
Therefore, the Financial Arbiter decided as mentioned above.

Reg. No. 9/2006

A petitioner sought that institution returns the amount of CZK 264,888 withdrawn from his account by an institution. The amount represents the value of a cheque of bank Q2 worth EUR 9,000 presented to the institution and credited by the institution to the petitioner's account in the amount of CZK 261,453. After the petitioner found out that the amount was withdrawn, he made a claim in writing at the institution with a request for the amount of the paid and then withdrawn funds being returned. The claim failed to be settled, therefore the petitioner approached the Financial Arbiter in order to amend the situation.
The institution commented negatively on the returning of the funds and provided relevant documentation not as instructed by the Financial Arbiter but at its own discretion.

Concerning the petitioner's requirement itself, it communicates that the petitioner's proxy presented to the institution a forged cheque issued in the name of the proxy. The proxy asked this cheque to be paid saying that the cheque should be paid to the account of the petitioner. The amount of CZK 262 953 was credited to the petitioner's account corresponding to the amount of the cheque (EUR 9,000), namely out of the institution's resources. Subsequently, the institution was informed in a form of a swift message of bank Q2 about the fact that the cheque is forged and therefore would not be cashed. Therefore, the institution subsequently debited to the petitioner's account the amount of CZK 264,888 corresponding to the amount of the cheque in the „cheques sell" rate of the date of the transaction. Other than that, the institution transferred to the petitioner's account the amount of CZK 3,435 formed by a fee for the processing of the cheque collection (CZK 1,500) and the foreign exchange translation difference (CZK 1,935) between the amount credited to the account of the petitioner and the amount debited from the petitioner's account. These amounts should have been charged to the debit of the person who presented the cheque not the owner of the account.
The institution also stated that it proceeded, when debiting the amount, in compliance with S. XII. point 9 letter e) of the General Sales Terms forming part of the contract on the current account which is why it cannot meet the petitioner's requirement.
For all of the above reasons, the institution suggested to dismiss the petitioner's petition to return the withdrawn funds.
However, the Financial Arbiter set out that the client has to be always informed about the maximum possible deadline when he may be, due to the fact that a cheque fails to be paid, burdened with a returned payment. Legal grounds for this may be found in the above provisions of the act on the payment system.

According to the statement of the proxy, based on an oral negotiation recorded by the Financial Arbiter in the Minutes of a provision of oral explanation, the employees of the institution acted, in respect of the proxy, in an incomprehensible and unclear way. The proxy was then invited to sign a prefill form Order to collection/immediate cashing of a cheque which they already had prepared and they brought filled in. When asked what it means, the proxy was told that it is a confirmation of the fact that the institution accepted the cheque.
The Financial Arbiter perceives as lacking, especially in respect of the document Order to collection/immediate cashing of a cheque, an exact communication about how different types of cheques are processed, until when what cheques may be cancelled and what types of cheques may be cancelled.
The form Order to collection/immediate cashing of a cheque, although prefilled by an employee or employees of the institution, does not contain in its header, as identified by the Financial Arbiter, the marking of the manner in which the cheque is processed – collection or immediate cashing. The Financial Arbiter deduces from it that the institution failed to inform the client as appropriate about in what way it was going to process this cheque and this breached the provisions of S. 7(1), letters a) and d) of act No. 124/2002 Coll., on transfers of funds, electronic payment instruments and payment systems (the Payment System Act) which is based on the provisions of S. 3 of the regulation of the European Parliament and the Council No. 97/5/EC of 27 January 1997, on cross-border transfers and whose objective is to ensure the appropriate level of information to be provided to the clients. The execution of the institution's right ensuing from the above clause stipulating absolute freedom of the institution to deal in unlimited future with the credited assets without the client's being aware of it would often have to be considered contrary to S. 3(1) of the civil code.

The Financial Arbiter considers very serious the fact clearly ensuing from the oral negotiations recorded by the Financial Arbiter in the Minutes of an oral explanation, that the proxy, even though he expressed doubts concerning the authenticity of the cheque when presenting it and required a reliable crediting, was not informed about the possibilities about how to process the cheque by the institution and their characteristics – the collection of the cheque at the bank of the drawer (After Final Payment) or immediate cashing with the reservation of a subsequent cancellation (Credit Under Usual Reserve).
It ensues from the Minutes of an oral explanation that approximately after 4 weeks the money really arrived to the petitioner's account and both the proxy and the petitioner were very surprised since the dealer really did not give them a good impression. The cheque amount was credited to the petitioner's account, the entry on the statements goes: DEFRAYAL OF A CHEQUE FOR COLLECTION. The petitioner and the proxy deemed based on this that the institution did verify the cheque and, after having found out that everything was all right, it credited the cheque amount to the determined account and thus confirmed the information which the proxy received when he presented the cheque in the institution. The proxy went to the institution's branch in person to ask about this. He wanted to know whether it really was so and in what way it was possible to collect the amount from the petitioner's account. None of the above employees of the institution said that it was not completely verified etc., on the contrary, on their part there was not even a shadow of doubts that it might have been otherwise.

As the Financial Arbiter found out from the statement No. 1 concerning the account, the cheque value amounting to CZK 262,953 was credited to the petitioner‘s account. The item in the statement is described: „DEFRAYAL OF A CHEQUE FOR COLLECTION“ and a number of apparently identification numbers. The petitioner also received a document called ADVICED NOTE „DEFRAYAL OF A CHEQUE TO THE ACCOUNT“ including the announcement of the settlement of the defrayal of a cheque accepted for collection with the credited value of the cheque expressed in crowns, amounting to CZK 261,453 and the amount of the institutions expenses amounting to CZK 1,500.

The item is marked „DEFRAYAL OF A CHEQUE FOR COLLECTION“ without any further specification whether it is a final crediting without a possibility of a potential cancellation (After Final Payment) using words e.g. „FINAL SETTLEMENT“ or words of similar purport, or an advance crediting with a potential of a subsequent cancellation, e.g. „WITH THE RESERVATION OF CANCELLATION“ or of similar purport. The Financial Arbiter considers the information non-compliant with the requirements of S. 7(3) of Act No. 124/2002 Coll., on transfers of funds, electronic payment instruments and payment systems (the Payment System Act).
Due to the presented methodological procedures, although presented to the Financial Arbiter incompletely and due to the relatively very long period of crediting funds to the petitioner‘s account, a conclusion should be arrived at that the cheque was processed by the institution as a cheque for collection (After Final Payment) and not through the Cash Letter Service (Credit Under Usual Reserve) which is confirmed also by the information on the account statement DEFRAYAL OF CHEQUE FOR COLLECTION. That means that the institution did not have the right to debit the already credited amount of the cheque value from the petitioner‘s account. The exclusion of the performance of the cancellation in the case the cheque is processed in the After Final Payment method is considered by the Financial Arbiter a business custom generally maintained within the banking industry. When determining mutual rights and obligations of the petitioner and the institution, the Financial Arbiter therefore considers, in compliance with S. 264(1) of the Commercial Code, also to this business custom.

In the addressed case, the Financial Arbiter found out that the institution breached provisions of S. 7 (1) letters a) and d) and S.7 (3) of Act No. 124/2002 Coll., on transfers of funds, electronic payment instruments and payment systems (the Payment System Act). However, above all, the Financial Arbiter arrived at a conclusion that the institution processed the cheque in relation to the client in the After Final Payment method. The processing of a cheque in this way excludes the possibility for the institution to withdraw from the client‘s account funds which were previously provided to the client based on the fact that the cheque was cashed. The institution thus was not authorized to withdraw the funds from the petitioner‘s account, it debited them from the petitioner‘s account without a legal substantiation and it thus enriched itself to the detriment of the petitioner. It is obliged to issue this unsubstantiated enrichment to the client in compliance with S. 451 of the civil code.
The institution is therefore obliged to return to the petitioner the withdrawn funds in the amount of CZK 264,888 with 8.75% interest on late payment p.a. commencing on 15 December 2005 until 31 December 2005 and with 9.00% interest p.a. for the period from 1 January 2006 until payment, all that within 15 days after this finding becomes legally effective.

As per S. 23 (2) and (3) of Act No. 229/2002 Coll. on the Financial Arbiter, as amended, the Arbiter imposed on the institution a fine amounting to CZK 26,488.88 since he grants, in his finding, the petitioner‘s petition.

The institution returned back to the petitioner the amount acknowledged by the Financial Arbiter, however, immediately after that it sued the petitioner at the court with the local and subject-matter jurisdiction for this amount to be returned back to it. The court decided that the petitioner’s, i.e. institution‘s claim was dismissed. The court, in the justification of his decision stated, in addition to other things, that the evidence performed by the Financial Arbiter during the proceedings before the Financial Arbiter became a groundwork material for the decision in the given matter by the court. The court did not review the correctness of the Financial Arbiter‘s decision since this is not within its authority, however, it took for basis his conclusions and assessments as an expert. In the proceedings before the Financial Arbiter it was proved and identified that the accused (FA‘s note – i.e. the petitioner) but the suitor (FA‘s note – i.e. the institution) who breached his obligations. However, the decision has not become effective since the institution filed a corrective measure.

6. Selected Information from the Arbiter's Work

6.1 Proceedings before the Arbiter

It must be said that the Arbiter, as opposed to the beginning period of the first two years, mostly did not recently encounter, in most of the cases, a significant lack of synergy on the part of the institutions. Approximately in one third of cases, however, the Arbiter had to, with a reference to the Rules of Administrative Procedure, approach other participants asking for evidentiary materials (usually dealers or the Police of the Czech Republic).

6.2 Issues Not in the Arbiter's Powers

Due to the incorrect interpretation of the FA act and especially its competence on the part of the public, petitions have been arriving to the Arbiter's office to open proceedings or rather requirements to investigate or make amends by the Arbiter in areas which are outside his powers.

They are in particular the following areas:

- terms and conditions of maintaining current accounts
- termination of contracts on savings for building purposes
- provision of the beneficiary's identification data by the beneficiary's bank in the case of unsubstantiated enrichment
- disproportionate interest on monetary loans from non-banking entities
- provision of credit by banks
- disposal of deposited funds in the case of a declaration of bankruptcy over the account holder or issuance of a decision on compulsory debiting from the obliged person's account
- transfers outside the territory of the EU and EEA
- all cases that had occurred before the FA Act came into effect
- issue of private pension schemes
- building saving (treatment of interest and government support)
- bank fees
- loan agreements (contractual conditions)
- complaints about insurance companies
- complaints about bank employees
- queries outside the area of banking
- procedures applied by financial authorities
- determination of interest in deposit accounts
- use of security boxes
- deceptive publicity on the part of the banks – promises of funds under some conditions and unilateral cancellation of such a promise by the bank

7. The Arbiter's International Co-operation

financial dispute resolution network

Co-Operation with FIN-NET

In October 2006, the Arbiter's deputy participated a meeting of FIN-NET in Brussels which was again organized by the European Commission, Headquarters for Internal Market and Services. At the meeting, the negotiations were led concerning the creation of a common functional working environment for out-of-court resolution of disputes, other than that, information by the Commission was provided and representatives exchanged new experience. Information was provided about the establishment of FIN-NET's steering committee. All FIN-NET members (i.e. including the Financial Arbiter) are obliged to inform the steering committee about their activities by the means of a form which will be distributed and subsequently, after the processing, the information will be accessible on FIN-NET's website.

Experience from Italy

In January 2006, the Arbiter's deputy went to Rome. The Institute of the out-of-court settlement of disputes in the area of banking represents a group of five experts (elected committee) led by the president. The office is independent, however, it is funded from the funds of the Italian banking association using contributions from institutions. The scope of the authority is relatively large. Complaints are launched on the clients' petition. The committee must find a solution within 90 days of the commencement. The decision made by the committee is binding for institutions, however, not for petitioners.

Experience from Greece

In June 2006, the Arbiter's deputy was at a meeting in Athens at the institution of the Greek banking ombudsman – Hellenic Ombudsman for Banking-Investment Sevices (OBI). OBI works as a private legal entity and is funded from the contributions of institutions which are determined according to their budget. In 2005, this institution addressed the total of 130 complaints. OBI issues only recommendations and, after it is received, the involved parties must provide their comments within 10 days saying whether they accept it (out of 95% they usually are accepted by the banks). If a case winds up in court, the OBI's decision is usually considered an expert opinion concerning the matter.
The average period when cases are resolved is usually 2 months. Proceedings before the ombudsman is for free.

8. Proposed Legislative Changes

In 2006, an amendment of the act on Financial Arbiter[12] was passed in the preparation of which the Arbiter also participated. This was an amendment related to an increase in the rationality of proceedings before the Financial Arbiter.

From the Arbiter's practice, a need to adjust some of the existing legal norms ensued for reasons of the speeding up of the course of the proceedings. This especially concerned changes related to the breakthrough into the banking secret or confidentiality for the purposes of presenting information to the Arbiter in the course of the proceedings.
In conjunction with this, after the Arbiter's initiative in the period of 2003–2006, the act on banks was amended,[13] act on money laundering[14] and the payment system act.[15]

[12] Amendment executed by acts No. 558/2004 Coll. and 57/2006 Coll.
[13] S. 38 (3), letter j) of Act No. 21/1992 Coll., on banks.
[14] S. 7 (4), letter k) of Act No. 61/1996 Coll., on certain measures against the legalisation of yields from criminal activity.
[15] S. 3(3) of Act No. 124/2002 Coll. on the payment system.

Conclusion

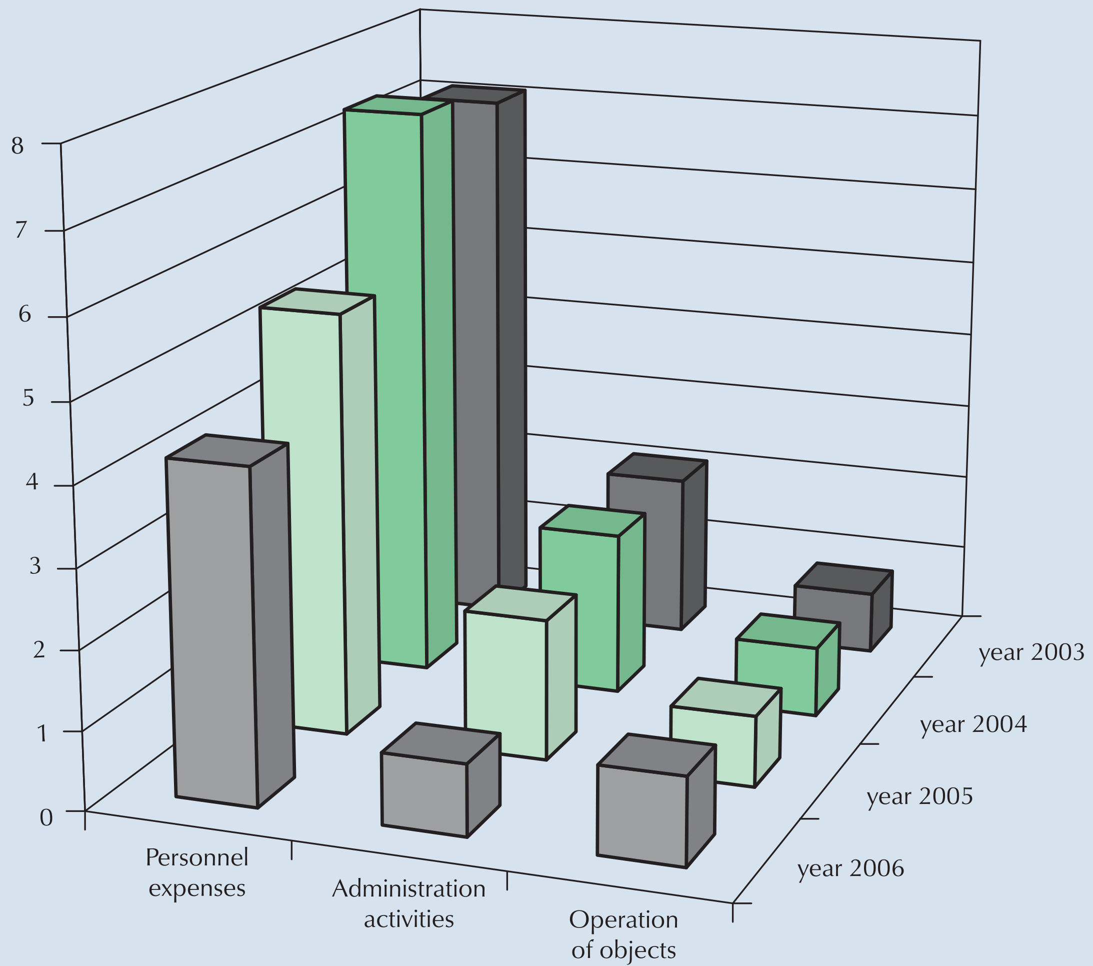
The annual report of the Financial Arbiter's activities includes information about the Arbiter's and his deputy's activities for the year 2006, or rather the period of 2003–2006.

The institute of the Financial Arbiter gradually becomes part of the banking environment. The existence itself of this institute contributes to the fact that institutions gradually reassess their approach to the solution of claims made by their clients and more and more often satisfy their justified claims.

It may be said that in the future, the consumer protection in the area of banking should be extended in another direction, especially into the area of insurance, securities, commercial and specialized banking. The CR citizens do not yet enjoy the same rights in the out-of-court settlement of disputes as it is in the area of the financial market in the original EU countries.

JUDr. Ing. Otakar Schlossberger

APPENDIX No. 1



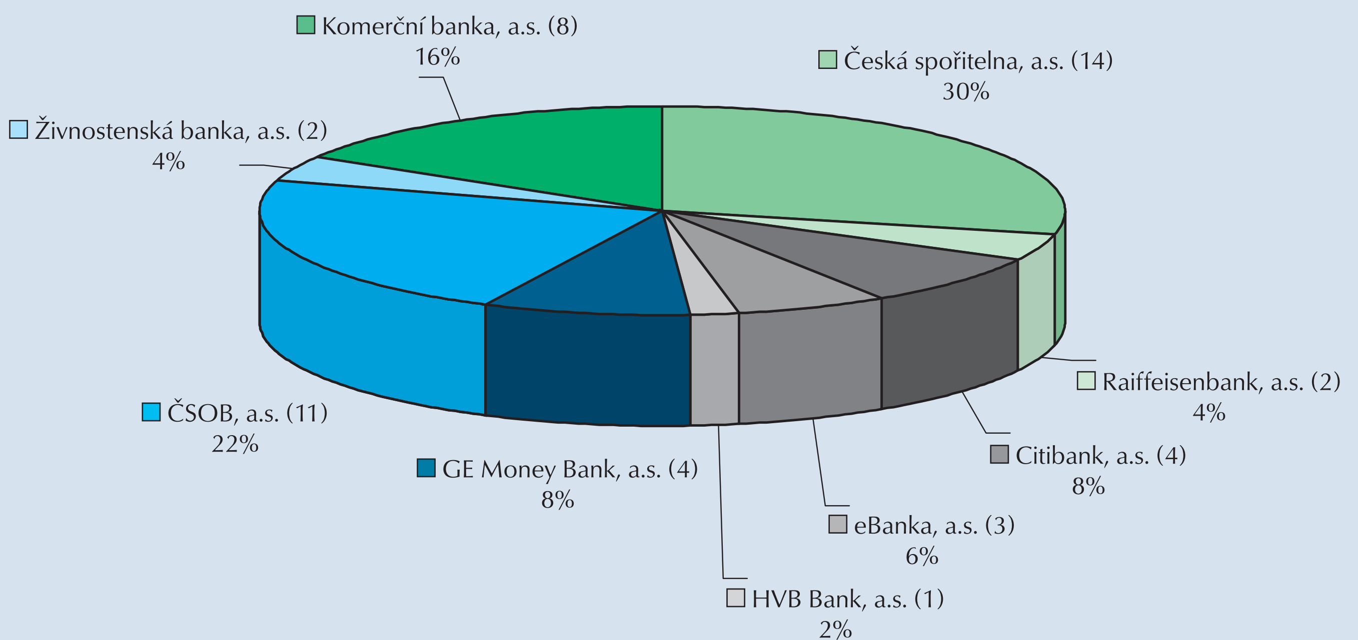
	Personnel expenses	Administration activities	Operation of objects
year 2003	4,2	0,9	1,1
year 2004	5,4	1,8	0,9
year 2005	7,4	2,1	0,9
year 2006	7,1	2,1	0,8

APPENDIX No. 2

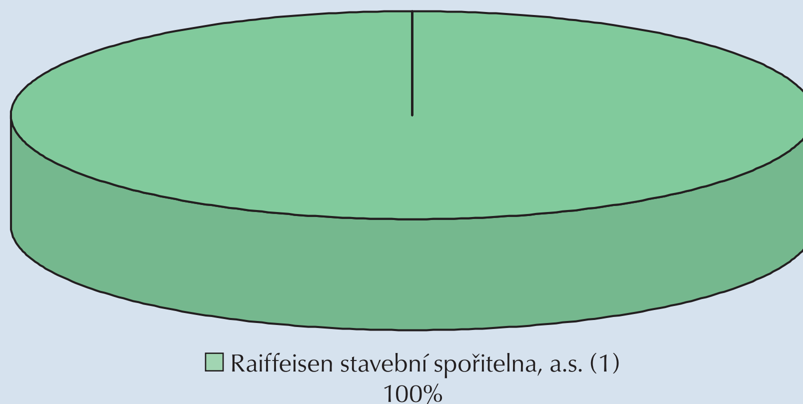
Specification of Cases by Institutions Mentioned in Petitions to Open Proceedings in 2006

Justified Cases – total number of 52 cases

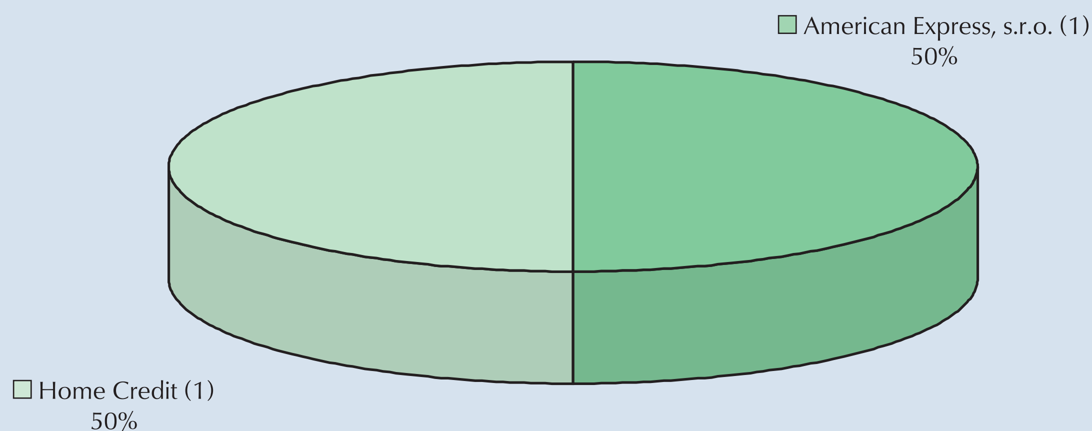
Survey of institutions – banks (49 cases)



Survey of institutions – of them building societies (1 case)

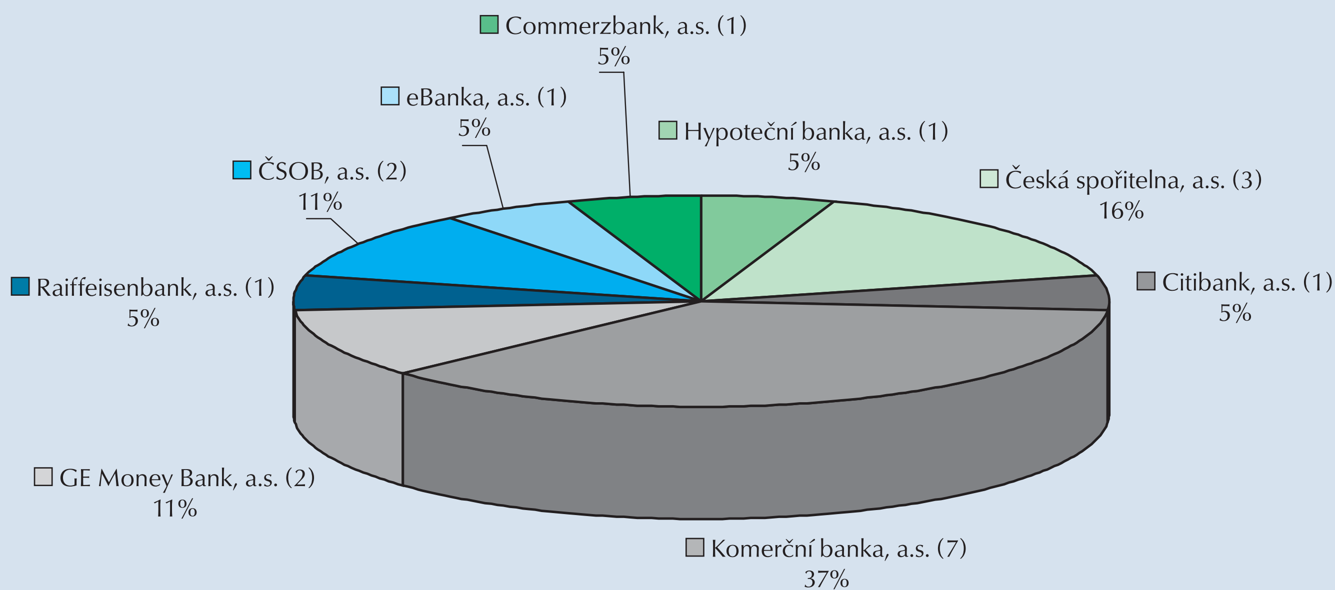


Survey of institutions – of them other institutions (2 cases)

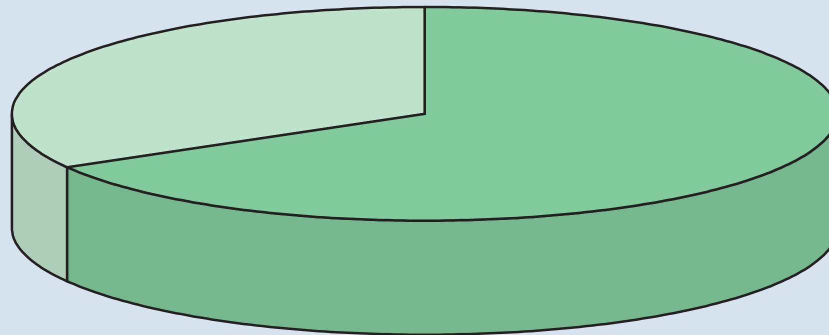


Unjustified Cases – total number of 25 cases

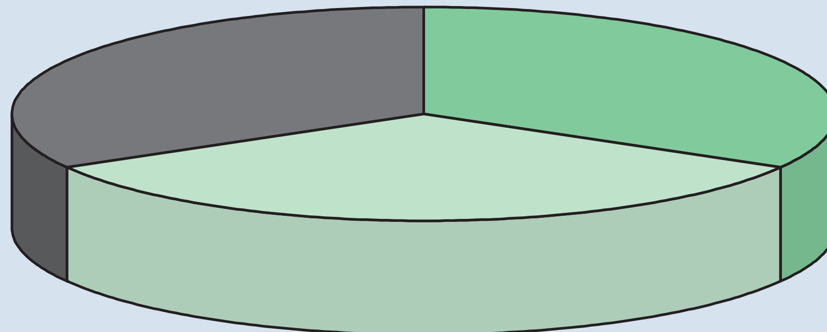
Survey of institutions – of them banks (19 cases)



Survey of institutions – of them building societies (3 cases)



Survey of institutions – of them other institutions (3 cases)



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