ANNUAL REPORT ON THE ACTIVITIES OF FINANCIAL ARBITRATOR FOR 2013

according to Section 21 of Act No. 229/2002 Coll.,
on the Financial Arbitrator, as amended

2014

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I. INTRODUCTION BY THE FINANCIAL ARBITRATOR

The Financial Arbitrator is to be seen as a specialized state-established office with a competence to resolve certain civil disputes arising in financial markets. The Financial Arbitrator shall decide fairly and in accordance with the law. However, it is also obliged to assist the weaker party, i.e. the customer, mostly consumer, with submitting their claims. Proceedings before the Financial Arbitrator are free of charge and legal representation is not necessary.

The Financial Arbitrator is competent to resolve disputes between financial institutions and their customers, particularly consumers, arising out of the provision of payment services, offering, intermediating or providing consumer credits, in the collective investment through standard funds, and since November 2013 also disputes concerning the offering, providing or arranging life insurance or foreign exchange trades. The proceedings can be initiated only on the customer's suggestion and is free of charge. Potentially, therefore, the number of disputes may be high with regard to publicly available data on the number of contracts concluded.

As far as the reference year 2013 in concerned, although the previous years 2011 and 2012 were ground-breaking due to a significant expansion of the scope of the Financial Arbitrator's activities by disputes concerning consumer credits, and an independent organizational unit, i.e. the Office of the Financial Arbitrator, was formed in order to perform tasks related to professional, organizational and technical aspects of the Financial Arbitrator's activities, the year 2013 was yet another significant milestone.

It turns out that the Financial Arbitrator gets into the consciousness of a growing number of people, either through their own edification or that of cooperating non-profit organizations, as well as some other initiatives which, unfortunately, seems to be more committed to their own benefit than the consumer protection.

In terms of figures, i.e. numbers of disputes handled and queries received, the number of more than 700 proceedings initiated in 2013 was three times higher than the number of cases initiated in 2012, while the number of queries handled nearly doubled to almost 2,300. Among these disputes and queries received, the area of consumer credits again was the clear leader.

The results of decision-making activities can be generally judged very positively. The Financial Arbitrator solved a large number of disputes that ended in a compromise or in which the Financial Arbitrator agreed with the petitioner, or granted petitioner an entitlement to compensation from a financial institution against which the petition was intended. Besides this, the Financial Arbitrator noted that some petitioners wrongfully believe that though the law is not on their side, the Financial Arbitrator is obliged to protect the weaker party and not to deliver a fair dispute resolution.

Since the second half of 2012 and throughout 2013, the petitioners disputing the fees for credit account management or credit administration started to approach the Financial Arbitrator in large numbers, both individually, or on the basis of a recommendation by an initiative formed (around 400 disputes), and collectively through a civic initiative and its cooperating attorney (93,000 petitions, but not the same number of petitioners, or 2,339 combined proceedings of 1,981 petitioners). The actual results of disputes show that the fee for credit administration, if the bank actually provides services related to credit administration in turn, is not useless. This does not exclude cases where the Financial Arbitrator admitted in a fee dispute, so far non-finally, that the bank has been gradually increasing the credit administration fee, without having any authorization to do so.

There was really a lot of hustle and bustle at the end of 2013. Collectively lodged petitions in fee disputes, and moreover the launch of a new agenda of life insurance disputes, in staffing which counts

less than two dozen of full-time workers, provoked debates about whether the Financial Arbitrator is able to handle particularly the fee disputes in less than hundreds of years. So far these fears have not been confirmed.

Regarding the management of the Office of the Financial Arbitrator as an organisational unit of the state and separate accounting entity, then no binding indicators or total volume of state budget funds earmarked for the activities of the Office of the Financial Arbitrator were exceeded in the course of 2013. Necessary funds for personnel strengthening during 2013 (temporary vesting of systemized positions by the Ministry of Finance as the chapter administrator) were provided from the own resources of the Office, specifically from entitlements based on unused expenditure of preceding periods. As in 2011 and 2012, the Office of Financial Arbitrator only incurred necessary expenses on the activities in the reference period. The Financial Arbitrator does not use legal services or legal representation at all, expenses on missions abroad were spent effectively in an absolutely necessary scope and with regard to the total budget of the Office of the Financial Arbitrator and below-limit or above-limit public contracts are out of question.

In Prague, on 31 May 2014

Mgr. Monika Nedelková m.p.
The Financial Arbitrator

II. EXCURSUS – LEGAL STATUS OF THE FINANCIAL ARBITRATOR WITHIN THE CZECH LAW

The institution of the Financial Arbitrator as an extra-judicial body to deal with certain private litigation in the financial market originated in the Czech Republic on 1 January 2003 pursuant to Act No. 229/2002 Coll., on the Financial Arbitrator.

One of the primary motives for establishing the institution of the Financial Arbitrator was to harmonize the Czech law with acquis communautaire in the period before admission of the Czech Republic as a member state. The requirement for harmonizing the Czech law with the Community acquis resulted primarily from (i) Art. 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); (ii) Commission Recommendation 98/257/EC of 30 March 1998 on the principles applied to the bodies responsible for out-of-court settlement of consumer disputes; (iii) 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; or (iv) 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 assumed that a special act would be adopted, in this case Act No. 229/2002 Coll., on the Financial Arbitrator, concerning the out-of-court resolution of disputes regarding the transfer of money under Act No. 124/2002 Coll., on transfers of funds, electronic means of payment and payment systems (hereinafter the Payment System Act), provided that the disputes that arise between transferring institutions and their clients while transferring the funds, can be referred by the clients to a dispute settlement authority acting under a special law. Similarly, in disputes which have arisen between the issuers and holders at issuance and use of electronic means of payment, the holders could start to appeal to a dispute settlement authority acting under a special law. This body for out-of-court dispute resolution became just the Financial Arbitrator. The right of any customer to go to court was not affected by it, therefore it is maintained.

By adopting the Financial Arbitrator Act, a new specialized administrative authority was established within the Czech law, which is competent to resolve private disputes. Act on the Financial Arbitrator does not contain an explicit definition of the legal nature of institution of the Financial Arbitrator, it is, however, well formulated e.g. by the Supreme Administrative Court in its decision (see *the Judgment of the Supreme Administrative Court of 19 April 2007, File No. Ca 11 116/2007, Ref. No. 2 Afs 176/2006 - 96*). Within a personal perspective, the Financial Arbitrator has jurisdiction in disputes between private individuals, from a substantial point of view these are the private law disputes, and as far as their legal nature is concerned, these are disputes between the parties as defined by law, when the Financial Arbitrator makes decisions on subjective private rights. From a perspective of procedural means, the proceedings are facultative and administrative; from the point of view of the Financial Arbitrator's position we speak about decision-making of a public authority (which is not part of the judicial system of the Czech Republic) on individual rights of parties in dispute and the outcome of such decision is an individual administrative act, which is binding and constrainedly enforceable. In accordance with the constitutional order, the possibility was left for reviewing the decision of the Financial Arbitrator (award, decision imposing a fine) by court.

The quite exceptional position of the Financial Arbitrator in resolving disputes has two attributes: proceedings before the Financial Arbitrator may be initiated by a client of financial institution, in particular a consumer, and at the same time the Financial Arbitrator is primarily a conciliation body. Resolving consumer disputes by conciliation procedure, if possible, is a trend, which is explicitly required within the EU member states.

Since the inception of the Financial Arbitrator, the costs of their activities have been charged to the budget of the Czech National Bank. The Financial Arbitrator performed their dispute resolving work with the help of employees being temporarily allocated from the Czech National Bank, while the Czech National Bank was authorized to check their management through the budget and agreement made with the Financial Arbitrator.

In the following years, the sphere of the Financial Arbitrator's activities has seen the limits for resolving disputes to be gradually removed, while areas, in which the Financial Arbitrator may take decisions, to be expanded.

In connection with the adoption of a new Payment System Act No. 284/2009 Coll., which was adopted mainly because of the transposition of Directive 2007/64/EC of the European Parliament and of the Council on payment services in the internal market, and Directive 98/26/EC of the European Parliament and of the Council on settlement finality in payment and securities settlement systems, the related amendment to the Financial Arbitrator Act expanded the powers of the Financial Arbitrator in the area of payment system. From 1 November 2009, the Financial Arbitrator is competent to decide disputes between payment service providers and payment service users in the provision of payment services, or between electronic money issuers and electronic money holders in the issuance and redemption of electronic money.

With effect from 1 July 2011, Act No. 180/2011 Coll. has extended the decision-making competences of the Financial Arbitrator by another area of the financial market, namely (i) disputes between creditors or intermediaries and consumers in the offering, providing or arranging consumer credits, and (ii) disputes between investment funds, investment companies, or foreign investment companies and consumers regarding the standard funds of collective investment and special funds of collective investment that collect money from the public.

With effect from 1 November 2013, Act No. 278/2013 Coll. has extended the powers of the Financial Arbitrator for the last time to include disputes between (i) an insurance company or insurance intermediary and the candidate of insurance, policyholder, insured, or a person authorized or beneficiary in the offering, intermediating or arranging life insurance, and between (ii) an operator of foreign exchange activities and those interested in foreign exchange trades or persons with whom the foreign exchange trade has already been executed.

Financing of the Financial Arbitrator's activity from the budget of the Czech National Bank has been long the subject of repeated criticism from the European Commission and the European Central Bank due to a gross non-compliance with acquis communautaire. This criticism appeared, for example, in Convergence Reports issued by the European Commission and the European Central Bank for the period 2006-2008. The Czech Republic was required to amend the existing legislation and bring it into line with the principle of prohibition of monetary financing and requirement as to ensure the independence of national central banks.

In order to eliminate the above criticised deficiency in the financing of the Financial Arbitrator, the Office of the Financial Arbitrator was established as a separate organizational unit of the state. It is a separate accounting entity whose revenues and expenses are part of the budget chapter of the Ministry of Finance with effect from 1 July 2011.

III. THE FINANCIAL ARBITRATOR AND THE OFFICE OF THE FINANCIAL ARBITRATOR

With effect from 1 July 2011, the Financial Arbitrator and Deputy Financial Arbitrator are appointed and dismissed by the Government upon proposal of the Minister of Finance; the Financial Arbitrator or Deputy Financial Arbitrator are therefore no longer elected by the Chamber of Deputies. The Financial Arbitrator is responsible for performance of their duties to the Government. Report on the Financial Arbitrator's activities and costs incurred to ensure the conduct of these activities is submitted to both the Government and the Chamber of Deputies.

Employment and remuneration of the Financial Arbitrator, Deputy Financial Arbitrator and other employees in the Office of the Financial Arbitrator are governed by the Labour Code. Since 1 July 2011, the salary of the Financial Arbitrator is determined by the Government, while the salaries of Deputy Financial Arbitrator and employees of the Office of the Financial Arbitrator are determined by the Financial Arbitrator.

Mgr Monika Nedelková acts as the Financial Arbitrator since November 2011.

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

Mgr Lukáš Vacek acts as the Deputy Financial Arbitrator since March 2013.

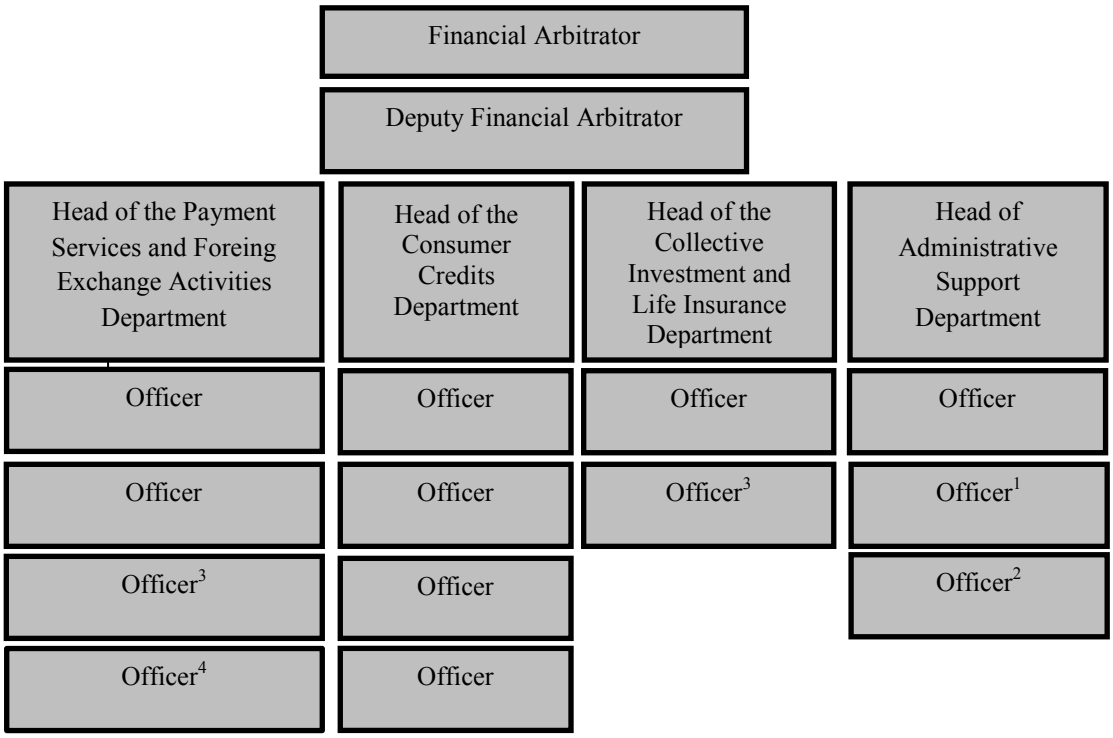
Mgr Lukáš Vacek graduated from the Faculty of Law of Charles University in Prague. In the years 2004-2013 he has worked at the Ministry of Finance, of which more than 7 years as the Head of the Retail Financial Services and Consumer Protection in the Financial Market Unit. He was mainly responsible for the preparation of legislation in the area of consumer credits, enactment of the Financial Arbitrator, but also for the area of insurance of bank deposits or distribution of financial services. On behalf of the Czech Republic, he negotiated within the EU Council working groups the EU legislative proposals, which include e.g. the forthcoming Mortgage Credit Directive, the revision of the Insurance Mediation Directive and more. 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 connected with over-indebtedness. He publishes regularly in professional journals (Jurisprudence, Právo a rodina, Obchodněprávní revue) and he is also lecturing.

In the past, the duties of the Financial Arbitrator were performed by JUDr Ing Otakar Schlossberger (2003 - 2008) and Dr Ing František Klufa (2008 - 2011), deputy to both of them was Dr Petr Scholz, PhD (2003-2013).

Tasks related to the professional, organizational and technical aspects of the Arbitrator's activities are fulfilled by the Office of the Financial Arbitrator.

As far as the staffing of the Office of the Financial Arbitrator is concerned, activities relating to the handling of disputes (the area of payment services and foreign exchange activities, consumer credit, collective investment schemes and life insurance), maintaining contacts with the public (media outcomes, press releases, publications, websites), participation in international organisations associating bodies responsible for out-of-court dispute resolution, accounting, management of state budget funds, and personnel and administrative agendas were carried out by a total of 14 systematized working positions, including the Financial Arbitrator and Deputy Financial Arbitrator, and 5 other systemized working positions that were vested by the Ministry of Finance as the chapter administrator or developed beyond the systemization in the course of 2013. The reason for vesting systemized working positions and temporary creation of one systemized position was the higher incidence of disputes. All positions were vested without funds; these were covered by the Office of the Financial Arbitrator from own resources.

Scheme 1 - Organisational structure of the Office of the Financial Arbitrator to 31 December 2013



[1] – Systemized position vested since 1 January 2013 for the period of 1 year
[2] – Systemized position vested from 1 July 2013 to 31 December 2013
[3] – Two systemized positions vested from October 2013 to 31 December 2013
[4] – Temporarily formed systemized position from October 2013 to 31 December 2013

IV. SCOPE OF ACTIVITIES OF THE FINANCIAL ARBITRATOR AND PROCEEDINGS BEFORE THE FINANCIAL ARBITRATOR

Whether the Financial Arbitrator has competences to resolve a dispute, it always depends on the individual circumstances of the case.

Regarding the disputes in the area of payment services and foreign exchange activities, the Financial Arbitrator is authorized to resolve disputes which have arisen in causal connection with the provision of a payment service, or issuing and redeeming electronic money, although they do not directly concern the payment service itself.

The Financial Arbitrator is e.g. empowered to rule on following disputes arising out of payment services and foreign exchange activities:

(i) disputes regarding the failure to dispense cash during an ATM cash withdrawal,
(ii) disputes regarding the failure to enter cash in the account during deposit via deposit ATM or at the cash desk,
(iii) disputes regarding multiple entering of an ATM withdrawal transaction,
(iv) disputes regarding the misuse of credit card by a third party for ATM withdrawal,
(v) disputes regarding multiple entering of purchase transaction at the trader,
(vi) disputes regarding the misuse of credit card by a third person for payment at the trader,
(vii) disputes regarding late realisation of payment transaction,
(viii) disputes regarding the failure to make direct debit,
(ix) disputes regarding the amount of exchange difference in wire transfer from the payment account to abroad,
(x) disputes regarding the correctness of fee charged for the provision of payment services,
(xi) disputes regarding the execution of payment transaction without the consent of the payment service user, and
(xii) disputes regarding the compensation for damages caused in connection with a breach of pre-contractual duty to inform in the execution of foreign exchange trade.

Regarding the consumer credit disputes, the Financial Arbitrator is authorized to resolve disputes which have arisen in causal connection with the offering, providing or intermediating consumer credits by the lender or consumer credit intermediary.

The Financial Arbitrator is e.g. empowered to rule on following consumer credit disputes:

(i) disputes regarding the correctness of the amount of compensation for early repayment costs,
(ii) disputes regarding the validity of the withdrawal from a consumer credit contract,
(iii) disputes regarding the consumer credit maturity,
(iv) disputes regarding the charges under a consumer credit contract,
(v) disputes regarding the charges under an intermediation contract,
(vi) disputes regarding the validity of credit contract, contractual penalty or other contractual arrangements,
(vii) disputes regarding the determination of credit contract obligations,
(viii) disputes regarding the validity of withdrawal from a credit contract, and
(ix) disputes regarding the right to interest on credit in the amount of a discount rate (after its execution).

Regarding the disputes in the area of collective investment schemes and life insurance, the Financial Arbitrator is authorized to resolve disputes between the consumer and investment fund, investment company, or foreign investment company, securities broker or dealer, if disputes relate to investment

through standard collective investment funds or special collective investment funds which collect money from the public.

The Financial Arbitrator is e.g. empowered to rule on following collective investment disputes:

(i) disputes with an investment company or investment fund regarding the settlement of a realized order to buy / sell / exchange share certificates,
(ii) disputes with an investment company or investment fund on the value of a share certificate (unit),
(iii) disputes regarding the proper execution of an order to buy / sell / exchange share certificates by the securities broker,
(iv) disputes regarding the proper execution of an order to buy / sell / exchange share certificates by the securities dealer,
(v) disputes regarding the compensation for damages caused by a securities broker or dealer in providing investment advice in connection with collective investment,
(vi) disputes regarding the fee charged in connection with the purchase / sale / exchange of share certificates, and
(vii) disputes regarding the fulfilment of the duty to inform by an investment company, or investment fund.

Regarding the life insurance disputes, the Financial Arbitrator is authorized to resolve life insurance disputes, if they relate to insurance of natural persons especially in the event of death, the reaching of a certain agreed age or date specified in the policy as the end of private insurance, or in the event of other facts regarding changes to the personal situation of that person. The Financial Arbitrator is e.g. empowered to rule on following life insurance disputes:

(i) disputes with an insurance agent or insurance company regarding the compensation for damages caused by the breach of a duty in negotiating insurance contracts,
(ii) disputes regarding the validity of an insurance contract or its arrangement, and
(iii) disputes regarding the surrender value.

The Financial Arbitrator cannot solve a dispute, if one of the facts (barriers to proceedings) occurs that are referred to in Section 9 of the Act on the Financial Arbitrator, i.e.

a) the dispute does not fall within the scope of the Financial Arbitrator's activities,
b) the court already decided on the merits or proceedings on the merits were initiated before the court,
c) the dispute is or has been the subject of proceedings before the Financial Arbitrator, and
d) the arbitration court already decided on the merits or proceedings on the merits were initiated before the arbitration court.

The Financial Arbitrator is neither authorized to resolve some other disputes, even if it is a dispute between a consumer and financial institution and even if the jurisdiction of the Financial Arbitrator seems logical.

The Financial Arbitrator is e.g. not empowered to rule on following disputes, because they are not disputes over the provision of payment services:

(i) disputes regarding the amount of interest or termination of a term deposit, which is not a payment account,
(ii) disputes regarding the fee for other than payment services, except in the case of improper management of a payment account,
(iii) disputes regarding the building savings contracts, unless it is a dispute regarding incorrect execution of a payment transaction or unauthorized payment transaction from the building savings account,
(iv) disputes regarding the right to money from a bonus program, and

(v) disputes regarding the personal data protection in the case of incorrect handling by bank with the customer database.

The Financial Arbitrator is not authorized to resolve disputes between consumers and creditors or intermediaries of consumer credits, if the disputes did not arise while offering, providing or intermediating consumer credits, in particular:

(i) disputes regarding credit contracts that are excluded from the regime of laws governing the consumer credits,
(ii) disputes regarding the non-life insurance, even if the insurance contract was concluded by an entity which simultaneously intermediated or granted the credit,
(iii) disputes regarding the purchase contracts, even though the purchase price was paid by credit,
(iv) disputes regarding contracts for work, although the work was financed through an assigned credit,
(v) disputes regarding the personality, although the conduct which infringes the right to protection of personality occurred between subjects of the credit relationship,
(vi) disputes regarding the law of succession, although the related obligations were covered through a credit,
(vii) disputes between owners of residential units to each other or between unit owners community and its members, and
(viii) disputes between spouses in the settlement of community (marital) property, although the consumer credit obligations fall within its scope.

The Financial Arbitrator is not authorized to resolve disputes with an investment fund, investment company, or foreign investment company, securities broker or dealer, if they do not relate to investing through standard collective investment funds or special collective investment funds that collect funds from the public, in particular:

(i) disputes with a qualified investor fund,
(ii) disputes with an investment intermediary, if the object of dispute is the intermediation of a contract for the securities management,
(iii) disputes with a securities broker or investment intermediary regarding direct investment in bonds, equities, derivatives, and commodities, and
(iv) disputes with the organizer of the market (stock exchange).

The Financial Arbitrator is not authorized to resolve disputes which did not arise out of the life insurance, in particular:

(i) disputes regarding the private insurance of movables and other property,
(ii) disputes regarding the liability insurance,
(iii) disputes regarding the accident insurance, supplementary pension rights, pension insurance, pension savings and supplementary pension savings, and
(iv) disputes regarding the vehicle liability insurance.

The Act on the Financial Arbitrator itself anchored only some elements of the procedural law, in the rest it refers to the appropriate use of the Administrative Procedure Code. Thus as a result of non-complex procedural arrangement in the Act on the Financial Arbitrator, the proceedings before the Financial Arbitrator are specific ones.

The Financial Arbitrator takes decisions according to the best of their knowledge and belief, impartially, fairly and without delay, and only on the basis of facts established in accordance with this Act and special legislation.

The Financial Arbitrator is not bound by the petition and actively supplies evidence, is entitled to require the parties to submit all the evidence to support their claims, including an oral explanation.

Petitions to initiate proceedings are received by the Financial Arbitrator, or the Office of the Financial Arbitrator, through mail, data boxes, form on the website, mailbox, or in person. For the petition to initiate proceedings to be filed effectively, the Financial Arbitrator requires it to be made properly in accordance with the Administrative Procedure Code, i.e. signed by own hand, if serviced by mail, signed by an advanced electronic signature, if filed via a web form or email or through own data box. The petitioners may make other acts, with the exception of raising objections against the arbitrator's award, already through a simple e-mail communication. Upon the petitioner's request, the Financial Arbitrator provides the gathered evidence for possible familiarization before taking a decision also via e-mail.

Proceedings before the Financial Arbitrator are free. Each party bears its own costs, for example, of attorney.

It is not required that the petitioner is legally represented in the proceedings before the Financial Arbitrator. By being required to decide fairly under the law, the Financial Arbitrator is not bound only by the petition, and at the same time because the Financial Arbitrator is obliged to provide assistance to the petitioners upon their request in connection with the initiation of proceedings and during their course, the Financial Arbitrator ensures especially for consumers an adequate substitute for a possible costly legal representation.

The Financial Arbitrator Act imposes on the Financial Arbitrator to decide the case within 30 days from the date of commencement of proceedings; in particularly complex cases not later than within 60 days. Where due to the nature of the case it is not possible to decide even within this prolonged period, the Financial Arbitrator may reasonably extend it.

It is virtually impossible to resolve the disputes within 30 or 60 days. The complexity of cases the Financial Arbitrator deals with is not only due to their subject matter. Disputes are complicated even by the petitioners themselves, who are not always able to adequately respond to the requirements of the Financial Arbitrator in collecting evidence. Cases pending before the Financial Arbitrator are often solved in our legal system for the first time and no case-law of general courts is available to the Financial Arbitrator. Mostly it's because petitioners do not go to court with such disputes at all with regard to the costs of legal proceedings. The length of proceedings is influenced, even in cases where it is justified, by the need of making further steps to reach an amicable settlement of the dispute; the Financial Arbitrator must discuss the possible conciliation with each party individually, when oral proceedings attended by both parties to the dispute are practically not used by the Financial Arbitrator to avoid unnecessary costs on the side of petitioners.

The Financial Arbitrator decides on the case, the subject matter of the dispute, by an award. Reasoned objections can be lodged against the award of the Financial Arbitrator as an ordinary appeal, on which again the Financial Arbitrator decides.

The award of the Financial Arbitrator is judicially enforceable, and thus has effects comparable to a court decision. In case of disagreement with the final decision of the Financial Arbitrator either party to the dispute may submit an action for review of a decision to the general court pursuant to Section 244 (1) of Act No. 99/1963 Coll., the Code of Civil Procedure, as amended. The court will dismiss the action or replace the Financial Arbitrator's decision by its own judgment.

V. DISPUTE RESOLUTION ACTIVITIES OF THE FINANCIAL ARBITRATOR IN 2013

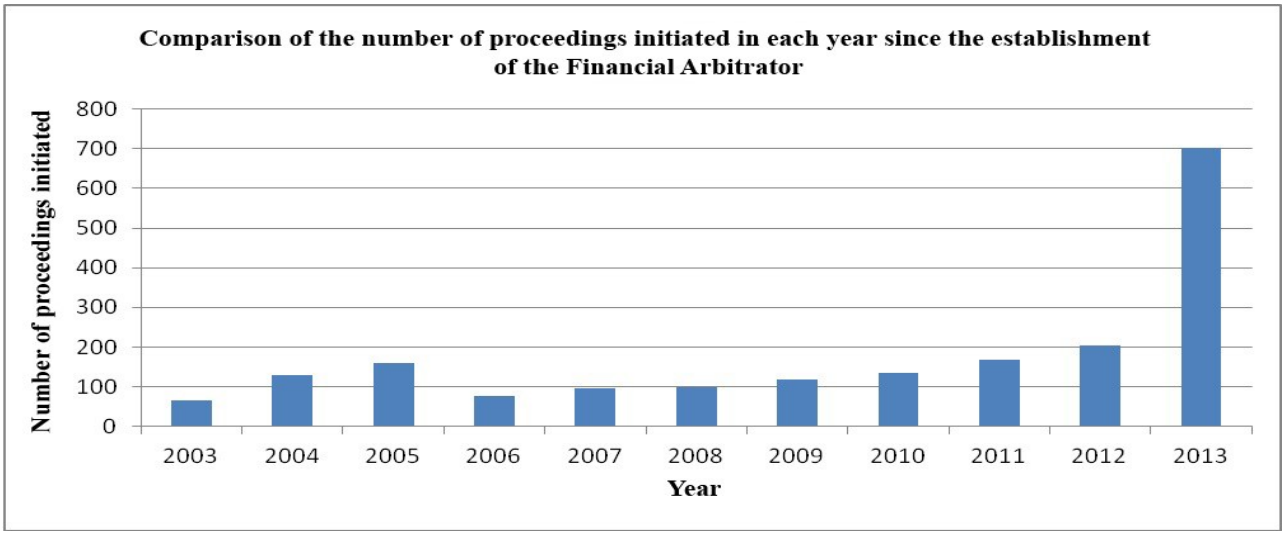
In 2013, the Financial Arbitrator received a total of 706 effective petitions to initiate proceedings, some of which have been combined together in the course of proceedings and so the Financial Arbitrator conducted 703 proceedings initiated in the monitored period in total. This number shows the total number of individually submitted petitions to initiate proceedings, i.e. submitted by individual petitioners or in a few cases by their legal representatives or attorneys at large. To this, it is necessary to add petitions to initiate proceedings submitted en bloc in the "fee" disputes, which are discussed in a separate section below. These are particularly 93,319 petitions to initiate proceedings submitted by a single legal representative on behalf of a larger number of participants, though then connected to several times smaller number of proceedings.

In the comparison of numbers of submitted petitions to initiate proceedings, the year 2013 rebounds the current upward trend in terms of individually submitted petitions to more than triple the number. From the beginning of its existence, the Financial Arbitrator has never received petitions submitted en bloc, on the top of it in such numbers.

Table 1 – Comparison of the number of proceedings initiated in each year since the establishment of the Financial Arbitrator

Year	Number of received petitions to initiate proceedings
2003	66
2004	130
2005	160
2006	77
2007	95
2008	99
2009	118
2010	135
2011	167
2012	204
2013	**706, or 703 proceedings (without petitions submitted en bloc in the "fee" disputes. i.e. 93,139 petitions)**

Graph 1 – Comparison of the number of proceedings initiated in each year since the establishment of the Financial Arbitrator

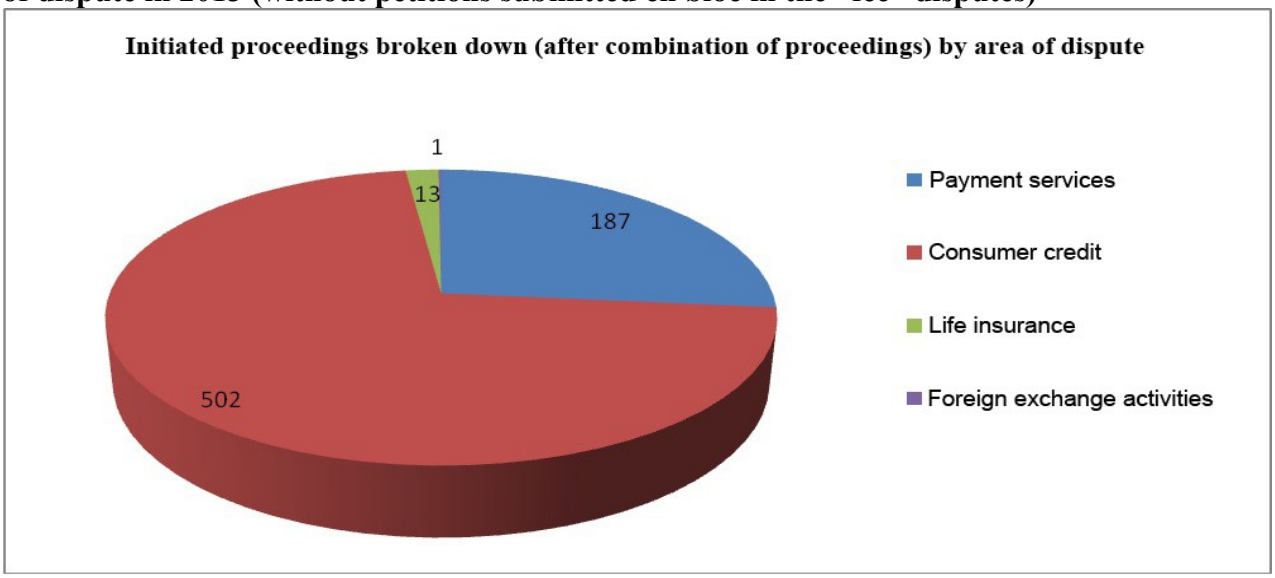


Most petitions for proceedings initiation were submitted as consumer credit disputes. Then followed disputes marked as disputes arising from payment services. The Financial Arbitrator did not receive any petition to resolve the dispute from collective investment schemes. As far as the life insurance and foreign exchange activities disputes are concerned, no significant occurrence of them was anticipated in the last two months of 2013, when the Financial Arbitrator has been already competent to solve them. By the end of 2013, the Financial Arbitrator received first two dozens of petitions and another eight dozens by 31 May 2014.

Table 2 – Initiated proceedings broken down (after combination of proceedings) by area of dispute in 2013 (without petitions submitted en bloc in the "fee" disputes)

Area of dispute	**Number**
Payment services	187
Consumer credit	502
Collective investment	0
Life insurance	13
Foreign exchange activities	1
In total	**703**

Graph 2 – Initiated proceedings broken down (after combination of proceedings) by area of dispute in 2013 (without petitions submitted en bloc in the "fee" disputes)



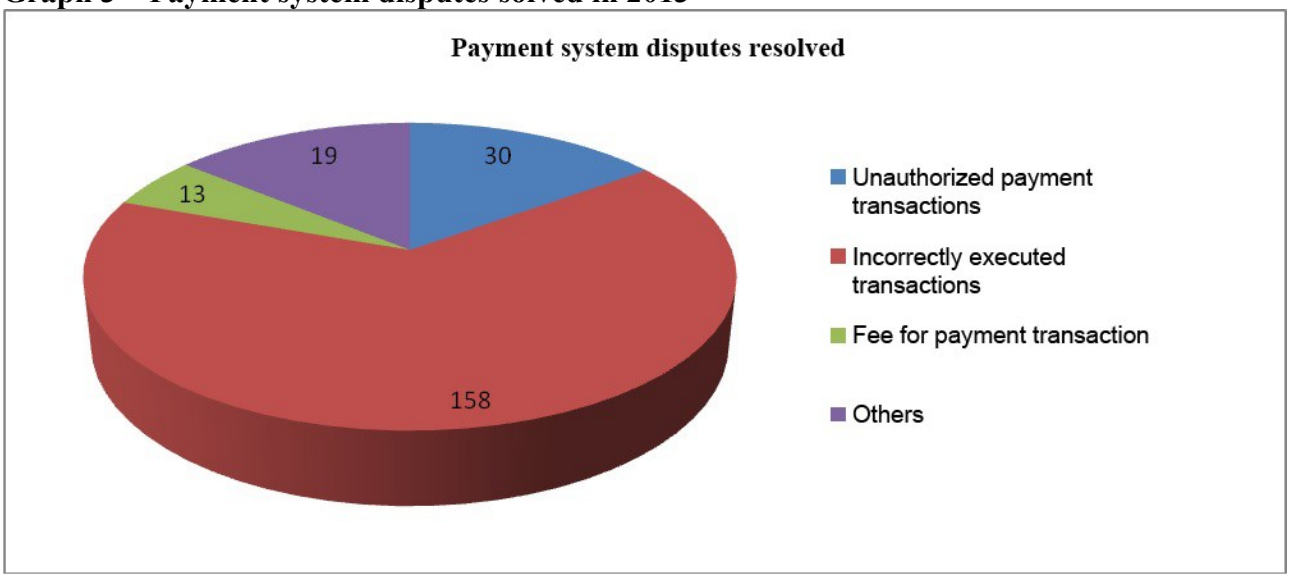
Disputes in the provision of payment services

The most common dispute in 2013 was a dispute regarding the incorrectly executed payment transaction at Metropolitní spořitelní družstvo (cooperative savings bank) (you can find more information on this issue in a separate section below). Disputes over an unauthorized payment transaction were about the failure to withdraw banknotes from an ATM or misuse of a payment card that its holder lost or was robbed of it. The subject matter of disputes regarding the transaction fee was mostly the payment transaction involving the transfer of funds between two accounts denominated in different currencies. Among other disputes, the Financial Arbitrator ruled on the non-payment of double the subsistence minimum from a payment account affected by distraint, the alleged wrongful termination of a payment account management contract by the payment institution, or entering of a payment order to transfer funds to an unintended beneficent.

Table 3 – Payment system disputes solved in 2013

Subject-matter of the dispute	Year of initiation of proceedings			In total
	2011	2012	2013	
Unauthorized payment transactions	1	6	23	30
Incorrectly executed transactions	3	13	142	158
Fee for payment transaction	0	0	13	13
Others	1	9	9	19
In total				**220**

Graph 3 – Payment system disputes solved in 2013



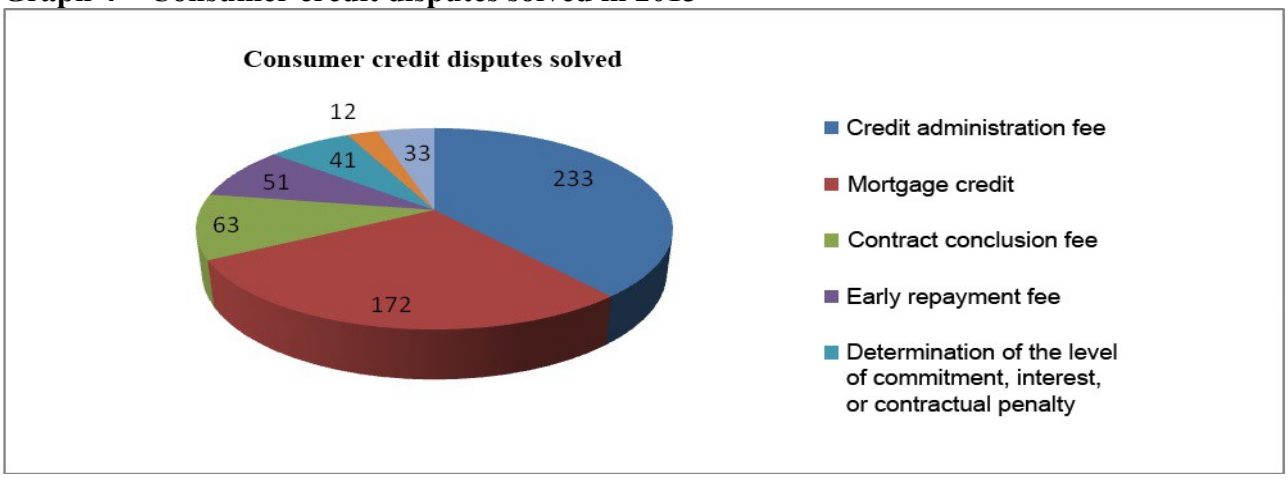
Consumer credit disputes

The most common dispute in 2013 was a dispute over the management fee, for both consumer credits and even mostly mortgage credits. The "fee" disputes will have their separate section below. Also fees for contract conclusion or early repayment were disputed. The petitioners also claimed that the Financial Arbitrator reviewed the amount of outstanding debt, the interest on the loan or penalty; other disputes related to an incorrect calculation of the annual percentage rate (APR) or requirement to use the discount interest rate.

Table 4 – Consumer credit disputes solved in 2013 (without petitions submitted en bloc in "fee" disputes)

Subject-matter of the dispute	Year of initiation of proceedings			In total
	2011	2012	2013	
Management fee		39	194	233
Mortgage credit		26	146	172
Contract conclusion fee		23	40	63
Early repayment fee		2	49	51
Determination of the level of commitment, interest and contractual penalty		7	34	41
Invalidity of the contract		1	11	12
Others	1	4	28	33
In total				**605**

Graph 4 – Consumer credit disputes solved in 2013



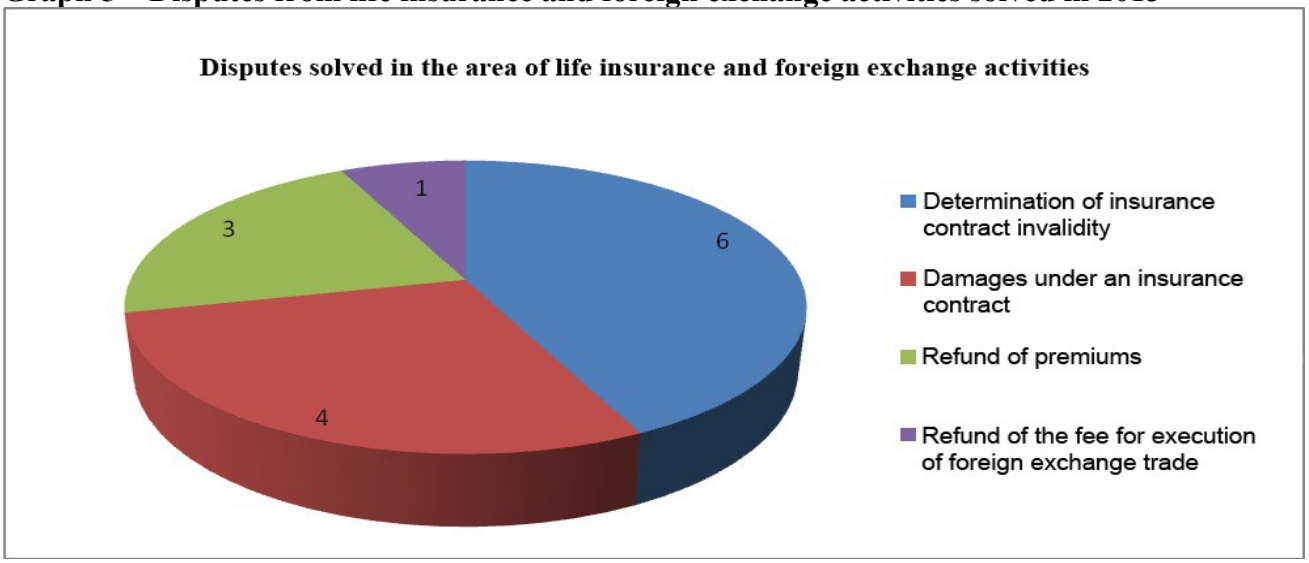
Disputes arising from life insurance and foreign exchange activities

The Financial Arbitrator has competence in disputes arising from life insurance and foreign exchange activities only from 1 November 2013. Life insurance disputes that the Financial Arbitrator dealt with in the period (no dispute has been finally settled) concern the requirements for declaring invalidity of the whole of the insurance contract, compensation for damages caused in connection with conclusion of an insurance contract, or a refund of premiums.

Table 5 – Disputes from life insurance and foreign exchange activities solved in 2013

	Year of initiation of proceedings		
Subject-matter of the dispute	**2011**	**2012**	**2013**
Determination of insurance contract invalidity	0	0	6
Damages under an insurance contract	0	0	4
Refund of premiums	0	0	3
Refund of the fee for execution of foreign exchange trade	0	0	1
In total			**14**

Graph 5 – Disputes from life insurance and foreign exchange activities solved in 2013



There are also proceedings commenced out in the previous years that still need to be added to proceedings initiated in 2013. In the course of 2013, the Financial Arbitrator ruled on 838 proceedings in total, of which 6 proceedings were initiated in 2011 and 130 proceedings in 2012. In all

proceedings the Financial Arbitrator acted so as to reliably find out the facts and fairly decide on the dispute. Duration of proceedings in any of these cases did not endanger the petitioner's right or reduce his or her claim. The Financial Arbitrator has always tried to reach an amicable settlement of the dispute. In the event that it was not possible to satisfy the petitioner, the Financial Arbitrator always tried to convince the petitioner in the justification of a refusal that he or she really had not been in the right.

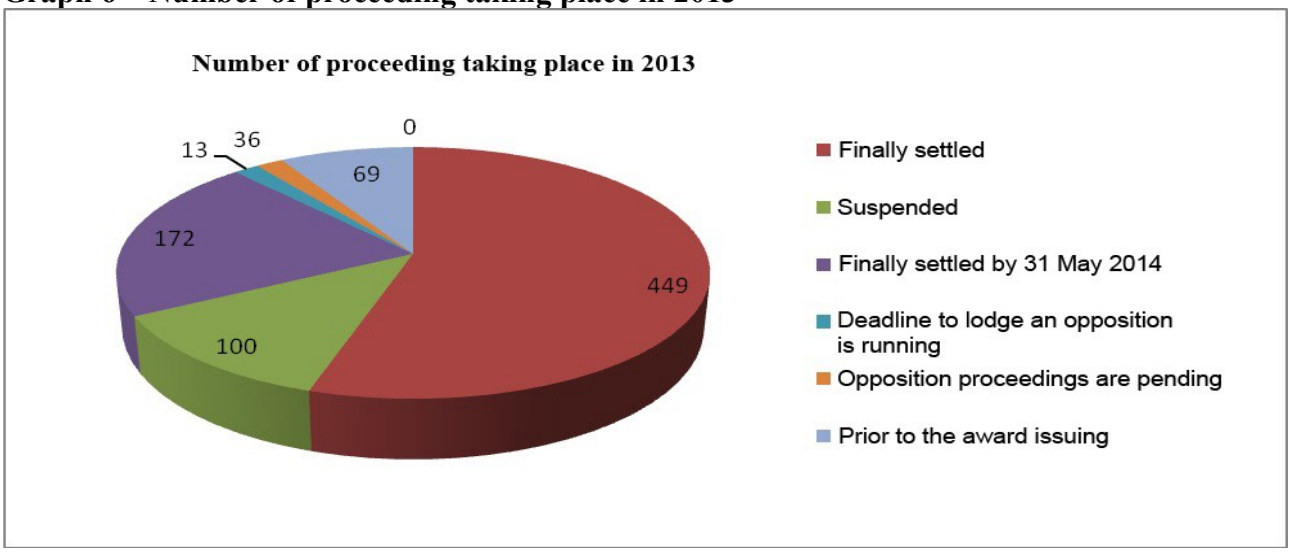
Proceedings commenced in 2011, which took place even in 2013, were finally completed by the end of the reference period, respectively 1 proceeding was temporarily stayed due to the current ongoing criminal proceedings; the Financial Arbitrator has been performing the acts to the extent necessary. More than 90 % of proceedings initiated in 2012, which took place also in 2013, ended in the reference period and other 4 % of cases ended by 31 May 2014. At the date of publication of this annual report, six proceedings were still pending.

Proceedings commenced in 2013 were finally settled in the same year in 60 % of cases, or suspended just before issuing a decision on the merits. As far as remaining proceedings initiated in 2013 are concerned, more than 80 % of the total number of proceedings initiated in this period was finally settled as at 31 May 2014; for additional 6 % the deadline is running for lodging an opposition or opposition proceedings are pending. Ten percent of cases have not been settled at the date of publication of this annual report.

Table 6 – Number of proceedings taking place in 2013

Status	**Year of initiation of proceedings**			**In total**
	2011	**2012**	**2013**	
Pending	6	130	703	**839**
Finally settled	3	119	327	**449**
Suspended	1	0	99	**100**
Finally settled by 31 May 2014	2	5	165	**172**
Deadline for filing an opposition is running	0	1	12	**13**
Opposition proceedings are pending	0	4	32	**36**
Prior to the award issuing	0	1	68	**69**

Graph 6 – Number of proceeding taking place in 2013



In 2013, a total of 449 proceedings were finally settled and 100 proceedings legally suspended (after the decision in the case was issued or just before its issue) due to the ongoing criminal, or insolvency

proceedings at the institution (these proceedings are discussed in a separate section below). Quantification of disputes that the Financial Arbitrator resolved in the period (excluding the suspended proceedings) was more than CZK 30 mil.In 21 disputes the petitioner was entirely or partially satisfied; in these cases, the Financial Arbitrator failed to bring the parties to an amicable settlement. The institution either did not share the Financial Arbitrator's legal opinion or the petitioner disagreed with the proposal to settle the dispute, which the institution made to him or her with the participation of the Financial Arbitrator. In each of these proceedings the Financial Arbitrator imposed a fine on the institution of 10 % of the value of dispute, at least CZK 15,000.

In a total of 153 cases the Financial Arbitrator terminated the proceedings, because the petitioner withdrew the petition. In the vast majority of cases this happened because both sides concluded on an amicable settlement in the participation of the Financial Arbitrator, when the institution in whole or in part met the petitioner's claim or request made by the Financial Arbitrator where the petitioner was not able to clearly formulate his or her request. In these cases, the petitioner was active, meaning that he or she cooperated even in the procedure, by formulating the request to stop the proceedings after the dispute had been settled. It is not always the case. In 4 cases the Financial Arbitrator terminated the proceedings for disappearance of the subject-matter of the dispute. The Financial Arbitrator did this every time when settlement of the dispute was attained, but the petitioner in that moment ceased to cooperate and communicate. The termination of proceedings therefore was not initiated by any of the parties, but the Financial Arbitrator decided so of their own will.

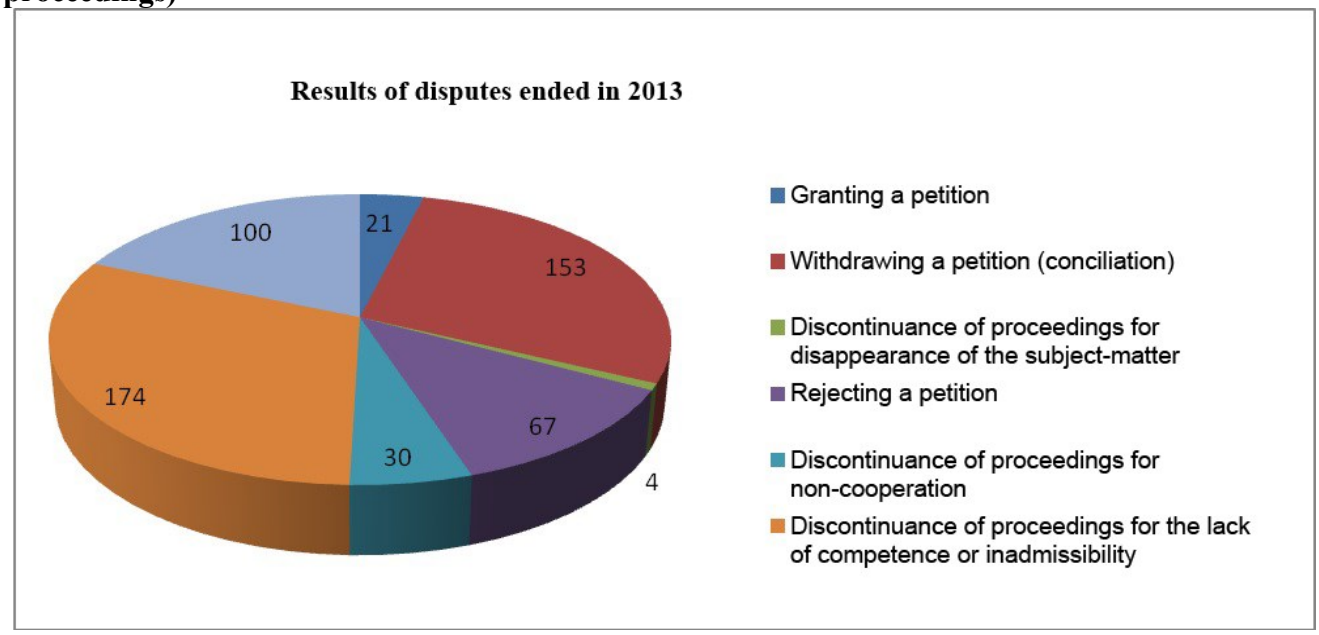
In 67 cases the petition was dismissed as unfounded. The Financial Arbitrator rejects the petition if it is not found that institution, against which the petition is directed, was in breach of obligations laid down by law or assumed by contract. In a total of 30 cases the Financial Arbitrator had to discontinue proceedings for the petitioner's non-cooperation. The Financial Arbitrator does so only after the petitioner was not able to correct such defects of the petition to initiate proceedings that hinder its conduct. The most common defect is the absence of an unsuccessful invitation to correct before the commencement of proceedings or the failure to submit key documents for the Financial Arbitrator to be able to identify at all the institution against which the petition is to be directed.

In 174 cases the Financial Arbitrator had to terminate the proceedings because it was made out during the proceedings that the Financial Arbitrator does not have jurisdiction in the dispute. In the crushing majority these were disputes arising from the mortgage loan, business loan or contract relating to the building savings.

Table 7 – Results of disputes ended in 2013 (finally terminated proceedings or suspended proceedings)

Result	**Year of initiation of proceedings**			**In total**
	2011	**2012**	**2013**	
Granting a petition	0	9	12	**21**
Withdrawing a petition (conciliation)	0	37	116	**153**
Discontinuance of proceedings for disappearance of the subject-matter	0	2	2	4
Rejecting a petition	3	26	38	**67**
Discontinuance of proceedings for non-cooperation	0	16	14	**30**
Discontinuance of proceedings for the lack of competence or inadmissibility	0	29	145	**174**
Suspension of proceedings (ongoing criminal or insolvency proceedings)	1		99	**100**

Graph 7 - Results of disputes ended in 2013 (finally terminated proceedings or suspended proceedings)



In 2013, the average length of proceedings before the Financial Arbitrator was 137 days.

Cross-border dispute resolution

The Financial Arbitrator considers cross-border disputes to be such disputes where the petitioner or institution is other than Czech entity.

In 2013, the Financial Arbitrator noted 5 cases (3 in the area of payments, 2 in the area of consumer credits), the petitioner of which was a national of another state, who did not even have its seat or mailing address in the Czech Republic.

At the same time the Financial Arbitrator conducted 19 proceedings against an institution that is a legal entity domiciled abroad, which acts in the Czech Republic through an organisational unit. These disputes, however, are not perceived by the Financial Arbitrator or consumers in general as cross-border disputes, because the financial service is provided in the Czech Republic, consumers communicate with the institution in the Czech, the proceedings before the Financial Arbitrator are conducted in the same language and documents in the proceedings are delivered to both parties in the Czech Republic.

Proceedings against Metropolitní spořitelní družstvo (cooperative savings bank)

Since May 2013, the Financial Arbitrator has been contacted by a total of 111 clients of Metropolitní spořitelní družstvo that ceased to pay out deposits to its members, or accepted payment orders for transfer of funds, which it did not execute within statutory time limits or did not execute them at all, at best after delay of several months. In a total of 12 cases, the Financial Arbitrator legally granted the petitioner, the client of the cooperative savings bank; namely the Financial Arbitrator imposed an obligation to execute the payment order being entered, pay the petitioner statutory interest on late payments and pay damages, if any, that the petitioner suffered, within 3 days from the date on which the decision becomes final. In the remaining 99 cases, when in 23 cases the Financial Arbitrator has already issued a satisfactory award, the proceedings before the Financial Arbitrator were suspended because Metropolitní spořitelní družstvo had been declared bankrupt before the final termination of the proceedings. The value of disputes against the cooperative savings bank totalled about

CZK 70 million. Fines being imposed on the institution by the Financial Arbitrator under the Financial Arbitrator Act were properly submitted to the insolvency proceedings.

Individually lodged disputes regarding fees for credit account management / credit administration

From mid-2012 until the end of 2013, the Financial Arbitrator received roughly four hundred individually lodged petitions to initiate proceedings in the matter of determination of invalidity of arrangements relating to the fee for credit account management / credit administration. Individual petitioners were persuaded to lodge the petition to initiate proceedings by a citizens' initiative, which presented itself to the public as "jdeto.de" initiative and drew attention to the judgment issued in Germany, under which the Federal Court found invalid the arrangements on the credit administration fee, and called upon the Czech public to apply to both the general courts and Financial Arbitrator with petitions for declaration of invalidity of the contractual arrangements relating to the credit administration fees. Regarding the decision-making practice of general courts, only disputes about the current account management fee or credit administration fee were known before the start of this initiative, but viewed from the perspective of a dispute over the performance, and not over the validity of such contractual arrangements.

In each of these proceedings the Financial Arbitrator acted in a way to establish the facts in accordance with the Act on the Financial Arbitrator and special legislation. The Financial Arbitrator fully considered all the arguments and observations of the parties to the proceedings and carefully examined the evidence submitted by the parties to the dispute. In order to comply with their obligation to decide to the best of their knowledge and belief, impartially, fairly and only on the basis of facts established in accordance with the Act on the Financial Arbitrator and specific legislation, the Financial Arbitrator had to encourage repeatedly both the petitioner and institution in the course of the proceedings to make observations and submit documents.

The Financial Arbitrator then considered the validity of contractual arrangements on fees for credit account management / credit administration on the basis of the evidence they gathered in the proceedings, in particular the credit agreements, terms of trade, tariffs, bank statements, statements of the parties and other evidence submitted by the parties to the dispute (decisions of Czech and foreign courts, opinions of the Court of Justice of the EU, expert opinions, extracts from internal records, etc.). In doing so, the Financial Arbitrator proceeded under the relevant legislation, which is represented in this case particularly by the Commercial Code and Civil Code, Act on Certain Conditions of the Consumer Credit, or the Consumer Credit Act.

In these cases the Financial Arbitrator did not find, with the exception of one case (opposition proceedings are still pending), any reason for declaration invalidity of the "fee" arrangements on none of the petitioner's claimed or other grounds.

In assessing the validity of the contractual arrangements on fees for credit account management / credit administration, the Financial Arbitrator examined whether the relevant arrangement of the credit agreement was explicit and understandable, not contrary to law or good morals, and whether it met all requirements for contract terms in consumer contracts. In one of their awards the Financial Arbitrator states, among other things: *"(...) the Financial Arbitrator (...) in order to examine typical reactions and perceptions of consumers in the position of credit borrowers, based their considerations on the image of an average consumer as defined by the law of the European Union with regard to the social, cultural and language conditions prevailing in the Czech Republic. In the opinion of the Financial Arbitrator, an average consumer in the position of a credit borrower actively manages his or her financial situation, is interested in repaying his or her debt always properly and in due time, and wants to avoid any potential sanctions... an average consumer usually expects in the framework of [credit account management / credit administration] that the lender will manage and care for the*

credit relationship so that the lender will not require the borrower to expend unreasonable efforts or additional costs [read: beyond the fee for credit account management / credit administration] during the credit relationship, and at the same time so that the borrower has enough information to properly fulfil his or her debt and to avoid occurrence of unexpected situations in the course of the credit relationship, which would be to the detriment of the borrower, and that the lender will assist the borrower, if the unexpected situation still occurs, in dealing with it."

Based on the above premise, the Financial Arbitrator concluded that the contractual arrangements on the fee are certain as well, since the institution was ready to provide services and also actually provided them to the consumers (e.g. kept them informed of the credit relationship status, including sending regular statements of credit account, timely and free alerts about default on repayment), which correspond to the notion that an average consumer has of services drawn as equivalent for the fee for credit account management / credit administration. In the proceedings, the Financial Arbitrator also had to deal with the petitioner's claim that the contractual arrangements on the fee for credit account management / credit administration constitute an impermissible contract arrangement in consumer contracts under the provisions of Sections 55 and 56 of the Civil Code. *"(…) Since it was found in the proceedings that the Institution's liability under the Credit agreement was not only the granting of a Credit, but also provision of other Credit–related services, the Financial Arbitrator considers this combined liability to be the subject-matter of performance of the Credit agreement. Likewise the Financial Arbitrator sees the interest as an agreed cost of Credit and the [fee] as the price for performance of other services provided in connection with the Credit. The Financial Arbitrator must therefore conclude that they are not entitled to assess the adequacy of these contractual arrangements with reference to the provision of Section 56 (2) of the Civil Code. The Financial Arbitrator in its reflections on the provision of Section 56 (2) of the Civil Code also took into account the objective, purpose and text itself of the Directive, but neither by any euroconform interpretation of the relevant provision of Section 56 of the Civil Code, the Financial Arbitrator did not arrive at any other conclusion than the above."*

Since it was found in particular cases that the institution effectively provided specific services to the petitioners for this fee for credit account management / credit administration, the Financial Arbitrator concluded that the contractual arrangements on the fee are not contrary to good morals due to the absence of a consideration. Likewise, the price for these services given the current cost of calls, postage and information technology services, i.e. services that are necessarily connected with the credit account management / credit administration, is not contrary to good morals.

Petitions to initiate proceedings on the validity of fee for credit administration / credit account management submitted en bloc

In the period from 18 to 29 October 2013, the Office of the Financial Arbitrator received from the data box of BSP Lawyer Partners, K Červenému dvoru 3269/25a, 130 00 Praha 3, Data Box ID No: abyc9d9, a total of 106,396 data messages marked as Petition to initiate proceedings before the Financial Arbitrator. Individual data messages contain:
a) *Completed form of the petition to initiate proceedings in the matter of surrender of unjust enrichment arising from charging a fee for credit administration;*
b) Call for surrender of unjust enrichment being signed on behalf of a natural person designated as the petitioner by JUDr Petr Toman from the law firm TOMAN, DEVÁTÝ & PARTNEŘI, which is addressed to a company designated in the petition to initiate proceedings as an institution against which the petition to initiate proceedings is directed;
c) Power of attorney issued by a natural person designated as the petitioner to BSP Lawyer Partners, acting through JUDr Daniel Paľko, PhD, Chairman of the Board; and
d) Award of the Financial Arbitrator, decisions of general courts of the Czech and Slovak Republics.

Attached to each petition submitted by BSP Lawyer Partners was the power of attorney, under which a natural person designated in the petition as the petitioner authorizes BSP Lawyer Partners to *"organize the application of [my] claim against the bank to refund the unjustifiably collected fees, including interests for late payment and costs associated with its application, and chose a lawyer, conclude with him or her contract on [my] behalf, the object of which will be the representation of [my] person in both out-of-court and court application of [my] claim against the bank and provision of all related legal services, and sign for him or her [on my behalf] the power of attorney for [my] representation"*.

The Financial Arbitrator did not educe from the content of the power of attorney that BSP Lawyer Partners is authorized to submit a petition to initiate proceedings before the Financial Arbitrator or other acts in possibly already initiated proceedings before the Financial Arbitrator. The Financial Arbitrator drew the attention of BSP Lawyer Partners to this fact in writing by the letter of 29 October 2013 marked as Notice of invalidity of submission.

In the period from 9 to 11 September 2013, the Office of the Financial Arbitrator received from the data box of BSP Lawyer Partners a total of 106,396 data messages marked as Inactivity of the Financial Arbitrator. BSP Lawyer Partners on behalf of a natural person designated in the submission as the petitioner requested the higher administrative authority to order the Financial Arbitrator to issue within the set deadline the award in the proceedings initiated upon the petition of that natural person. The higher authority within the meaning of Section 178 (1) of the Administrative Procedure Code is the Financial Arbitrator. The Financial Arbitrator immediately responded that if none of the petitions submitted in the period from 18 October to 29 October 2013 was eligible to initiate administrative proceedings, no delay in proceedings or even inactivity of the Financial Arbitrator could occur.

Meanwhile in the period from 10 to 16 November 2013, the Office of the Financial Arbitrator received a total of 93,139 data messages. All received data messages were sent from the data box ID 478c95v of the sender Fridrich Paľko, s.r.o., organizational unit, ID No. 24301159, with registered office in Praha 3 - Žižkov, K Červenému dvoru 3269/25a, Postcode 130 00 and are marked as Petition to initiate proceedings before the Financial Arbitrator. The Office of the Financial Arbitrator immediately began to process the received data messages. The content of each of the already processed data messages was the petition to institute proceedings, which was submitted on behalf of a natural person identified in the petition as the petitioner by Doc JUDr Branislav Fridrich, PhD, the lawyer, CBA Reg. No. 50155, from the Law Office Fridrich Paľko, operating in the Czech Republic through Fridrich Paľko, s.r.o., organizational unit, ID No. 24301159, with registered office in Praha 3 - Žižkov, K Červenému dvoru 3269/25a, Postcode 130 00, under the power of attorney of 8 November 2013 granted by BSP Lawyer Partners, a.s., with registered office in Praha 3 - Nagano Office Centre, K Červenému dvoru 3269/25a, Postcode 130 00. This power of attorney was limited to taking certain actions, when the empowered attorney was authorized to "draw up a petition to initiate proceedings before the Financial Arbitrator regarding the petitioner's claim against the bank in question to refund illegally collected fees from the relevant credit agreement and submit this petition in the petitioner's name to the Financial Arbitrator." The competence of BSP Lawyer Partners a.s. to empower the lawyer then follows from the power of attorney granted to that company by a natural person identified in the petition as the petitioner to take such actions to *"organize the application of [my] claim against the bank to refund the unjustifiably collected fees, including interests for late payment and costs associated with its application, and chose a lawyer, conclude with him or her contract on [my] behalf, the object of which will be the representation of [my] person in both out-of-court and court application of [my] claim against the bank and provision of all related legal services, and sign for him or her [on my behalf] the power of attorney for [my] representation"*. When processing the received data messages, or petitions to initiate proceedings, including the attached appendices, the Financial Arbitrator found that the empowered attorney, Doc JUDr Branislav Fridrich, PhD delivered all petitions to initiate proceedings to the data box of the Office of the Financial Arbitrator via the data box of the legal entity Fridrich Paľko, s. r. o., the organizational unit, and not via the data box assigned

to his person as an individual entrepreneur - the lawyer. The Financial Arbitrator also found that the submitted petitions to initiate proceedings, although signed by the petitioner's attorney Doc JUDr Branislav Fridrich, PhD do not meet the provisions of Section 37 (4) of the Administrative Procedure Code, under which the submission that is done to the administrative authority must be provided with "a recognized electronic signature". Any submission made electronically without a recognized electronic signature or electronic signature of a lower level is acceptable only if it is confirmed within 5 days in writing or orally or in electronic form signed by a recognized electronic signature. Submissions or petitions to initiate proceedings delivered in data messages in the period from 10 to 16 November 2013 were not confirmed as described above.

Because it was clear to the Financial Arbitrator from received submissions or petitions to initiate proceedings, who submits the petitions and on behalf of whom, against whom it is directed, that it depicts facts and that it is obvious from it what the petitioner seeks, and this submission is signed, though not by a recognized electronic signature, the Financial Arbitrator decided to proceed according to the Act on the Financial Arbitrator and invited the representatives of petitioners or petitioners themselves to remove defects in the petition. Subsequently, the Financial Arbitrator examined whether also other conditions of proceedings are met, not only whether the petition to institute proceedings is submitted in the manner prescribed by law, but primarily whether there is no impediment to the matter initiated in the court or before the Arbitrator and whether the Financial Arbitrator was competent at all to resolve any given dispute.

During January 2014, after processing all received proposals to initiate proceedings and excluding those that have not been effectively made since they do not contain all needed elements of petition to initiate proceedings, the Financial Arbitrator found that effective petitions are submitted on behalf of a total of 1,978 petitioners. On behalf of one and the same petitioner multiple (often dozens) of petitions to initiate proceedings were submitted, with individual petitions directed to determination of invalidity of the fee paid in different respective months over the credit relationship duration. The Financial Arbitrator proceeded in accordance with the principle of procedural economy so that they combined the petitions directed against one institution from one petitioner and relating to one credit agreement in one set of proceedings. The total number of such combined proceedings reached 2,339. In cases where the Financial Arbitrator found that they are not competent to resolve the submitted dispute (the dispute concerned a mortgage credit that is not a consumer credit), the Financial Arbitrator immediately stopped the proceedings and notified the parties of this step by the Termination Resolution. In other cases, the Financial Arbitrator notified all selected petitioners of the initiation of proceedings in writing; all of them were sent the Notice of Initiation, which also included a call to eliminate all defects of the petition and a detailed description of the proceedings before the Financial Arbitrator. The Financial Arbitrator simultaneously urged all institutions against whom the petitions were directed to react and submit required documents.

Review of the decision of the Financial Arbitrator by court

When the Financial Arbitrator's decisions are reviewed by court, the Financial Arbitrator is not party to such proceedings. It is therefore not incumbent on the court to inform the Financial Arbitrator on the ongoing dispute. However, as the Financial Arbitrator has documents which the parties to the dispute do not have, the courts turn to the Financial Arbitrator with information that its decision is subject to judicial review and request for lending the documents.

Since November 2011, i.e. after the appointment of the last Financial Arbitrator, the Office of the Financial Arbitrator has information only about three actions. In the event of an action for review of the decision of the Financial Arbitrator, who rejected the petition because of incompetence (it was the credit excluded from the regime of consumer credit law), the proceedings were most likely stopped because the petitioner filed the action after the deadline. In the event of an action for review of the

decision of the Financial Arbitrator, by which they granted the petition requesting the bank to paid double the subsistence minimum from the payment account affected by distraint, the judgement was issued by the Court of First Instance in March 2014, which dismissed the bank's claim. In the last case, the petitioner brought an action against the decision of the Financial Arbitrator in a dispute over an incorrectly executed payment transaction, namely the deposit made through a deposit ATM. The petitioner brought the action with materially in-competent court (with the administrative court rather than general civil court) and moreover the petitioner incorrectly sued the Financial Arbitrator instead of suing the institution (the transmission will take place). The Financial Arbitrator is convinced that even in these proceedings they gathered sufficient evidence and conducted hearing of witnesses proposed by the petitioner, none of the evidence was, however, in favour of the petitioner.

VI. PUBLIC RELATIONS, OTHER INFORMATION OBLIGATIONS OF THE FINANCIAL ARBITRATOR

An important activity in addition to the actual Financial Arbitrator's decision-making practice is responding to queries from the public, and providing information to the public or other institutions.

Handling queries from the public

The Financial Arbitrator does not duplicate the legal assistance provided commercially or through non-profit organizations. However, for each query the author gets an answer, at least in the range of information on the scope of the Financial Arbitrator's activities. In responses to queries from areas in which the Financial Arbitrator has competence to resolve disputes, each author will receive detailed instructions about requirements of the petition to initiate proceedings and summary of documents to be attached to such petition. Otherwise, the Financial Arbitrator instructs the author of the query about their incompetence and refers him or her to the paid or free legal assistance, competent oversight or supervision authorities or law enforcement authorities.

As far as figures are concerned, the Financial Arbitrator received a total of 2,256 queries, of which 250 by electronic mail, 95 delivered personally, 310 through a web form, 1,560 by phone (this number corresponds to the average of 6 calls a day), 41 by mail.

Queries were dealt with by the Financial Arbitrator within 30 days at the latest, but most often within only several days.

According to their content, the queries were directed to the competence of the Financial Arbitrator to decide on disputes regarding the consumer credit or life insurance. Much of the queries were directed to the area of building savings or mortgage credits, in which case it was explained to each author that the Financial Arbitrator has no jurisdiction in such disputes and they were informed whom they can call upon in such case (Czech National Bank, legal assistance, the general court).

Information obligation for institutions

In accordance with the Act on the Financial Arbitrator, the Financial Arbitrator maintained the list of institutions that could be parties to the proceedings before the Financial Arbitrator also in 2013, to the extent of business firms, when the list contained name or first name and surname, place of business or place of residence, and details of a person designated to communicate with the Financial Arbitrator (first name, surname, address, position, phone, fax, or e-mail address), as well as the same data about the person acting as deputy for the aforementioned contact person. On its website, the Financial Arbitrator maintained the list of institutions to the extent of business name and place of business or registered office.

Information obligation for institutions was abolished on 1 November 2013 without compensation. Until its abolition, the Financial Arbitrator has received more than 36,000 notifications, over 3,000 only in 2013.

Processing of notifications and maintenance of the list of institutions was administratively demanding and usability of this list was not worth it. Lists of persons authorized to provide services that may be the object of dispute before the Financial Arbitrator, are also maintained by other institutions, particularly the registers of the Czech National Bank or Register of Trade. Abolition of the information obligation for institutions has no impact on consumer empowerment.

Information obligation of the Financial Arbitrator

The provisions of the Financial Arbitrator Act require the Financial Arbitrator to publish an annual report on their activities in an appropriate manner, once a year, and not later than 30 June of the following calendar year. In addition to the annual report for the public, the Financial Arbitrator shall prepare and make available reports on its activities to the Government and Chamber of Deputies. At the same time, the Financial Arbitrator shall inform supervisors of institutions on any shortcomings encountered and inform the public on how the Financial Arbitrator proceeds in its decision-making according to the Financial Arbitrator Act and on all pending disputes.

The Annual Report for 2012 was produced by the Financial Arbitrator in both paper and electronic form and published in June 2013. The report was written in Czech and English. All annual reports on the activities of the Financial Arbitrator are published on the website of the Office of Financial Arbitrator at www.finarbitr.cz.

The Report on the activities in 2013 was submitted by the Financial Arbitrator to the Government and the Chamber of Deputies within the statutory time limit and the report was discussed without the participation of the Financial Arbitrator. The Financial Arbitrator only participated in the discussion of the report within the Budget Committee of the Chamber of Deputies, where at the same time the Financial Arbitrator answered all questions raised by MPs.

The Financial Arbitrator regularly informs the public and the media on their website www.finarbitr.cz. These pages regularly contain news, data on current events, press releases and annual reports, and publications.

The website of the Office of the Financial Arbitrator was completely redesigned at the turn of 2013 and 2014 making it more transparent and more tailored to the needs of ordinary consumers. The main reason was to ensure better orientation in individual sections, integrity and legibility of the text, to facilitate submission of petitions to initiate proceedings before the Financial Arbitrator, and last but not least to create the What to do if ... or FAQ sections, which should help consumers in solving their difficult situations.

The website contains a newly established section Collection of Decisions, where the Financial Arbitrator publishes its selected major decisions. It aims not only to facilitate the predictability of their decision-making, but has undoubtedly also essential educational effect and influence on the cultivation of various segments of the financial market. In accordance with the provisions of Section 21(4) of Act No. 229/2002 Coll., on the Financial Arbitrator, as amended, the published parts of decisions do not contain any personal or other identifying information on petitioners. Data on institutions against which the proceedings were conducted, however, are not anonymized.

The Financial Arbitrator began to provide information about their acts on a large scale through the Facebook social network (https://www.facebook.com/FinArbitr), from the second half of 2013 they also use the Twitter social network (@Finarbitr; https://twitter.com/Finarbitr).

Provision of information under the Freedom of Information Act

If a specific act imposes on an entity obliged the duty to present public annual report containing information on their activities, the entity obliged incorporates this information under the provisions of Section 18 (1) of Act No. 106/1999 Coll., on free access to information in such annual report as a separate part titled *"Provision of information under Act No. 106/1999 Sb., on free access to information."* Annex 3 to this report contains data on the provision of information under this act in 2013.

VII. INTERNATIONAL COOPERATION

The Financial Arbitrator Act imposes an obligation on the Financial Arbitrator to cooperate with similar bodies in other Member States of the European Union and other countries of the European Economic Area and with the European Union institutions.

The Financial Arbitrator is a member of the European FIN-NET network of institutions focused on alternative dispute resolution in the financial market. This network brings together financial ombudsmen in most Member States of the European Union or states of the European Economic Area. Its mission is mainly to share knowledge of everyday decision-making practice and assist in resolving cross-border disputes. The Deputy Financial Arbitrator has become the member of the Steering Committee of FIN-NET for a two-years´ term starting March 2013. This Steering Committee controls the future moving of this network and prepares agenda for plenary meetings.

The Financial Arbitrator is also a member of the international network of institutions aimed at out-of-court settlement of consumer disputes in the financial market called INFO Network (full name International Network of Financial Services Ombudsman Schemes).

The Deputy Financial Arbitrator, who is permanently entrusted with the agenda of international cooperation, undertook 7 missions abroad, for the purpose of participating in:

1. Plenary meeting of FIN-NET in Brussels,
2. OECD Task Force on Financial Consumer Protection discussion in Paris,
3. INFO (International Network of Financial Services Ombudsman Scheme) annual conference in Taipei, Taiwan,
4. FIN-NET Steering Committee meeting in Brussels,
5. OECD Task Force on Financial Consumer Protection discussion in Paris,
6. Annual Conference on European Consumer Law in Trier, and
7. Plenary meeting of FIN-NET in London.

VIII. FINANCIAL EDUCATION

Both the Financial Arbitrator and Deputy Financial Arbitrator are interested in continuing involvement in financial education activities. They participated in several conferences on financial literacy. These activities also include spreading of awareness about the Office of the Financial Arbitrator itself.

The major national activities of the Financial Arbitrator include especially the intensification of activities in raising the awareness and improving financial literacy of the general public. It used a variety of information channels for this purpose, from own website through articles and interviews published in various journals (e.g. Information Service issued by the Union of Towns and Municipalities), to personal appearance of the Deputy Financial Arbitrator in various conferences, workshops and seminars. These appearances do not focus only on academic ground or a narrow circle of professional public, but especially sought after are those events, where knowledge is transmitted to field social workers, personnel of debt counselling, etc., to enable them not only to use the acquired knowledge in their professional activity, but also to pass it on to their clients - individual consumers using a variety of financial services. These activities also include spreading of awareness about the institute of the Financial Arbitrator itself or the Office of the Financial Arbitrator.

The Deputy Financial Arbitrator participates in the activities of the Working Group for Financial Education at the Ministry of Finance. In May 2013, he appeared in the OECD conference held in Prague, which was devoted to the topic of financial education.

The Financial Arbitrator is a partner in projects of financial education titled Finanční kompas (Financial Compass) and Abeceda rodinných financí (ABC's of Family Finances). This Financial Arbitrator's partnership is not merely a formal patronage of these projects, but primarily an active appearance in the ongoing seminars and workshops, where they can pass on the experience gained.

In 2013, the Deputy Financial Arbitrator also took over the patronage of two educational events organized by the civic association Evita, which took place within the global action Global Money Week announced by the non-profit organization Child and Youth Finance International.

The Office of the Financial Arbitrator dedicates great attention, and not only in their educational activities, towards the prevention of over-indebtedness or its solution. The Deputy Financial Arbitrator is an active member of the Responsible Finance Platform, which serves as a forum for the discussion on the pressing social issues such as unethical practices in the consumer credit market, usury, and fair recovery of debts or financial literacy of the public. The Deputy Financial Arbitrator is also a member of the organizing committee in a similarly oriented Alliance against Debts, which brings together a wide range of professionals dedicated to the issue of household debt. Given the proximity of the topics discussed on both platforms, the Deputy Financial Arbitrator endeavours to ensure that between them there is a convergence of views and possible cooperation on specific topics.

IX. COST OF PERFORMANCE OF THE FINANCIAL ARBITRATOR'S ACTIVITIES

In the State Budget for 2013, the expenditure of the Office of the Financial Arbitrator were held in the Expenditure Block - Expenditure on the activities of the Office of the Financial Arbitrator, in terms of sectoral budget classification the expenditure of the Office of the Financial Arbitrator were included in Section 5471.

The approved budget revenues of the Financial Arbitrator, or the Office of the Financial Arbitrator, in the amount of CZK 0 thousand were not adjusted in the course of 2013. Finally, the achieved total revenues accounted for non-tax revenue and amounted to CZK 377 thousand, as follows:

a) the penalty payments received in the amount of CZK 244 thousand; these were penalties imposed pursuant to Section 17 (1) of the Financial Arbitrator Act, i.e. penalties of 10 % of the amount that the institution is obliged to pay the petitioner, but at least CZK 15,000 and this is the state budget revenue;
b) other non-tax revenues totalling CZK 28 thousand and representing refunds for foreign missions of the Deputy Financial Arbitrator from cooperating international organizations; and
c) transfers from own funds in the amount of CZK 105 thousand.

No qualified estimate can be made of revenues received from penalty payments, i.e. imposed penalties, which is the only item that can be foreseen with respect to the Financial Arbitrator's scope of activities. The primary objective of the Financial Arbitrator is to reach an amicable settlement of the dispute. In this case the penalty cannot be imposed and at the same time, the proceedings before the Financial Arbitrator are free of charge.

Total expenditure of CZK 15,965 thousand was approved under the 2013 state budget for activities of the Financial Arbitrator, or the Office of Financial Arbitrator, of which CZK 1,050 thousand was allocated to capital (investment) spending and CZK 14,915 thousand to current (non-investment) spending. The budget involved entitlements for unused expenditure from previous years in the amount of CZK 4,447 thousand, of which CZK 863 thousand was capital spending and CZK 3,584 thousand was current spending. Thus the budgeted expenditure totalled CZK 20,412 thousand with CZK 1,913 thousand of capital spending and CZK 18,499 thousand of current spending.

The entitlements for unused expenditures from previous periods were used in the reference period in the total amount of CZK 2,787 thousand, of which CZK 413 thousand for program funding and CZK 2,374 thousand for current spending.

The total budgeted funds of 2013 dedicated for both the current and capital spending were used by 78.5 %, of which capital spending at 30.6 % and current spending at 83.4 %.

The approved budget for salaries and other payments for work performed was CZK 8,794 thousand, with CZK 8,254 thousand allocated to salaries and CZK 540 thousand to other payments for the work performed. The number of systemized positions was set to 14, with an average salary of CZK 49,131. The 2013 budget for employee salaries and other payments also included entitlements for unused expenditure in 2012 of CZK 1,507 thousand. The total amount of budgeted appropriations to cover the salaries of employees and other payments for 2013 thus totalled CZK 10,412 thousand, of which CZK 9,325 thousand for employee salaries and CZK 1,087 thousand for other payments.

In the monitored period, the appropriations for salaries and other payments were drawn then totalling CZK 9,957 thousand, of which CZK 9,137 thousand for salaries of employees and CZK 820 thousand for other payments. The appropriations to cover the salaries of employees and other payments were drawn at 95.6 %, of which appropriations for salaries at 98 % and for other payments at 75.4 %. The compulsory contributions budget for the reference period was set at CZK 2,990 thousand, after

adjustments and involvement of entitlements for unused expenditure from previous periods it totalled CZK 3,517 thousand. In the reference period, CZK 3,328 thousand was used, i.e. 92.1%. The financial allocation for the cultural and social needs fund was set to CZK 92 thousand as the corresponding share of budgeted salary appropriations and was 100% used. The actual average monthly salary amounted to CZK 47,589 compared with the planned average monthly salary of CZK 49,131.

During 2013 more budgetary measures were implemented, in particular to strengthen appropriations for salaries and other payments and related payments on compulsory contributions and for the cultural and social needs fund on the ground of personnel strengthening in the Office of Financial Arbitrator, increased expenditure in connection with the budgetary unsecured increase in handled disputes, extension of the Financial Arbitrator's competence during 2013 without adequate budgetary provision and collectively submitted petitions to initiate proceedings.

The balance of entitlements for unused expenditure of 2013 totalled CZK 4,395 thousand at 1 January 2014, of which CZK 1,796 thousand for program funding and CZK 2,599 thousand for other current expenditures.

Total expenditure on missions abroad and foreign activities totalled CZK 180 thousand and included travel costs, participation fees, meals and accommodation, of which a total of CZK 28 thousand was refunded. All realized missions were of great benefit to the activities of the Financial Arbitrator, with regard to information gathered on the activities of foreign financial arbitrators, upcoming amendments to the European legislation and insight into the development of consumer protection at European level.

In 2013, the Office of the Financial Arbitrator did not enter into any agreement on legal assistance or otherwise did not incur any expenditure on external legal services.

X. PERSPECTIVES, INTENTIONS, AND OBJECTIVES OF THE FINANCIAL ARBITRATOR

The basic task of the Financial Arbitrator, i.e. deciding on individual disputes relating to the provision of certain financial services, remains unchanged also in the future. In addition, however, the Financial Arbitrator will work to become known to as large a group of participants of the financial market as possible and actively communicate with the public and the media. They will further use several possible options, e.g. media outcomes, publication of press releases and annual reports, ongoing information in the form of news on their website and on social networks like Facebook or Twitter.

Particularly acute problem remains for the Financial Arbitrator the area of financial literacy of Czech citizens. Therefore, the Financial Arbitrator will focus intensively on this area through their activities and a variety of activities of the Deputy Financial Arbitrator and will contribute to enhancing the financial literacy of citizens, both directly and in cooperation with non-governmental organizations, academia and other entities involved in financial education.

In the future, the Financial Arbitrator would like, for example, to begin to post videos on their website, whose main objective would be to outline model situations that consumers should avoid, raise awareness about the function, scope of activities and competences of the Financial Arbitrator, as well as provide an explanation of the less frequently used or complex verbal terms used in the financial market, or basic advice and recommendations on how the consumer should proceed in case of over-indebtedness. To facilitate communication with the authors of queries, the Financial Arbitrator has introduced the use of a voice tree, Interactive Voice Response (hereinafter referred to as "IVR") on the telephone line (contact phone number) of the Office of the Financial Arbitrator from 2014. So the most commonly requested information is more easily available to the caller; there is of course also the possibility to be connected to the Secretariat of the Office of Financial Arbitrator.

The Financial Arbitrator expects to continue their active involvement in the activities of the working group at the Ministry of Industry and Trade established for the purpose of preparing the transposition of Directive 2013/11/EU of the European Parliament and of the Council on alternative dispute resolution for consumer disputes. The Financial Arbitrator will seek primarily to ensure that the resolution of consumer disputes arising in connection with the provision of financial services in any sector of the financial market will be concentrated just in the scope of the Financial Arbitrator's activities.

With regard to the concurrent legislative work at EU level it may be expected that the scope of the Financial Arbitrator's activities should extend at least in the range of products covered by the forthcoming *Regulation of the European Parliament and of the Council on key information documents on investment products* (PRIPs), *Directive 2002/92/EC of the European Parliament and of the Council on insurance mediation* (IMD), which is currently being revised, and recently adopted *Directive 2014/17/EU of the European Parliament and of the Council on credit agreements for consumers relating to residential immovable property*. No later than 9 January 2016, the Financial Arbitrator will also be required to comply with the *Regulation (EU) No. 524/2013 of the European Parliament and Council Regulation on online dispute resolution on consumer disputes* and solve also disputes initiated online via the web platform of the European Commission

In the area of international cooperation, the Financial Arbitrator will attempt to use more effectively the acquired contacts to similar institutions operating abroad, possibly in the form of operational informal consultations with foreign partners, particularly in those areas which are relatively new in respect of the Financial Arbitrator's scope of activities.

Annex 1 – A selection of published decisions of the Financial Arbitrator with a brief description of the dispute and conclusion made by the Financial Arbitrator			
File No.	**Date of the decision**	**Subject matter of dispute**	**Description of the dispute**
96/SU/20213	28.2.2013	Mortgage credit	The Financial Arbitrator has no jurisdiction to decide on disputes arising from the mortgage credit, as mortgage credit is excluded from the regime of Act No. 321/2001 Coll., on consumer credit.
39/SU/2013	27.2.2013	Mortgage credit	The Financial Arbitrator has no jurisdiction to decide on disputes arising from the mortgage credit, as mortgage credit is excluded from the regime of Act No. 145/2010 Coll., on consumer credit.
181/SU/2013	13.12.2013	Credit administration fee	The Financial Arbitrator found no grounds for declaring invalidity of the contractual fee arrangements for the use and administration of credit and for surrender of unjust enrichment arising from the performance of an invalid legal act in a dispute against Raiffeisenbank a.s.
19/SU/2013	3.12.2013	Credit administration fee	In a dispute against GE Money Bank, the Financial Arbitrator found no grounds for declaring invalidity of the contractual fee agreements for credit account management and imposition of an obligation to surrender unjust enrichment consisting in the fee paid for credit account management in the period from the date of conclusion of the credit agreement to 30 October 2012. At the same time, however, the Financial Arbitrator found that a unilateral change to the terms, especially the Tariff, failed to meet all the legal requirements for their validity, and therefore only that version of credit agreement, general terms and conditions, and tariff is binding for the petitioner that was in effect at the time of the credit agreement conclusion. The fee increase is therefore invalid and the institution is required to repay the difference to the petitioner.
107/SU/2012	15.7.2013	Credit administration fee	The Financial Arbitrator found no grounds for declaring invalidity of the contractual agreements for the fee for the credit account administration and management and surrender of unjust enrichment arising from the performance of an invalid legal act in a dispute against Česká spořitelna a. s.
181/SU/2012	29.4.2013	Credit administration fee	The Financial Arbitrator in the dispute against Komerční banka, a.s. stated that the petitioner paid the fee on the basis of invalid contractual arrangements, performed of an invalid legal act and the institution became enriched without just case. The institution lodged an opposition against the award; *the opposition proceedings are still pending*.
76/SU/2012	18.7.2013	Contract conclusion fee	The Financial Arbitrator in the dispute against CPE Credits of Private Equity, a.s. found that the credit agreement was not concluded in a valid and effective manner. The petitioner thus paid the return fee and a penalty based on an invalid legal act and the institution became enriched without just case to the detriment of the petitioner. The institution is, therefore, required to repay to the petitioner everything what it received from the petitioner under the invalid credit agreement. The Financial Arbitrator also noted that since the institution itself prepared and submitted the credit agreement form to the petitioner, it should have known in respect to its position of a professionally acting and more informed entrepreneur in the contractual relationship in question that the credit agreement was for the petitioner as a consumer incomprehensible, sometimes vague, full of internal contradictions and arrangements that were unreasonable or contrary to good morals. The institution by taking the return fee and a penalty from the petitioner under an invalid credit agreement did not act and could not have acted in good faith in proper provision and drawdown of the credit.
164/SU/2012	20.12.2013	Contract conclusion fee	The Financial Arbitrator in the dispute against MSC MONEY SERVICE CORPORATION concluded that the client contracts entered into with the petitioner are void because contrary to good morals on the grounds that in fact no rights or consideration by the institution arise to the petitioner from the concluded client contracts, for

			which the petitioner paid the fee.
11/PS/2013	17.5.2013	Incorrectly executed payment transaction	The payment account management is not a payment transaction in itself, but in material terms the agreement on the conditions for managing the payment account is part of the payment service contract and is subject to its regime. The condition of management of payment account includes undoubtedly its proper interest. In this case the account was not a payment account, so the dispute about correct interest of deposit registered on the account cannot be considered a dispute regarding the provision of payment services. The petition, under which the petitioner sought the proper interest of the deposit before the Financial Arbitrator, is inadmissible or the Financial Arbitrator has no jurisdiction to decide on it.
24/PS/2013	6.5.2013	Termination of agreement	If the building savings agreement is not an agreement for payment services, i.e. if the building savings bank did not commit itself to perform certain payment transactions or conduct uncertain payment transactions, the dispute concerning the termination of the contractual relationship established by such an agreement is not a dispute regarding the provision of payment services. The dispute over the termination of the building savings agreement would be a dispute in the provision of payment services only if that would be a payment service agreement. The petition, under which the petitioner sought the proper interest of the deposit before the Financial Arbitrator, is inadmissible or the Financial Arbitrator has no jurisdiction to decide it.
235/PS/2013	11.7.2013	Unauthorized payment transaction	The Financial Arbitrator concluded that in this case the institution could detect the forgery of signatures when applying an appropriate professional care and reject the execution of the payment order. Since all the conditions have been met where responsibility for an unauthorized payment transaction rests with the institution, the Financial Arbitrator imposed an obligation upon the institution to return the payment account from which payment transactions were debited to the state in which it would have been if no debiting occurred, or if this procedure is not an option, to reimburse the payer with the amount of the payment transaction, including the consideration paid and lost interest.
55/PS/2012	13.3.2013	Unauthorized payment transaction	The Financial Arbitrator found that the institution fulfilled its obligation to provide information. The petitioner therefore had to be aware of her obligation to check the current account statement for the relevant period, whether the payment transactions contained therein are authorized and properly entered. If the petitioner then found discrepancies in the entered payment transactions, she should make a verifiable complaint of the errors with the institution, without undue delay after their discovery, but not later than 13 months after the current account was debited.
179/PS/2012	13.3.2013	Incorrectly executed payment transactions, foreign exchange loss	A payment transaction is correctly executed as far as the person of recipient is concerned, if done in accordance with his or her unique identifier. A unique identifier means a combination of letters, numbers or symbols, by which the user or his or her account is identified during the execution of payment transactions as determined by the account provider. So if correct unique identifier was entered (usually the account number), it is not essential that also other (incorrect) data were entered. The Payment System Act regulates the obligation of the provider to provide information prior to the conclusion of a framework agreement. The act, however, does not include as part of this information obligation that the provider would be obliged to inform the user about whether it uses other intermediary providers to execute payment transactions or who the providers are. Furthermore, in the present case the institution in fact did not use any intermediary to fulfil its obligations, though, as mentioned above, the payer used an intermediary, for whose acts, however, the institution is not responsible in accordance with the above mentioned division of responsibility.
50/SU/2012	18.7.2013	Unauthorized payment transaction	The Financial Arbitrator concluded that the institution overcame its burden of proof as to the facts concerning cash withdrawal at issue. The Financial Arbitrator considered the questionable cash withdrawal as an

			authorized payment transaction, using the original credit card and with the consent of the petitioner that she gave by entering the correct PIN. The Financial Arbitrator also notes that even if they would have taken an opposite view, this should not affect the outcome of the case, since the petitioner did not notify the controversial cash withdrawal within the prescribed time limit, thereby leading to extinction (foreclosure) of rights from the unauthorized payment transaction.
122/PS/2012	25.4.2013	Failure to dispense cash from ATM	The Financial Arbitrator concluded that the institution executed the order to withdraw cash on the basis of a valid consent of the petitioner (i.e. it was an authorized payment transaction) and ATM issued cash in an amount required (i.e. it was a properly executed payment transaction). The institution overcame its burden of proof as to the petitioner and its petition to initiate proceedings before the Financial Arbitrator. It cannot be attributed to the institution that the petitioner left the space in front of ATM of her own without cash pick up. The Financial Arbitrator takes the view that with regard to the above the petitioner should file a criminal complaint against a person unknown and seek compensation for damage suffered in criminal proceedings.
89/PS/2012	18.7.2013	Payment card theft, unauthorized payment transaction	The Financial Arbitrator is aware that the protection of a payment card from theft cannot be absolute. The Payment System Act itself, hence the framework contract for payment services, speaks about adequate protective measures. Adequacy of the measures is not unchangeable, but should always correspond with predictable circumstances. When moving in public spaces where it is necessary to anticipate possible negative conduct of third parties, it is not careful in the opinion of the Financial Arbitrator to handle the payment card in a manner that such third party knows where the payment card is and that the access to payment card is not sufficiently protected. Even the petitioner himself does not know, according to his own statement, how the card was stolen. Furthermore, he discovered that the card was stolen from his fanny pack located on his side or back, i.e. on his own body, not earlier than 10 minutes after the last authorized payment transaction (and perhaps even later, because the call asking to block the payment card began after more than 30 minutes from the first unauthorized transaction). The behaviour of the petitioner can be assessed as grossly negligent because without reasonable cause he relied that credit card is sufficiently protected against theft.
69/PS/2012	8.3.2013	Payment card theft, unauthorized payment transaction	The petitioner's statements are contradictory in themselves, when she responds at the Financial Arbitrator's invitation that PIN was nowhere near the card and then on a recorded phone conversation she states on the contrary that (thieves) had to find PIN, so PIN necessarily need to be in the vicinity of the card (at least in the stolen purse). Nor the fact that PIN would correspond with the petitioner' date of birth would change anything on it and this date of birth would have been written on the identity card stored close to the payment card, as in such case PIN would be in the vicinity of the card. As for the legal and contractual obligation of a payment card user, in this case the petitioner, to inform the payment service provider or a person designated by them about any theft or unauthorized use of the payment instrument without undue delay, the Financial Arbitrator notes that petitioner neither notifies the institution about the stolen credit card without undue delay.
226/PS/2013	21.10.2013	Unauthorized payment transaction	As for the local context of disputed and uncontested payment transactions in question that the Financial Arbitrator included as relevant to these proceedings, then all these payment transactions were made in XY and its vicinity, i.e. places where also those payment transactions were made, the execution of which the petitioner does not deny. The close time and local connection between disputed payment transactions and those not contested by the petitioner raises doubts in the Financial Arbitrator about the petitioner's statements that he did not authorize the disputed payment transactions. The Financial Arbitrator cannot explain this connection in any other way than that all the disputed payment transactions and uncontested payment transactions were performed by the petitioner. The Financial Arbitrator ruled out that the disputed payment transactions were carried out by a third party. This third party would have to first make the disputed payment transaction and

			then return the payment card to the petitioner within an hour and twenty minutes. Another time the third party would have twenty minutes to take the payment card from the petitioner, perform the disputed transaction and then return it before the next payment transaction is made by the petitioner.
310/PS/2013	6.8.2013	Transfer of funds to the wrong account	If the payer executes, i.e. enters a payment order for erroneous payment in favour of an unintended beneficiary, without having any obligation to perform to him or her, an unjust enrichment arises on the part of the unintended beneficiary. The payer is then eligible for the return of such unjust enrichment (i.e. erroneous payment). If the payer does not voluntarily agree with the unintended beneficiary, the dispute about returning the erroneous payment must be brought before the general court, unless an arbitration clause is agreed by the parties. The Financial Arbitrator has jurisdiction in disputes between two users of payment services.
1/PS/2013	28.5.2013	Unauthorized payment transaction	The Financial Arbitrator considered the transfer of funds as an unauthorized payment transaction, since the institution was obliged to leave on the petitioner's account an amount equivalent to double the amount of the subsistence of the individual. The Financial Arbitrator concluded that from the moment the financial institution receives a writ of enforcement by deductions from the account, a ban applies to funds in excess of twice the amount of the subsistence of the individual (once on all accounts of the obliged person that the financial institution maintains for him or her) to be paid out, set off or otherwise handled by the financial institution. This ban does not apply to funds equivalent to twice the amount of the subsistence of the individual and conversely the obliged person has the right to dispose of them in the same way as before the writ of enforcement. This is true even if the funds are not in the account at the time of writ of enforcement servicing, but are credited to the account later. At the same time the Financial Arbitrator concluded that the legislation at issue does not entail any right of an financial institution to require the obliged person to request the payment of funds up to double the amount of the subsistence of the individual in writing or at least explicitly, in the sense that he or she requires the payment of just these funds, and neither it can be derived from it whether the ban is only temporary or permanent.
263/PS/2013	28.6.2013	Termination of agreement	The Financial Arbitrator established that the Payment System Act sets out the conditions under which the payment service provider can terminate a framework contract for payment services, and requirements on the form of contract termination. The Financial Arbitrator concluded that the institution complied with all formalities of termination of the account agreement, in particular the requirements on the form of notice of termination required by the act on payment services and agreed in general business terms (i.e. made in writing, i.e. on a durable medium, certainly and understandably, in Czech language, i.e. in the official language of a country where the payment service is offered). The account agreement also does not imply that it has been concluded for a definite period and that the institution would not have an option to terminate it, even without giving a reason, and this option has been negotiated bilaterally. The agreed period of notice shall be not less than two months, in the present case the period of notice was even longer, since it was two months and twenty calendar days. The Financial Arbitrator rejected the petitioner's petition and also noted that they did not find from the evidence collected that the institution terminated the agreements in dispute for the reasons outlined by the petitioner, namely that termination was the result of the institution's despotism, its whim or a hidden bias against the petitioner, neither it was the intervention by public authorities.