



FAI | THE OFFICE OF THE CZECH
FINANCIAL ARBITRATOR

**ANNUAL REPORT ON THE ACTIVITIES OF THE
FINANCIAL ARBITRATOR
2017**

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

June 2018
(data updated as of 1st November 2018)

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I. FINANCIAL ARBITRATOR'S FOREWORD

Since the introduction of the Financial Arbitrator in 2003, and at the time deciding only some disputes arising from the providing of payment services, in which the complainant could be a consumer or an entrepreneur, the Financial Arbitrator has gradually become an important out-of-court dispute resolution body sought by the consumers and deciding disputes between consumers and specific financial institutions across the entire financial market.

The Financial Arbitrator decides now consumer disputes arising from the providing of payment services, non-payment accounts and bankbooks, electronic money, consumer credit including mortgage credit and loans from building savings, building savings themselves, most disputes arising from collective investments and investment services (only when they are provided by an investment firm, i. e. an entity authorised by the Czech National Bank, not by a foreign entity), money exchange and life insurance.

The Financial Arbitrator is competent to cover disputes between the consumers and the providers or the intermediaries of the financial services alike.

The only matters staying uncovered by the Financial Arbitrator's competence remain disputes from non-life insurance and pension insurance. In 2017, the Financial Arbitrator received 1,343 complaints, dealt with a total of 3,228 disputes and the amount of queries raised by the public exceeded the number of 4,000. The number of initiated proceedings has increased annually by 100%. The object of most complaints and queries remains life insurance and consumer credit. In 2018, 1,226 proceedings were initiated until now and answers were given to 3,000 queries. The interest for a resolution of the dispute by the Financial Arbitrator is continuously increasing.

Disputes from life insurance share a common denominator; the commission of the intermediary or the initial costs related the conclusion of the contract and the fees the insurance company charges from the premium during the first years of the insurance duration. The concerned disputes share another common denominator; these are the allegations of the insured, who claim as a single man that the intermediary persuaded them to sign a life insurance contract as it was a savings contract and that the insurance did not inform them about the fees they charge them. The third common denominator is the time it took the insured to find out the insurance did not inform them about the fees.

It is true that some insurance contracts do not contain provisions on fees, or that these are mentioned so unclearly that such a provision shall be null and void for its unclearness. Also, it appears some insurance contracts are not truly insurance contracts because the policyholders have not negotiated an insured amount (i. e. they do not bear any insurance risk at all).

There are also insurance contracts, in which provisions on fees are properly incorporated and sufficiently clear, yet still the insured suddenly pretends to be unaware of such provisions or contract appellation and claiming the former intention to sign a savings contract and not an insurance contract.

The main goal of the Financial Arbitrator is to reach to an amicable settlement of the dispute and her endeavour meets success in the majority of the heard and justified disputes. In the long term, the Financial Arbitrator fares to settle amicably from 60% to 70% of the disputes. As far as the court review of the decisions of the Financial Arbitrator is concerned, the financial institutions contested a couple of decisions of the Financial Arbitrator in court. The hitherto finished court reviews upheld the Financial Arbitrator's decisions.

The number of complaints and queries indicates the public disposes of information about the Financial Arbitrator and that the complainants are interested in an eventual settlement of the dispute through the Financial Arbitrator. In many cases, the sole act of addressing a complaint to a financial institution, by which the consumer satisfies to an essential condition so the proceedings may commence before the Financial Arbitrator, suffices to reach to an amicable settlement of the dispute. The sole existence of the Financial Arbitrator, the previous experience of the financial

institutions with the proceedings before the Financial Arbitrator and also the Collection of Decisions published on Financial Arbitrator's website, helps in fact to the amicable settlement of the dispute.

However, giving satisfaction or helping the consumer is not always possible, people do often come late, or, because of their own imprudence and indifference, they do make their life and the eventual resolution of the dispute complicated. According to the response of the overwhelming majority of the consumers submitting a complaint to the Financial Arbitrator, the consumers show to have confidence in the institution and, in a positive way, they do appreciate how the State, through the Financial Arbitrator, protects the consumer in the financial market. On the other hand, various groups or group initiatives abuse the institution of the Financial Arbitrator by organizing mass complaint submissions on behalf of the consumer, who in many cases is even not aware of it, though the dispute lose not only its nature as individual dispute, but also its nature as consumer dispute, when the claim is been pursued by a person, who has bought from the consumer the claim from the contractual relationship with the institution. These groups often file complaints, in which the claim is already time-barred. Since the financial institutions tend to be cautious in the proceedings and object the prescription of the claim in almost all the proceeding, filing such an unenforceable complaint unnecessarily burdens the Financial Arbitrator, who therefore lacks the capacity to deal with the other cases.

As for the charges of the State for the Financial Arbitrator's activities, the tasks associated with the professional, organisational and technical arrangements of the Financial Arbitrator's activities are still performed by the Office of the Financial Arbitrator as a government body and a separate accounting entity, whose revenues and expenditures fall into the budget chapter of the Ministry of Finance.

As well as in the preceding years, only inevitable costs were spent on the activities of the Financial Arbitrator and of the Office of the Financial Arbitrator. The majority of public contracts, in which the Financial Arbitrator takes part, are public contracts centrally procured by the Ministry of Finance. The Financial Arbitrator and the Office of the Financial Arbitrator use to not call upon external legal or external advisory services.

As to the personnel ensuring the activities of the Financial Arbitrator, the total number of systemized positions was 55 posts (not service posts in terms of Civil Service Act) in 2017, including the post of the Financial Arbitrator and his deputy. The large majority of the employees of the Office of the Financial Arbitrator are graduates in law.

At the turn of the years 2017 and 2018, the Office of the Financial Arbitrator launched its own records management and complaints handling information system, aside from complying with the obligations laid down by the law, to facilitate and to improve the quality of work, to achieve a higher level of consistency of all processed documents, to improve the overview of all pending proceedings and in particular to speed up the proceedings before the Financial Arbitrator.

Even in 2017, the Deputy Financial Arbitrator intensively cooperated on the international and particularly on the European scale with the representatives of similar foreign institutions united in the European network of the financial ombudsmen FIN-NET and the worldwide INFO Network. The Financial Arbitrator is a notified body within the European Commission according to the European Directive on alternative dispute resolution for consumer disputes and is connected to the European platform for the on-line resolution of consumer disputes.

The outlook for the following periods are more than clear; settle fairly the most of disputes in the shortest length of time.

In Prague on 1st November 2018

Mgr. Monika Nedelková v. r.
The Financial Arbitrator

II. COMPETENCE OF THE FINANCIAL ARBITRATOR

In accordance with section 1(1) of Act No. 229/2002 Coll., On the Financial Arbitrator, as amended (hereinafter the "Financial Arbitrator Act"), The Financial Arbitrator is an out-of-court consumer dispute resolution body on the financial market who may decide a dispute in the same way as a Czech court, provided the dispute arises between a consumer and:

- a) a payment service provider in connection with offering and providing payment services,
- b) an electronic money issuer arisen in connection with issuing and reverse exchange of electronic money,
- c) a creditor or an intermediary in connection with the offering, providing or mediation of consumer credit or other credit, loan or other financial services,
- d) a person managing or administering a collective investment fund, or offering an investment in a collective investment fund or in a comparable foreign investment fund in connection with managing or administering a collective investment fund, or with offering an investment in a collective investment fund or a comparable foreign investment fund,
- e) an insurer or an insurance intermediary arisen in connection with the offering, providing or mediation of life insurance,
- f) a money exchange provider in connection with money exchange,
- g) a building savings bank or an intermediary in connection with the offering, providing or mediation of building savings,
- h) an investment firm, a tied agent, a collective investment fund or a foreign collective investment fund manager or an investment intermediary in connection with the providing of investment services or the activities under section 11 article 1 letter (c) to (f) of the Act on Investment Companies and Investment Funds.
- i) a person administering a non-payment account in connection with administering such account,
- j) a receiver of a one-off deposit in connection with the acceptance and the reimbursement of such deposit;

As of 1st March 2017, in connection with the adoption of Act No. 452/2016 Coll., amending Act No. 284/2009 Coll., On Payments, as amended, and other related Acts, the competence of the Financial Arbitrator has been extended to disputes such as ones concerning savings accounts or bankbooks. Although these are common services the banks provide to retail customers, they are not considered as payment services, the Financial Arbitrator though was not until now competent to deal with disputes in connection with such products.

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

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

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

- the validity of the credit agreement, of the provision on penalty for non-compliance with the agreement, or of another provision of the credit agreement,
- the amount of the debt following from the credit agreement,
- the validity of the credit agreement for non-assessment of the creditworthiness of the debtor,
- the amount of the compensation of the creditor for providing the credit,
- the right to a discount interest rate (after being claimed),
- the annual percentage rate of charge (APR).
- the right of early repayment,
- the validity of the withdrawal of the credit agreement or intermediary agreement,
- the validity of declaring the whole credit payable,
- the fees following from the credit agreement or intermediary agreement,
- damages caused by the creditor to the debtor in relation with the conclusion of the credit agreement.

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

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

The Financial Arbitrator is authorized to decide disputes arising from providing **investment services** between a consumer and an investment firm, an investment intermediary or a tied agent, for example in the following cases:

- the proper execution of the order to buy or sell a financial instrument,
- damages for an investment advice provided by a security trader or an investment intermediary,
- the fee charged for purchase or sell of financial instrument,
- the validity or termination of an investment services agreement.

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

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

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

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

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

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

Some disputes do not fall within the competence of the Financial Arbitrator, because they are not covered by any of the areas enumerated in the Financial Arbitrator Act, however the public shows interest in the resolution of such disputes before the Financial Arbitrator by filing a complaint. These are essentially disputes concerning:

- non-life insurance (property insurance, accident insurance, liability insurance, injury insurance, incapacity work insurance etc.), even if it was negotiated as a supplementary insurance to life insurance,
- supplementary pension scheme or supplementary pension savings,
- the protection of personal data indirectly connected with financial services.

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

- the dispute was decided in merits by the court of competent jurisdiction or the dispute is currently being heard by the court,
- the dispute is currently being heard or was decided by the Financial Arbitrator,
- the dispute was decided in merits in arbitration proceedings or the dispute is currently being heard by an arbitrator.

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

The proceedings are governed by the investigation principle. In other words, the Financial Arbitrator shall collect all the relevant evidence to be able to decide the dispute upon her best knowledge and belief, impartially, fairly, without undue delays and only on the basis of the facts established in accordance with the Financial Arbitrator Act and other legislation. Therefore, the complexity of the case and the need of cooperation of the parties as well as third institutions or persons in the proceedings shall always be taken into account.

Where the consumer's claim is justified, the Financial Arbitrator's primary objective is to achieve an amicable settlement so the consumer has not to hire a lawyer or bring his claim before court and bear the attorney's fees or the costs of the proceedings, for the proceedings before the Financial Arbitrator is free of any charge and does not require from the consumer to have an attorney. The Financial Arbitrator has to consider the dispute in principle according to the legislation in force and shall not act in favour of any of the parties to the dispute; this is not the case when the Financial Arbitration has the duty to lead the consumer through the proceedings so he shall pursue his claim effectively.

When the dispute cannot be amicably settled, the Financial Arbitrator delivers a decision that may be subject to the judicial review, provided one of the parties shall not agree with it. The consumer disposes of sufficient time to decide whether he/she is willing to submit his dispute against the financial institution to court review for he has the possibility to withdraw his claim at any time of the proceedings and he can act so until the Financial Arbitrator decides on the objections. In the case the court would estimate the Financial Arbitrator had unjustifiably decided in favour of one of the parties of the dispute, the court would overrule the decision of the Financial Arbitrator and it would be also very probable that the court would impose the costs of the proceedings on the unsuccessful party in the dispute.

III. FINANCIAL ARBITRATOR, DEPUTY FINANCIAL ARBITRATOR – ORGANIZATIONAL ARRANGEMENT OF THE OFFICE OF THE FINANCIAL ARBITRATOR

Financial Arbitrator

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

Monika Nedelková was appointed the Financial Arbitrator by the Government on 27th July 2016 for her second term of office.

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

Deputy Financial Arbitrator

Lukáš Vacek was appointed Deputy Financial Arbitrator by the Government for the term of office of 5 years on 14th January 2015.

Lukáš Vacek graduated from the Faculty of Law of Charles University in Prague and from a joint degree program at the Law Faculty of Masaryk University in Brno and Nottingham Trent University (MPA). In the years 2004-2013 he worked at the Ministry of Finance, out of which for more than 7 years he held the position of 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 credit, for the enactment of the Financial Arbitrator Act, but also for the area of deposit guarantee scheme or distribution of financial services. On behalf of Czech Republic, he negotiated the EU legislative proposals within the EU Council working groups, including e.g. the Mortgage Credit Directive, the revision of the Insurance Mediation Directive and other legislation. He was a member of the Platform for Out-of-court Resolution of Consumer Disputes at the Ministry of Industry and Trade. He has been actively engaged in financial education and in resolving the problems following from over-indebtedness. He regularly publishes articles in professional journals (Jurisprudence, Law and Family, Commercial Law Revue) and he is a lecturer as well.

Office of the Financial Arbitrator

The tasks associated with the professional, organizational and technical arrangements of the Financial Arbitrator's activities are performed by the Office of the Financial Arbitrator, which forms a government agency, an accounting entity, and its revenue and expenditure forms a part of the budget chapter of the Ministry of Finance. The Office of the Financial Arbitrator was constituted on 1st July 2011 by Act No. 180/2011 Coll., amending Act No. 229/2002 Coll., on the Financial Arbitrator, as amended, and some other acts.

The Financial Arbitrator is the head of the Office of the Financial Arbitrator. The Deputy Financial Arbitrator represents the Financial Arbitrator and exercises his full authority and responsibility in his absence. The employment relationship and the remuneration of the employees of the Office of the Financial Arbitrator are governed by the Labour Code. Organizational structure of the Office of the Financial Arbitrator is formed by its organizational units:

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

The organizational structure changes upon actual needs. Due to the increasing number of disputes arisen from consumer credit and particularly life insurance, new Departments were set up, and the disputes reattributed equally according to their complexity independently of the financial institution, or, in the case of life insurance, depending on the financial institution concerned and their typical products.

Levels of management are:

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

To ensure the operation of the Office of the Financial Arbitrator, alongside the Financial Arbitrator and the Deputy Financial Arbitrator, following job positions are established:

- Head of Department,
- Lawyer,
- Methodist,
- Administrative Officer,
- Internal Auditor,
- Accountant,
- PR Manager,
- Clerk.

Development of job positions since the establishment of the Office of The Financial Arbitrator (including the Financial Arbitrator and the Deputy Financial Arbitrator):

| | |
|-----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| year 2011 | 14 systemised posts |
| year 2012 | 14 systemised posts |
| year 2013 | 14 systemised posts |
| year 2014 | 35 systemised posts |
| year 2015 | 35 systemised posts |
| year 2016 | 45 systemised posts |
| year 2017 | 55 systemised posts (for 2018, the demand on the number of systemised posts has not changed with regard to the difficulty to fill the vacant positions; the situation as to 1 st June 2018 has evolved so all the 55 systemised posts are occupied). |

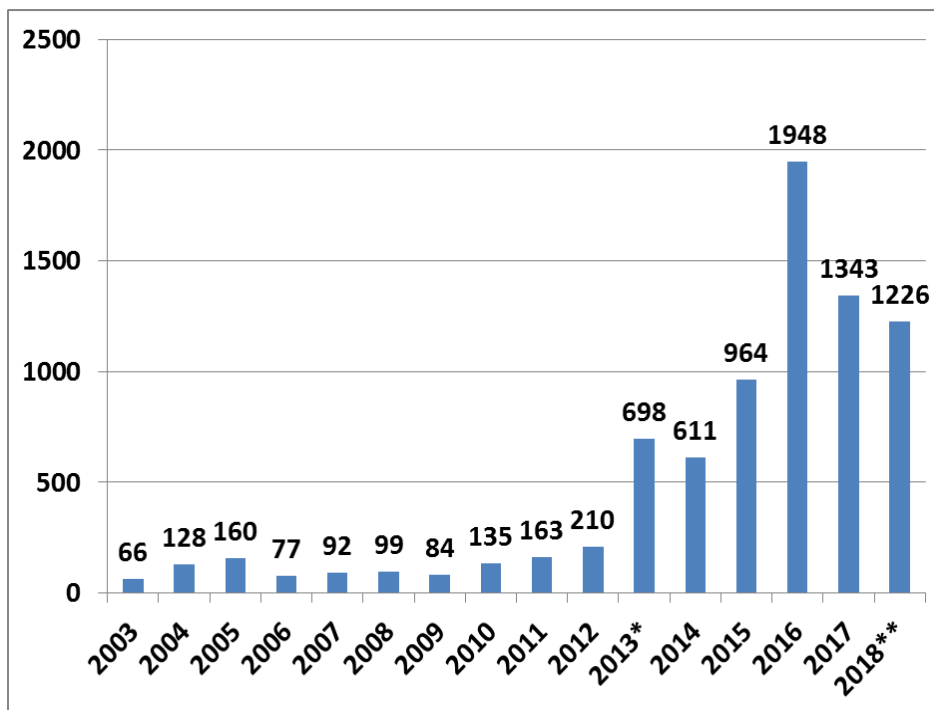
The Office of the Financial Arbitrator actually employs other persons on the basis of agreements out of employment relationship. It concerns the administrative personnel as well as the lawyers from the rank of the employees on parental leave.

IV. SUMMARY OF THE FINANCIAL ARBITRATOR'S ACTIVITIES

In 2017, the Financial Arbitrator received 1,343 complaints and commenced 15 proceedings to impose fines due to non-cooperation of the financial institutions, i.e. 1,358 in total. As of 1st November 2018, the Financial Arbitrator already received 1,226 complaints.

Comparison of the complaints received in the individual years (2003 – 2018)

| Year | Total |
|------|---------|
| 2003 | 66 |
| 2004 | 128 |
| 2005 | 160 |
| 2006 | 77 |
| 2007 | 92 |
| 2008 | 99 |
| 2009 | 84 |
| 2010 | 135 |
| 2011 | 163 |
| 2012 | 210 |
| 2013 | 698* |
| 2014 | 611 |
| 2015 | 964 |
| 2016 | 1,948 |
| 2017 | 1,343 |
| 2018 | 1,226** |



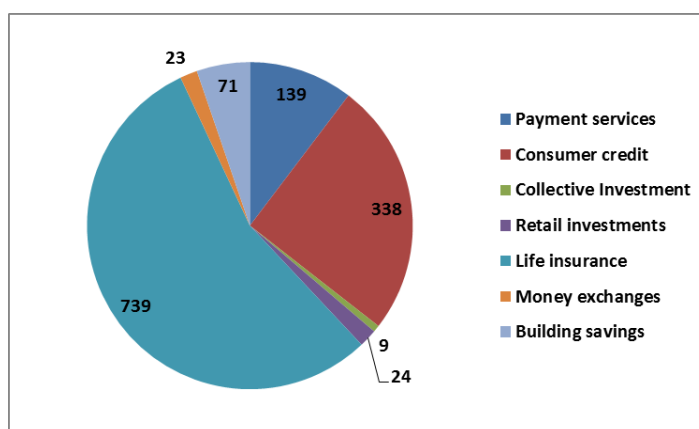
* In 2013, the Financial Arbitrator received 93,139 complaints filed jointly concerning fee for credit administration (information about settlement of the disputes contained the report on the activities of the Financial Arbitrator 2014).

** state as to 1st November 2018

Proceedings commenced in 2017 divided into specific areas

Most complaints received in 2017, as well as in the previous periods, represented disputes arisen from life insurance and consumer credits. The smallest number of disputes concerned those arisen from money exchanges.

| Area | Proceedings |
|-----------------------|-------------|
| Payment services | 139 |
| Consumer credit | 338 |
| Collective Investment | 9 |
| Retail investments | 24 |
| Life insurance | 739 |
| Money exchanges | 23 |
| Building savings | 71 |
| Total | 1343 |

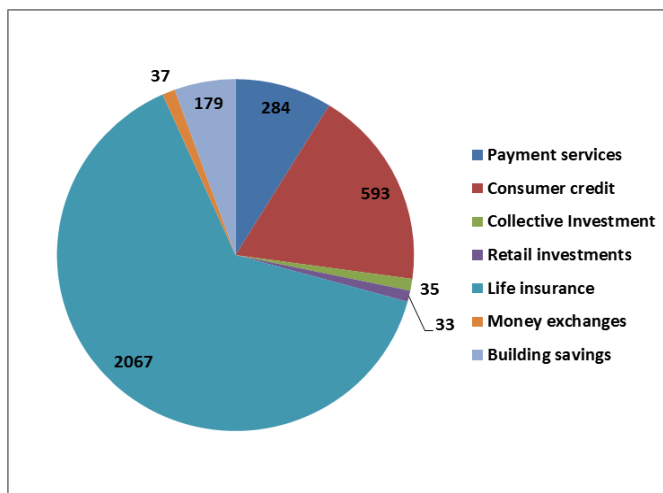


Of course proceedings commenced in the previous years went on in year 2017, in addition to the proceedings commenced in year 2017, 1,779 proceedings are still going on, for a total of 3,228 ongoing proceedings.

Ongoing proceedings refer to proceedings that were suspended for legal reasons, or at the request of the complainant, or based on recommendations of the Financial Arbitrator. Other ongoing proceedings commenced in previous periods that were not finally settled by 31th December 2017 are those, in which the collection of all the documentation necessary for the decision is actually being made, negotiation on amicable settlement are underway or the objection proceedings have been commenced.

Ongoing proceedings divided into specific areas in 2017

| Area | Ongoing proceedings in 2017 |
|-----------------------|-----------------------------|
| Payment services | 284 |
| Consumer credit | 593 |
| Collective investment | 35 |
| Retail Investments | 33 |
| Money exchanges | 37 |
| Building savings | 179 |
| Life insurance | 2,067 |
| Total | 3,228 |



Payment services

Most disputes in connection with payment services arise from unauthorized payment transactions; generally in connection with the use of payment instruments as internet banking or credit card, as to the credit card, mainly it has to do with disputes from cash withdrawal from an ATM with the entered PIN code consequently to the misappropriation of the credit card.

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

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

Consumer credit

The most common dispute arisen in connection with consumer credit happened to be disputes about the validity of the credit agreement for violation of the duty to duly assess the creditworthiness of the debtor.

Aside, disputes about the fee for early repayment of the credit, particularly the mortgage credit, were also frequent. The Financial Arbitrator also dealt with disputes about damages caused by the intermediary of the credit in pre-contractual negotiation, in which the consumer demanded the

granting of the promised credit or compensation for non-granting of the credit. Object of disputes were also about registrations in the registries of debtors, in which the consumers sought the Financial Arbitrator with requests of reviewing if the providers of credit loans were indeed entitled to share information in the registries about their commitments.

Building savings

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

Life insurance

Most frequently, disputes in matter of life insurance were about challenging the validity of the concluded insurance policy and the reimbursement of paid premiums as the consumers claimed they thought it was a savings agreement and the insurance intermediary misled them about the nature of the product during the negotiation of the contract. The Financial Arbitrator resolves disputes arisen from life insurance, therefore disputes in relation with the insurance of individuals in case of death, survival to the stipulated age or to the day stipulated in the contract as the day of the insurance end, or in the case of another event related to the change of personal situation of the insured person.

Another group of many disputes from life insurance are disputes in which the consumers challenge the validity of the provisions on fees in the insurance contract (management fees, fees for the contract conclusion, fees for the risks taken, etc.) for the fees were hidden in the contract or not negotiated at all (the intermediary did not disclose the upfront commissions).

Investment

There were fewer disputes in matter of collective investment and investment services (the so-called retail investments) in comparison to the other fields of the Financial Arbitrator's competence, although they are in facts more diversified, because the objects of these disputes are very different and their issue interferes with many branches of the financial market, which has a voluminous regulation, although fragmented. Due to the large scope of the regulation on the capital market, the diversity of its actors and activities on the financial market and the high level of internationalisation, assessment of such disputes from retail investments are significantly more demanding in time and human resources.

Disputes from retail investments are in particular disputes about the amount of the payable starting fee for the mediation of the investment into collective investment, faulty investment recommendations by the investment intermediaries to invest into high risk financial products, the mis-selling of financial products and damages for violation of the information duties during their distribution to disputes about damages for the investment loss suffered by the consumer.

In some cases, the defendant is a foreign entity providing investment services in Czech Republic through a tied agent. According to the wording provisions of Section 1 article 1 of the Financial Arbitrator Act, the Financial Arbitrator is not competent to resolve disputes with a foreign entity. The Financial Arbitrator can however deal with a dispute between a consumer and a Czech tied agent, although, with regards to the regulation on liability for damages in the Capital Market Activities Act, the Financial Arbitrator cannot grant any compensation to the consumer, for the liability for damages lays upon the represented entity, thus the foreign entity providing investment services, not upon the tied agent.

Money exchanges

The only kind of disputes in money currency transactions were disputes about the amount of the currency rate and the amount of the fee for the exchange transaction. The complainants are mostly foreign tourists and the financial institution cannot be another person or entity authorized to currency exchange activity than a money exchange provider. In these disputes, the Financial Arbitrator considers if the money exchange provider has fulfilled its information duty toward the customer about the conditions of the exchange (if the provided pre-contractual information encompassed all requirements in order to realize an exchange transaction, e. g. the information about the fee, the amount of the currency given/taken and the exchange rate) or if the customer erred to fully acquainted himself with the information provided by money exchange provider.

Summary of the Financial Arbitrator activities

The Financial Arbitrator shall decide the dispute upon his/her best knowledge and belief, impartially, fairly, without undue delays and only on the basis of the facts established in accordance with the Financial Arbitrator Act and other legislation. The Financial Arbitrator shall proceed so the facts can be established beyond any reasonable doubt in order to deliver an objective decision in the matter.

Once the complaint meets all the requirements that allow to continue in the proceedings, the Financial Arbitrator shall proceed the complaint to the institution, against whom the complaint is directed, and invite it to provide the relevant evidence and make observations. It is not excluded that the Financial Arbitrator shall invite repeatedly the complainant or the institution to make observations or to complement the presented evidence.

The Financial Arbitrator continuously examines the collected evidence and, where it is appropriate and the claim of the complainant justified, leads discussions about the case with the complainant or the institution or both parties, so an amicable settlement of the dispute can be reached.

When an amicable settlement of the dispute cannot be reached in the proceedings for some reason on the complainant or the institution's side, the Finance Arbitrator shall deliver a decision in merit. The adoption of the decision is preceded by the acquaintance of both parties with the collected evidence, either by consulting the file or by the sending of the evidence on request of any party of the dispute by post, e-mail, ev. per data mail.

The Financial Arbitrator shall settle the dispute by a decision. The complexity of the case should be assessed considering the subject of the dispute and evidence collected (particularly of the contractual documentation), having regard to the assertions of the parties and the reliability thereof.

The Financial Arbitrator has the duty to deliver the decision without undue delay, not later than in a period of 90 days from the day when all the necessary evidence for the adoption of the decision has been collected, so the term does not apply from the day the proceedings was initiated; provided the Financial Arbitrator is unable to settle the dispute in such term, considering the particular complexity of the dispute with regard to the nature of the matter, the term may be reasonably extended to another maximum period of 90 days. The process of collecting evidence implies a perfect complaint from the complainant, the collecting of evidence from the financial institution or the requested persons, the examination of the collected evidence in order to reach to a preliminary assessment of the case, the notification of the preliminary legal assessment of the case to the parties of the dispute and the providing of assistance in discussion of the amicable settlement of the dispute.

Any of the party to the dispute may oppose the decision of the Financial Arbitrator. Again, the Financial Arbitrator shall decide upon the objections. The decision of the Financial Arbitrator is final, against which no appeal can be made, and the decision becomes enforceable.

At the end of the term for the fulfillment of the obligation laid down by the decision, the decision of the Financial Arbitrator becomes enforceable and has the same effects as if it was a court decision. The complainant may submit an application for the enforcement of the decision if the financial institution fails to fulfill the obligation the Financial Arbitrator has laid down upon it in the decision. Any of the party to the dispute may bring an action on replacement of the decision of the Financial Arbitrator according to Part V of Act No. 99/1963 Coll., Code of Civil Procedure, as amended, before the competent court against the final decision of the Financial Arbitrator. The complainant and the financial institution constitute the sole parties of the procedure, and bear the costs of the procedure as it shall be determined upon court discretion.

Simpler proceedings, in which both sides of the dispute provide the Financial Arbitrator with assistance and the subject of the dispute is clear from the beginning of the proceedings and legal issues related to the dispute the Financial Arbitrator solved in the past, and furthermore applicable jurisprudence is available, lasts, while preserving all procedural rights and obligations, roughly 4 months. The length of proceedings in more complex cases moves around 10 to 12 months. In particularly difficult cases, in terms of assessing of legal aspects, the complexity of the gathering of necessary documents and the subsequent seeking of an amicable settlement is even longer; these proceedings are most frequent. In addition, disputes with a similar subject of claim and waged against the same financial institution, are first heard by the Financial Arbitrator separately within the frame of single proceedings. When the acceptable conditions of an amicable settlement for both the financial institution and the Financial Arbitrator are reached in the proceedings, and then the reached amicable settlement is discussed and adjusted to other proceedings with regard to individual conditions of each dispute.

The length of the proceedings before the Financial Arbitrator is influenced in principle by the Financial Arbitrator's effort to bring the parties of the dispute to amicable settlement or to the withdrawal of an unfounded complaint. Resolving the dispute, without any prior attempt to reach an amicable settlement of the dispute, could lead the consumers to court and to the burden of its costs and to the burdening of the court system.

Current status of ongoing proceedings

| | No. |
|--------------------------------------------------------------------------------------------------------------------------------|-------|
| Finally completed proceedings in the period from 1. 1. 2017 to 31. 12. 2017 | 1,007 |
| Decision delivered (in first instance) as of 1. 11. 2018 | 1,614 |
| Interrupted due to insolvency procedure, ongoing court proceedings with an identical object of dispute or criminal proceedings | 56 |
| Ongoing proceedings as of 1. 11. 2018 (without interruption) | 1,779 |

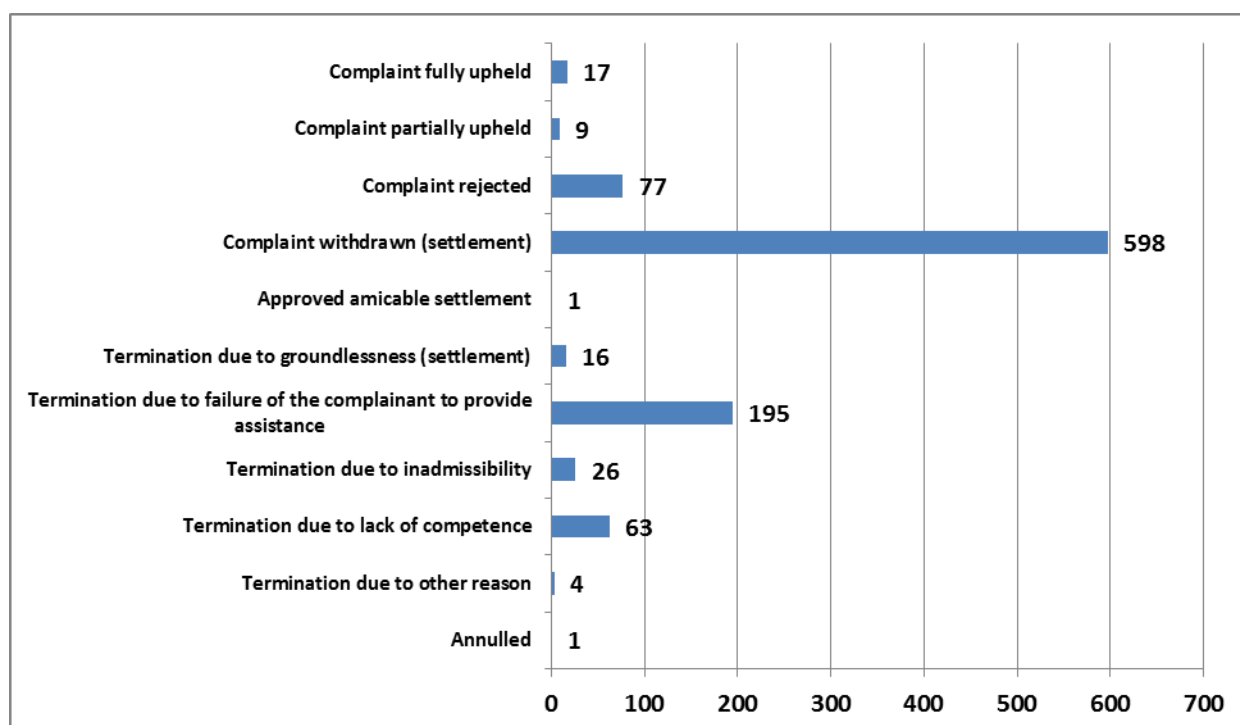
As far as the results of the disputes in competence of the Financial Arbitrator are concerned, in more than half (**60%**) of the total number of cases an amicable settlement was reached; it means that financial institution satisfied wholly or in part the consumer's claim in the proceedings before the Financial Arbitrator. **598** proceedings were consequently terminated by the Financial Arbitrator on the basis of the withdrawal of the complaint. In one case, on request of the parties to the dispute, the Financial Arbitrator approved by decision the amicable settlement concluded by the parties. Another **16** proceedings were terminated by the Financial Arbitrator due to reasons that the dispute became devoid of purpose, for the financial institutions satisfied wholly the consumer's claim and brought evidence about it, though the consumer did not withdraw his complaint, because for him/her, obtaining compensation means an end to the current dispute. In 2017, **615 proceedings** ended in 2017 by reaching to an amicable settlement.

Where the parties to a dispute did not find willingness to reach an amicable settlement, the Financial Arbitrator upheld wholly or in part a complaint, if the complaint was justified, or rejected the complaint. In 2017, The Financial Arbitrator delivered **103 decisions**; from these proceedings, the claim were rejected in **77** cases and the Financial Arbitrator upheld wholly or in part the consumer's complaint in **26** cases.

Unfortunately, in some cases it happened the consumers (the complainants) did not provide the Financial Arbitrator with the assistance necessary to deliver a fair and lawful decision. And so it happens, even though the Financial Arbitrator repeatedly invites and instructs the complainants what evidence to present to support their claims or how to formulate their claims against the financial institution. In consequence, The Financial Arbitrator had to terminate a total of **195** proceedings for failure to provide assistance.

Targeted complaints out the Financial Arbitrator's competence or suffering from a legal procedural impediment have to be refused as inadmissible. In 2017, The Financial Arbitrator has done so in **26** cases. In case the Financial Arbitrator's competence to resolve the dispute has not been established, the Financial Arbitrator shall terminate the proceedings. In 2017, **63** proceedings were terminated for the Financial Arbitrator's lack of competence.

| Result | Number |
|-----------------------------------------------------|---------------|
| Complaint fully upheld | 17 |
| Complaint partially upheld | 9 |
| Complaint rejected | 77 |
| Amicable settlement approved | 1 |
| Terminated for withdrawal | 598 |
| Terminated for the dispute became devoid of purpose | 16 |
| Terminated for incompetence | 63 |
| Terminated for inadmissibility | 26 |
| Terminated for failure to provide assistance | 195 |
| Terminated for other reasons | 4 |
| Annulled | 1 |
| Total | 1007 |



Under Section 17a of the Financial Arbitrator Act, if the Financial Arbitrator upholds the complainant's complaint, even partially, he/she shall impose a penalty of 10% of the amount which

the financial institution is, pursuant to the decision, obliged to pay to the complainant, not less than CZK 15,000, however. The penalty shall be part of the State budget revenue.

In addition, under Section 23 of the Financial Arbitrator Act, the Financial Arbitrator is authorized to impose a penalty if a financial institution breaches the duty to submit the evidence necessary to deliver a decision; the fine may be imposed up to the limit of CZK 100,000 and is part of the State budget revenue.

Pursuant to Section 17a of the Financial Arbitration Act, the Financial Arbitrator imposed penalties on financial institutions in the total amount of **CZK 493,000** in 2016 and fines according to Section 23 in the total amount of CZK **30,000** the same year.

V. EXPENDITURES ON ENSURING THE ACTIVITIES OF THE FINANCIAL ARBITRATOR

Pursuant to Section 1a article 1 of the Financial Arbitrator Act, the Office of the Financial Arbitrator is a government body and a separate accounting entity, which revenues and expenditures are part of the Budget Chapter of the Ministry of Finance. In the State Budget, the Office of the Financial Arbitrator's expenditures formed in 2017 a part of the Expenditure Block VB – Expenditure on ensuring the activities of the Office of the Financial Arbitrator; in terms of sectorial budget classification, it was included into Section 5471.

Final budget and its execution

The approved budget of expenditures of the Office of the Financial Arbitrator in 2017 was CZK **56,690,000**, including current expenditures amounted to CZK **55,640,000** and capital expenditures amounted to CZK **1,050,000**. Claims on unused expenditures (CUE) from previous periods were amounted to CZK **12,595,000** as of 1.1. 2017. CUE in the amount of CZK **10,300,000** was included as of 31. 12. 2017, of which CZK **1,990,000** on profiled CUE (programmed financing), CZK **851,000** on profiled CUE (on salaries and other payments for realized work), CZK **7,459,000** on non-profiled CUE, in which are simultaneously included current CUE in the amount of CZK **9,090,000** and capital CUE in the amount of **1,210,000**.

The real expenditures on ensuring the activities of the Office of the Financial Arbitrator in 2017 were CZK **53,521,000**. In 2017, the budget on expenditures was executed up to **79%** of the final budget on expenditures. Within the framework of the current expenditures the amount of CZK **52,232,000** was used, it means **79.7%** of the final budget on current expenditures in 2017. The capital expenditures were executed up to the amount of CZK **1,288,000** corresponding to **57%** of the final budget on capital expenditures in 2017.

The non-execution of all the funds of the budget of the Office of the Financial Arbitrator for 2017 (including the claims on unused expenditures) is principally related to overall lower running office expenditures and to the fact the Office of the Financial Arbitrator still remains in the premises of the Ministry of Finance, in Legerova street, in the same conditions in terms of space and technical arrangement, it means the Office of the Financial Arbitrator did not use its budget funds on equipment (furniture, IT equipment, IT services, premises, services related to the use of premises).

Expenditures on salaries and other payments

Within the framework of the current expenditures, the expenditures on salaries were set to an amount of **CZK 38,174,000**, from which **CZK 37,578,000** were used on salaries and **CZK 596,000** on other payments, **CZK 12,979,000** on related premium and **CZK 752,000** was used for the financial allocation for the cultural and social needs fund. The total number of systemized positions was set to 55 positions at an average salary of **CZK 56,936**.

Pursuant to the resolution of the Government of Czech Republic No. 674/2017 adopted on the 25th September 2017, a budget measure added a sum of **CZK 767,000** to the budget on salaries including related payments for November and December 2017. The adjusted budget on the salaries of the employees and on other payments was thus in 2017 **CZK 38,737,000**, on the compulsory premium it was **CZK 13,171,000** and for the financial allocation for the cultural and social needs fund **CZK 763,000**. During 2017, claims on unused expenditures amounted to **CZK 644,000** were included to salaries, claims on unused expenditures amounted to **CZK 206,000** were used other payments and to compulsory premium were included claims on unused expenditures amounted to **CZK 686,000**.

The final budget of The Office of the Financial Arbitrator on salaries and other payments was in 2017 **CZK 39,588,000**, on compulsory premium and for financial allocation for the cultural and social needs fund it was **CZK 14,629,000**. The final budget on salaries was amounted to **CZK 38,786,000**, on other payments to **CZK 802,000**, on compulsory premium to **CZK 13,857,000** and

the financial allocation for the cultural and social needs fund was at the end of the reference period **CZK 772,000**.

In 2017, salary appropriations (funds on salaries and other payments) amounted to **CZK 36,043,000** were spent, i.e. in total, **91%** of the final budget were spent on salaries and other payments in 2017.

In the 2017 period, the Office of the Financial Arbitrator recorded an average number of **50** employees while the approved number of systemised positions for the year 2017 was **55**. The vacancy of the systemised positions is due to the maternity leave of 5 employees in 2017 and to the actual lack of candidates in the public sector and to the poor suitability of the applying candidates.

Thus, in 2017, the Financial Arbitrator kept ordering overtime work to the current employees, in total **1,809** hours of overtime works, for which the Office of the Financial Arbitrator spent the total amount of **CZK 684,000**.

Other current expenditures

The approved budget on other current expenditures of **CZK 3,736,000** reached after inclusion of the CUE a total amount of **11,279,000 CZK**. An amount of **CZK 3,428,000** was used, i.e. **30.4%** of the final budget on other current expenditures for 2017.

The largest share in executing the other current expenditures comes from the purchase of services, **CZK 2,105,000** were used, i.e. **36.7%** of the overall budget for the purchase of services in 2017. The expenditures on data processing services in 2017 did **CZK 736,000**, expenditures on training and learning services were in 2017 amounted to **CZK 250,000** and expenditures on telecommunications and radiocommunications services in 2017 to **CZK 46,000**. Expenditures for the purchase of other services were in total **CZK 885,000** and include expenditures on contributing to the diet of the employees up to CZK 447,000, on the services of the financial institutions up to CZK 19,000, on the parking place rental charges up to CZK 36,000 and on the cleaning services, regular lump-sums on the supply of medical services related to work, services of revision, advertisement and transport expenditures not belonging to the category of expenses on travel on official duty, purchase of services up to the total of CZK 383,000.

A sum of **CZK 501,000** was used for other purchases, i.e. 25.3% of the final budget on the other purchases for 2017. Expenditures for the repairs and the maintenance of the assets of the Office of the Financial Arbitrator were amounted to **CZK 187,000** (the services are covered on the basis of the Record on the premises between the Ministry of Finance and the Office of the Financial Arbitrator concluded in 2011 and are calculated upon each person and invoiced quarterly), expenditures on domestic and abroad business trips in 2017 to **CZK 237,000**, expenditures on conference subscriptions in year 2017 did **CZK 65,000** and expenditures on providing amenities in year 2017 **CZK 12,000**.

The purchase of materials represented the sum of **CZK 332,000**, i.e. **53.5%** of the final budget for the purchase of materials in 2017. Expenditures for the purchase of laptops, cell phones including the accessories did in 2017 **CZK 171,000**, expenditures for the purchase of publications and books did in 2017 **CZK 22,000**, expenditures for the purchase of office paper and office furniture did in 2017 **CZK 55,000**, expenditures on consumables for operating the ICT (cable network, extension cords, bar code readers) were in 2017 amounted to **CZK 16,000** and the expenditures for general purchases to the operating of the Office of the Financial Arbitrator, in particular visit cards, office chairs, stamps, hygienic materials were in 2017 amounted to **CZK 68,000**.

A sum of **CZK 274,000** was engaged for the consumption of water, fuel and energy, i.e. **53.5%** of the final budget for the purchase of water, fuel and energy in 2017. The consumption depends on the energy calculation and the use of services related to the rent of the premises based on the Record on the premises between the Ministry of Finance and the Office of the Financial Arbitrator concluded in 2011, which specifies the related expenditures paid by the lessor according to the number of persons.

Other expenditures of a total amount of **CZK 217,000** represented expenditures on payments for failure to the duty to employ disabled persons and judicial costs in 2017 amounted to **CZK 117,000**, expenditures on remunerations in period of sickness amounted to **CZK 51,000**, expenditures on repayments of imposed fines for 3 annulated decisions of the Financial Arbitrator by court amounted to **CZK 45,000**, other expenditures like payments of taxes and rate changes amounted to **CZK 4,000**.

In 2017, the employees of the Financial Arbitrator were on 7 business trips abroad and on 2 domestic business trips. In total, an amount of **CZK 237,000** was engaged on expenditures on travel on official duty in the reference period.

Expenditures on programmed financing

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

Sub-program 012V4110

The approved budget on current expenditures of the program did **CZK 764,000**. We record a budget of current expenditures of **CZK 1,544,000** after including the claims on unused current expenditures. In the reference period, the resources on current (non-investment) expenditures of the program were used up to the amount of **CZK 977,000**, which represents **63.2%** of the final budget on current expenditures destined to the program in 2017.

The approved budget on capital expenditures of the sub-program 012V4110 did **CZK 1,000,000**, after including the claims on unused capital expenditures the budget was amounted to **CZK 2,210,000**. In the reference period, the resources on capital (investment) expenditures of the program were used up to the amount of **CZK 1,288,000**, which represents **58.3%** of the final budget on capital expenditures destined in 2017.

In the second semester of 2017, the public contract on acquisition of records management and complaints handling information system was completed and taken over in the Office of the Financial Arbitrator. The contract on delivering the information system was concluded as of 25. 10. 2016, in July 2017 the information system was taken over. The final price of the public contract on delivering the information system was amounted to **CZK 1,210,000**. For this sum and for the amount needed to the operating of the information system, the administrator of the program approved before the conclusion of the contract the sum necessary for the payment of the purchase price of the supply and a sum of **CZK 2,381,000** for the use of the information system for a 4-year period starting his launching day.

Sub-program 012V4120

Resources on current (non-investment) expenditures have not been budgeted for this program. Also, none transfer of the resources or none adjustment of the budget on current (non-investment) expenditures occurred in the reference period. A budget on investment (capital) expenditures of an amount of **CZK 50,000** is approved for the program. None adjustment of the budget of the referred program of capital expenditures took place.

Sub-program 112V4110

The action 112V411000001, Acquisition and renewal of the ICT, was terminated on 30th June 2017 with a remaining balance of CZK 1,053.63 (item 5137) as of 30th June 2017. These resources were not executed or used in any other way in 2017 (they were CUE from previous years and they have not become part of CUE as of 1.1.2018).

Incomes

In 2017, like in the previous periods, the incomes were not set out in the budget of the Financial Arbitrator for the activities of the Office of the Financial Arbitrator are not about collecting revenues for the State budget and in the same time the incomes of the Office of the Financial Arbitrator are not predictable.

Still, the Office of the Financial Arbitrator achieved in year 2017 incomes amounted to **CZK 471,251** and included:

- a) the income of sanction payments of **CZK 372,000** representing the imposed sanctions in the proceedings held before the Financial Arbitrator (concretely it concerns 19 sanctions, each of **CZK 15,000**, and one sanction of **CZK 87,902.30**), as, pursuant to Section 17a article 1 of the Financial Arbitrator Act, the Financial Arbitrator has the duty to impose a fine of 10% of the sum the financial institution is obliged to pay to the complainant, at least the sum **CZK 15,000**, and this sum is an income of the State budget;
- b) the reimbursement of business trips abroad of **CZK 24,518** (the reimbursement was received from the European Commission);
- c) transfers from own funds amounted to **CZK 30,000** (at the end of the year 2016, wage funds were transferred to the account 6015; this sum represented a reserve in case of unexpected expenditures related to the payment of salaries for the last month in the calendar year. Because any unexpected circumstances happened, these funds were returned to the income account as a transfer from special funds);
- d) the income of an excess payment of premium of **CZK 29,479** for an employee from an health care insurance;
- e) the income of an excess payment of **CZK 14,352** for services provided by the Ministry of Finance as the lessor of the premises in which the Office of the Financial Arbitrator is seated, partial accounting of the services according to the contract on premises as of 31.12.2017.

VI. INFORMATION DUTIES OF THE FINANCIAL ARBITRATOR AND PUBLIC RELATIONS

Handling of queries

The Financial Arbitrator shall answer to any query, even to such a one which does not concern the Financial Arbitrator activities, at least the Financial Arbitrator shall provide a notice of the lack of the competence and shall refer to the competent authority where it's possible.

In answer to a query, the Financial Arbitrator cannot reveal his/her opinion to legal issues related the dispute of the inquirer against the financial institution. The Financial Arbitrator may do so only in proceedings conducted on the basis of a consumer complaint. In answers to queries within the competence of the Financial Arbitrator, each inquirer shall still receive a preliminary assessment that the dispute falls or not into the scope of the Financial Arbitrator's competence, generally a reference to the general legislation related to the object of the query, a detailed notice about the modalities of the complaint and a schedule of the evidence that he should attach to the complaint.

The Financial Arbitrator received in 2017 over 4,000 queries (including telephonic queries). The Financial Arbitrator handled to answer in writing to queries without undue delay, usually in few days.

Information duties of the Financial Arbitrator

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

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

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

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

The Financial Arbitrator fulfils its duty to inform the complainants through individual acts in individual proceedings, by answering to the queries of the public and particularly through the website operated by the Financial Arbitrator, about the possibility of assistance in the proceedings before the Financial Arbitrator and the steps of the procedure when deciding in compliance with Financial Arbitrator Act and heard disputes.

The Financial Arbitrator's website

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

During year 2017, further adjustments were made to the website in order to allow for a simpler orientation in the information about the Financial Arbitrator and to simplify the inquiry or filing of the complaint to commence proceedings.

There is also at disposal a lexicon of frequently used words, FAQs falling within the competence of the Financial Arbitrator and recommendations where the consumer should turn in case the Financial Arbitrator is not competent to solve the dispute.

It's quite easy to find on the main page information about any area or any kind of dispute the Financial Arbitrator is competent to deal with, including the reference to the legislation and the Collection of Decisions. However, the Decisions are published only in the language in which they were adopted (i.e. they are predominantly available in the Czech language only).

The service "Subscribe to newsletters" also allows the sending of press releases, updates or information about the publication of anonymised decisions in the Collection of Decisions. Before subscribing to newsletters the subscriber shall fill his/her e-mail address where the information will be sent.

Not only for the public of consumers the Financial Arbitrator made and published on the main page of his website an information document entitled The Financial Arbitrator in 10 points, as amended:

1. the Financial Arbitrator is an out-of-court decision-making public authority constituted by law;
2. the Financial Arbitrator is competent to decide only disputes initiated by a consumer against a financial institution providing or intermediating payment services, electronic money, consumer credit, collective investment, investment services, life insurance, building savings, devise exchange;
3. the Financial Arbitrator is not competent to decide the dispute if court or arbitration proceedings have been held or if such proceedings have already been decided;
4. the proceedings before the Financial Arbitrator is free of charge;
5. a complaint may be filed only by a consumer, the relevant form or the guide of filing a complaint is at disposal;
6. the complainant need not be represented by an attorney or anybody else in the proceedings;
7. the financial institution is obliged to participate in the proceedings;
8. the Financial Arbitrator seeks the amicable settlement of the dispute;
9. the decision of the Financial Arbitrator may be further contested by a lawsuit;
10. provided it shall not be contested by a lawsuit, the decision of the Financial Arbitrator is legally binding and has the same effect as an enforceable court decision.

Collection of Decisions

In year 2017, the Financial Arbitrator continued to publish the full text of selected decisions in the Collection of Decisions, which is located on the website (<http://www.finarbitr.cz/cs/reseni-sporu/sbirka-rozhodnuti.html>).

The published decisions are essentially those in which the Financial Arbitrator decides a dispute in merit, i.e. by an award or a decision on objections, those which are new or in any way useful to the layman or the specialist. The Financial Arbitrator also publishes decisions imposing fines on financial institutions for not providing assistance in the proceedings. The Financial Arbitrator does not publish decisions on termination of the proceedings due to the withdrawal of the complaint or the complaint became devoid of purpose or the complainant did not provide the necessary assistance. Decisions on termination of the proceedings due to an inadmissible complaint are published only when holding the information value for the public.

The published decisions in the Collection of Decisions are identified by the type of decision (i.e. award, decision on objections, ruling, and decision), case number or register number, record number, date of issue and the name of the financial institution against which the complaint was filed. In accordance with Section 8a of the Free Access to Information Act and in accordance with the provisions of Section 21 article 6 of the Financial Arbitrator Act the published decisions do not contain personal or other identifying data of the complainants. Decisions can be searched according to the specific areas or keywords in the form of full-text search.

The financial Arbitrator continued to publish the decisions to the online Collection of Decisions and published all essential decisions in full (without mentioning identifying data of the complainants).

The Collection allows tracing the predictability of the Financial Arbitrator's decision-making, which it has to serve not only to the financial institutions or their representatives, but also to the complainants or their representatives. Those started to refer more often to the Collection of Decisions and to quote from the decisions of the Financial Arbitrator when filling a complaint or when submitting their observations during the proceedings.

VII. INTERNATIONAL COOPERATION, FINANCIAL EDUCATION

International Cooperation with the foreign out of court dispute resolution bodies

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

ADR/ODR

Since January 2016, the Financial Arbitrator is notified by the Ministry of Industry and Trade to the European Commission as a notified body according to the Directive 2013/11/EU on alternative dispute resolution for consumer disputes (ADR Directive) and since February 2016 the Financial Arbitrator is connected to the European platform for the on-line dispute resolution for consumer disputes, operated by the European Commission within the framework of the Regulation 524/2013 on online dispute resolution for consumer disputes (ODR Regulation) at the website <https://ec.europa.eu/consumers/odr/main/index.cfm?event=main.home.show&lng=CS>. In 2017, the Financial Arbitrator did not record any complaint filed through the ODR platform.

FIN-NET

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

In 2017, the European Commission and the members of the network FIN-NET focused particularly on increasing the public's awareness of the network and on the functioning of the financial ombudsmen in the member States constituting the European Economic Area. The European Commission on this regard updated and improved significantly its website and initiated a promotional campaign on social media.

The aim is to make the consumers more aware about the possibility of resolving disputes against financial institutions, facilitating their orientation concerning the competent authorities they can turn to in case they would wish to resolve a cross-border dispute.

INFO Network

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

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

Foreign travels

In 2017, the Deputy Financial Arbitrator, who is authorized by the Financial Arbitrator to act on his/her behalf in matter of cross-border cooperation, made travels abroad to participate in:

1. FIN-NET Steering Committee meeting (Brussels, Belgium);
2. FIN-NET Plenary meeting (Brussels, Belgium);
3. FIN-NET Steering Committee meeting (Rome, Italy) linked to the following conference Banking and Financial Dispute Resolution;
3. INFO (International Network of Financial Services Ombudsman Scheme) Annual General Meeting and Conference 2017 (Melbourne, Australia);

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

During his travels abroad, the Deputy financial Arbitrator strengthened the cooperation between the members of the community, he lectured about the legislation on the activities of the members, and he discussed on the topic of the directives and regulation of the members of FIN-NET. The benefits of the business trips of the Deputy Financial Arbitrator are uncontested, particularly due to the development of relationships with the members of the network FIN-NET.

Financial Education

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

The Deputy Financial Arbitrator took part in 2017 in the activities of the subgroup for skills in financial literacy, established within the Work group for Financial Education, which has in relation with the National Strategy of financial education reviewed the Standards of financial literacy for pupils of elementary schools and students of high schools and has in the same time created new skills for adults.

The Deputy Financial Arbitrator lectured in 2017 on the academic ground, traditionally at the Faculty of Economics and Administration at Masaryk University in Brno within the courses of Personal finances and Financial literacy and also for the first time at the Faculty of Law at Charles University in Prague within the new optional course of Consumer protection.

On the academic ground, the Deputy Financial Arbitrator participated in other specialized and discussion events, such as the colloquia of "Out-of-court resolution of consumer disputes in Czech Republic a year after the new regulation became effective" or the debate "Czechia in time of debts", which have taken place on the ground of the Faculty of Law of Charles University in Prague.

Great attention, not only during its educational activities, the Office of the Financial Arbitrator devoted to activities regarding the prevention of indebtedness or its solution. The Deputy Financial Arbitrator is a member of the steering committee of the Alliance against debts, which brings together a wide range of experts, specialized in the issue of household debt. The Financial Arbitrator, precisely the Deputy Financial Arbitrator, is also an active member of the Platform for responsible finance, which serves as a forum for the discussion of the pressing social issues such as unethical practices in the consumer credit market, the issue of usury, fair enforcement issues or financial literacy of the public. The Deputy Financial Arbitrator seeks mutual cooperation and support with both of these platforms, or their members, in solving specific problems associated with over-indebtedness.

VIII. FUTURE OUTLOOK

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

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

Achieving effective solution to every dispute is an ongoing task that the Financial Arbitrator solves and will continue to do so. The Financial Arbitrator will seek to reduce at most the length of the proceedings.