



FAI | THE OFFICE OF THE CZECH
FINANCIAL ARBITRATOR

**ANNUAL REPORT ON THE ACTIVITIES OF THE
FINANCIAL ARBITRATOR
2018**

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

September 2019

CONTENT:

I.	FINANCIAL ARBITRATOR'S FOREWORD	3
II.	COMPETENCE OF THE FINANCIAL ARBITRATOR	6
III.	FINANCIAL ARBITRATOR, DEPUTY FINANCIAL ARBITRATOR – THE OFFICE OF THE FINANCIAL ARBITRATOR – ORGANIZATIONAL ARRANGEMENTS OF THE FINANCIAL ARBITRATOR'S ACTIVITIES	10
IV.	SUMMARY OF THE FINANCIAL ARBITRATOR'S ACTIVITIES	13
V.	EXPENDITURES ON ENSURING THE ACTIVITIES OF THE FINANCIAL ARBITRATOR	19
VI.	INFORMATION DUTIES OF THE FINANCIAL ARBITRATOR AND PUBLIC RELATIONS	22
VII.	INTERNATIONAL COOPERATION, FINANCIAL EDUCATION	26
VIII.	FUTURE OUTLOOK	29

I. FINANCIAL ARBITRATOR'S FOREWORD

The annual report on the Financial Arbitrator's Activities in 2018 contains basic information on the Financial Arbitrator as an out-of-court dispute resolution body for certain consumer disputes in the financial market, on the results of the Financial Arbitrator's activities and on the costs of the Financial Arbitrator and the Office of the Financial Arbitrator for the given period.

Since the establishment of the Financial Arbitrator in 2003, the Financial Arbitrator has gradually evolved from a body deciding only some disputes concerning payment services brought by both consumers and entrepreneurs into an important out-of-court dispute resolution body which decides disputes between consumers and specific financial institutions across the entire financial market. In 2018, the Financial Arbitrator gained a new competence – solving disputes on investment services provided in the Czech Republic by foreign entities authorized by the supervisory authority of other member state of the European Union.

The Financial Arbitrator currently has the authority to decide out-of-court consumer disputes arising from providing of payment services, non-payment accounts and bankbooks, electronic money, consumer credit including mortgage credit and loans from building savings, building savings themselves, collective investments and investment services, money exchange and life insurance. Thus, the Financial Arbitrator is authorized to decide consumer disputes against payment service providers, electronic money issuers, creditors or intermediaries offering consumer or other credit, loan or similar financial service, building savings banks, management companies and investment funds, investment firms, investment intermediaries, life insurance companies and money exchange providers.

The only matters staying beyond the Financial Arbitrator's competence are disputes arising from pension insurance, pension savings, non-life insurance and disputes of shareholders and bondholders.

In 2018, the Financial Arbitrator received 1,399 complaints, heard a total of 3,619 disputes (both ongoing and suspended) and the amount of queries from the public exceeded 5,000.

The number of commenced proceedings has increased annually by more than 4% (1,399 in 2018 vs 1,343 in 2017) and the number of successfully resolved disputes increased annually by almost 65% (1,660 in 2018 vs 1,007 in 2017).

The object of most complaints and queries remains the same as in the previous period - life insurance and consumer credit. Life insurance disputes share a common denominator, the fees (the commission of the intermediary) that the insurance companies take from the premium during the first couple of years of the insurance's existence.

The main goal of the Financial Arbitrator is to reach an amicable settlement of the dispute. A situation, when the Financial Arbitrator is able to explain to the complainant that from all the gathered evidence it is obvious that the claim is unjustified and it results in withdrawing the complaint by the complainant him/herself, is considered to be an amicable settlement as well. The Financial Arbitrator's endeavour meets success in the majority of the heard and justified cases.

The only exception is life insurance disputes, where the ideal amicable settlement from the complainant's and the institution's point of view often differs from the Financial Arbitrator's assessment. The consumer seeks a declaration of invalidity of the contract and refund of the already paid premium and the insurance company seeks a declaration of full validity of the insurance contract. The needs of none of them are satisfied, if the Financial Arbitrator decides that the contract is invalid, but only a part of a claim is granted because of the plea of limitation. The life insurance disputes regularly continue with the judicial review of the award issued by the Financial Arbitrator and also with actions for failure to act brought by the consumers (typically represented by a group of lawyers engaging in concerted practices).

The Financial Arbitrator continued to publish her decisions in the Collection of Decisions on the website. There are full text anonymized versions of decisions in merit published in the Collection of

Decisions, i.e. decisions, in which no amicable settlement was reached and the complaint was upheld or rejected. The purpose of the Collection of Decisions' existence is to inform general public about heard disputes and predictability of the decision-making activities of the Financial Arbitrator. Currently, the Collection of Decisions contains more than 300 anonymized decisions of the Financial Arbitrator issued since 2012.

The quantity of commenced proceedings and queries indicates that the public is aware of the Financial Arbitrator and is interested in resolving disputes by the Financial Arbitrator. Even the complaint procedure at the financial institution, resulting from the consumer's obligation necessary to commence the proceedings before the Financial Arbitrator, may be in many cases sufficient to reach the amicable settlement of the dispute. The sole existence of the Financial Arbitrator, a previous experience of financial institutions with the proceedings before the Financial Arbitrator and the Collection of Decisions contributes to the amicable settlement as well.

It is not always possible to satisfy or help every consumer; quite often consumers come late or complicate their lives and possible solution of a dispute by their own recklessness and tardiness. According to the responses of the vast majority of the consumers, who turn to the Financial Arbitrator, the consumers have confidence in this institution and appreciate how the state protects consumers in the financial market through the Financial Arbitrator. On the other hand, the institute of the Financial Arbitrator is abused by various initiatives and groupings organizing mass complaint filings on behalf of consumers, often without the consumers' knowledge, which results in cases losing their individual nature and sometimes even losing the nature of a consumer dispute, because the claim is being pursued by a person, who has bought the consumer's claim (voluntary assignment).

Being the level of financial literacy of Czech consumers as pathetic as it is and in majority of disputes it turns out that a consumer had read neither an agreement, nor terms and conditions before signing it, the Financial Arbitrator tries to provide information to public simply and coherently to make sure that next time a consumer reads these essential information and documents.

Not only for the consumers the Financial Arbitrator has simplified and published online 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 authorized to decide consumer disputes in financial markets;
2. the Financial Arbitrator is competent to decide only disputes between consumers and financial institutions providing or intermediating payment services, electronic money, consumer credit, collective investment, investment services, life insurance, building savings, money exchange;
3. a dispute may be decided by the Financial Arbitrator only if a complaint is filed by a consumer;
4. the financial institution is obliged to participate in the proceedings and to cooperate, at the same time, it has a right to respond to the complaint, submit evidence and raise objections;
5. the Financial arbitrator may help a consumer with filing a complaint, its amendments and correcting any deficiencies it might have, the Financial Arbitrator also provides preliminary legal assessment of the dispute, explains and mediates the amicable settlement;
6. the proceedings before the Financial Arbitrator are free of charge;
7. the complainant need not be represented by an attorney and is not entitled to the reimbursement of the costs of such representation;
8. the Financial Arbitrator seeks mainly the amicable settlement of the dispute, if it is not possible and a complaint is not withdrawn, the Financial Arbitrator issues an award;
9. a decision of the Financial Arbitrator in legal force may be contested by a lawsuit filed with the court of law;
10. the Financial Arbitrator is not competent to decide a dispute already decided or heard by a court of law or in arbitration proceedings; if the decision in legal force is not contested by a lawsuit, it is legally binding and has the same effect as an enforceable court decision.

The Financial Arbitrator has created and published a new document entitled "Recommendations for proceedings before the Financial Arbitrator in 5 points":

1. to file a complaint use a form, which is simple and contains instructions for filing a complaint effectively, do not forget to sign the complaint your personal signature and send it by post, otherwise the proceedings will not be commenced (does not apply for those who use data box or advanced electronic signature);
2. submit all contractual documentation, written evidence of unsuccessful request for remedies and communication with institution;
3. if you use the Complaint Filing Tutorial, you do not have to send attachments by post, we attach them ourselves;
4. if you are requested to submit more evidence, you can send it via email (up to the limit of 15 MB) or via the Complaint Filing Tutorial (with registration number);
5. if necessary, ask the Financial Arbitrator for explanations (of your claim, raised objection by the institution or amicable settlement offer), read the Financial Arbitrator's requests and notifications carefully, especially those containing preliminary legal assessments of the dispute.

Regarding the costs spent by the state on the Financial Arbitrator's activities, 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 as a government agency and accounting entity, whose revenue and expenditures form a part of the budget chapter of the Ministry of Finance.

As in previous years, only necessary 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 Office of the Financial Arbitrator participates, are public contracts centrally procured by the Ministry of Finance. Neither the Financial Arbitrator, nor the Office of the Financial Arbitrator make use of external legal or advisory services.

Regarding the personnel ensuring of the Financial Arbitrator's activities, the total number of systemized positions was 55 posts (not service posts in terms of Civil Service Act) in 2018, including the post of the Financial Arbitrator and his deputy. The majority of the employees of the Office of the Financial Arbitrator are graduates in law. The personnel capacity of the Office of the Financial Arbitrator is not sufficient, despite the fact that 5 new employees can be hired for the following year.

On 1 January 2018 the Office of the Financial Arbitrator started using its own information system of records management and complaints handling. Its purpose is, in addition to complying with the obligations laid down by law, to facilitate and improve the quality of work, to achieve a higher consistency of all processed documents, to improve the overview of all ongoing proceedings and in particular to speed up the proceedings before the Financial Arbitrator.

Also in 2018, the Deputy Financial Arbitrator cooperated intensively on the international, particularly European, level with 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 period is more than clear – as many fairly settled disputes as possible in the shortest time possible.

In Prague on 24th September 2019

Monika Nedelková m. p.
The Financial Arbitrator

II. COMPETENCE OF THE FINANCIAL ARBITRATOR

The Financial Arbitrator, as an out-of-court decision-making public authority constituted by law deciding consumer disputes in financial markets free of charge, is according to section 1(1) of Act No. 229/2002 Coll., On the Financial Arbitrator, as amended (hereinafter the "Financial Arbitrator Act") competent to decide disputes, otherwise falling under jurisdiction of the Czech courts, between consumer and

- a) a payment service provider in connection with offering and providing payment services,
- b) an electronic money issuer in connection with issuing and reverse exchange of electronic money,
- c) a creditor or an intermediary in connection with offering, providing or mediation of consumer credit or other credit, loan or other similar financial service,
- d) a person managing or administering a collective investment fund, or offering an investment in a collective investment fund or in a comparable foreign investment fund in connection with managing or administering a collective investment fund, or with offering an investment in a collective investment fund or a comparable foreign investment fund,
- e) an insurer or an insurance intermediary in connection with distribution of life insurance and in connection with exercising rights and obligations from life insurance,
- f) a money exchange provider in connection with money exchange,
- g) a building savings bank or an intermediary in connection with offering, providing or mediation of building savings,
- h) a person providing investment services in connection with providing investment services,
- i) a person servicing a non-payment account in connection with servicing such account,
- j) a beneficiary of a single deposit in connection with accepting and refunding of such deposit.

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,
- validity of the termination of the payment 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 stemming 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 calculation of the annual percentage rate of charge (APRC),
- 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,
- the fee for early repayment;
- 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 a management company or an investment fund regarding:

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

The Financial Arbitrator is authorized to decide disputes arising from **providing investment services** between a consumer and a person providing investment services, e.g. an investment firm, an investment intermediary, a tied agent or a foreign person authorized by the supervisory authority of another EU member state, for example in the following cases:

- the proper execution of the order to buy/sell a financial instrument,
- damages caused by an investment firm or an investment intermediary in connection with providing investment advice,
- the fee charged for buy/sell of a 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 breach 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 regarding:

- the validity of the insurance agreement or its provision,
- the amount of insurance benefit,
- the amount of surrender value,
- damages for breach 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 aid for the building savings contract,
- damages for breach of duties in connection with the mediation of the building savings contract.

However, some disputes do not fall within the competence of the Financial Arbitrator, because they are not covered by any of the areas listed in the Financial Arbitrator Act. Even though, the public shows interest in the resolution of such disputes before the Financial Arbitrator by filing a complaint. These are mainly disputes concerning:

- disputes between **bond holders and bond issuers**,
- **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,
- **pension insurance or 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 any requirements stated by the Financial Arbitrator Act; therefore the Financial Arbitrator is not authorized to hear the dispute if:

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

The Financial Arbitrator leads the proceedings according to the Financial Arbitrator Act and Act No. 500/2004 Coll., Administrative Procedure Code, as amended (hereinafter referred to as “the Administrative Procedure Code”), unless the Financial Arbitrator Act provides otherwise. For example, the Financial Arbitrator Act contains no provisions on the counting of deadlines, the procedure of acquaintance with the evidence of the file prior to delivering a decision, the procedure of deciding on a stay of the proceedings or the termination of the proceedings in specific cases 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. Thus, the Financial Arbitrator shall collect all the relevant evidence to decide the dispute based upon her best knowledge and belief, impartially, fairly, without undue delay and only on the basis of the facts established in accordance with the Financial Arbitration Act and other legislation. 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. Before issuing a decision, the Financial Arbitrator shall ensure that the established facts of the case are not subject to a reasonable doubt and weigh evidence in her discretion to issue a fair decision.

For that matter, the Financial Arbitrator proceeds as follows: as soon as the complainant amends the complaint so it has no deficiencies, the Financial Arbitrator requests the institution, against which the complaint has been filed, to provide a response to the complaint and to provide evidence. The Financial Arbitrator may request both the complainant and the institution repeatedly and may also address other natural or legal persons to provide it.

The Financial Arbitrator continually assesses the collected evidence and if the consumer’s claim is justified, discusses the case with the complainant or the institution, or gets the parties acquainted

with a preliminary legal assessment of the case and seeks to bring the parties to an amicable settlement.

When a dispute cannot be settled amicably, either for the reasons on the part of the complainant or the institution, the Financial Arbitrator issues a decision in merits. Before a decision is issued, parties of a dispute get acquainted with the collected evidence, either by personally inspecting the files or, when requested by a party, by receiving it by post, via email or data box.

The Financial Arbitrator decides a dispute in merits by an award. The complexity of a case needs to be assessed based on a subject of the dispute and collected evidence (in particular the contractual documentation) considering assertions of the parties and their conclusiveness.

The Financial Arbitrator is obliged to decide a dispute by an award without undue delay, but no later than within 90 days of the collection of all evidence necessary to deliver a decision; if, in particularly complicated cases, due to the nature of the dispute, the decision cannot be delivered even within this deadline, the deadline shall be reasonably extended, by no more than another 90 days.

The process of collecting evidence includes amendments of a complaint by the complainant, requesting evidence from the institution or requested persons, assessment of the evidence aiming to make a preliminary legal assessment of the case, notification of the preliminary legal assessment to the parties and providing assistance with discussion of the amicable settlement of the dispute.

The parties to the proceedings may file reasoned objections to the award in writing. The Financial Arbitrator decides on the objections as well. The decision on objections is final, i.e. it is not possible to appeal against it and the decision comes into legal force.

The Financial Arbitrator's final decision is enforceable as soon as the deadline to comply with it expires and it has the same effects as a court decision. If the institution fails to comply with the decision voluntarily, the complainant may file an application for enforcement of a decision. Both parties to the proceedings may file an action on judicial review of the decision on objections in a competent court, according to the Part V of Act No. 99/1963 Coll., Code of Civil Procedure, as amended. Only the complainant and the institution are parties to the court proceedings and bear the costs of court proceedings as determined by the court.

III. FINANCIAL ARBITRATOR, DEPUTY FINANCIAL ARBITRATOR – THE OFFICE OF THE FINANCIAL ARBITRATOR – ORGANIZATIONAL ARRANGEMENTS OF THE FINANCIAL ARBITRATOR’S ACTIVITIES

Financial Arbitrator

As of 1 July 2011 the Financial Arbitrator and the Deputy Financial Arbitrator are appointed or dismissed by the Government on a proposal of the Minister of Finance. The Financial Arbitrator is held responsible for the exercise of her duties to the Government. Only irreproachable, fully legally capable persons with good reputation, sufficient 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.

On 27 July 2016, the Government appointed Monika Nedelková as the Financial Arbitrator 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 began her career in the Department for Capital Market Supervision at the Ministry of Finance. She also worked as an associate in a leading Czech law firm. At the Czech Securities Commission she held a position of Head of the Legal Division and Director of the Enforcement Department. After the dissolution of the Czech Securities Commission she worked as the Director of Enforcement Department in the Czech National Bank. Prior to being appointed Financial Arbitrator, she had directed the Financial Market Supervision Department at the Ministry of Finance.

Deputy Financial Arbitrator

On 14 January 2015, the Government appointed Lukáš Vacek as the Deputy Financial Arbitrator for a term of office of 5 years.

Lukáš Vacek graduated from the Faculty of Law of Charles University in Prague and from a joint degree program at the Law Faculty of Masaryk University in Brno and Nottingham Trent University (MPA). In years 2004-2013 he worked at the Ministry of Finance, out of which for more than seven years he held the position of the Head of Retail Financial Services and Consumer Protection in the Financial Market Unit. He was responsible for the preparation of legislation in the area of consumer credit and of the Financial Arbitrator Act, and also for the area of deposit guarantee scheme or distribution of financial services. On behalf of the Czech Republic he negotiated the EU legislative proposals within the EU Council working groups, including 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 arising from over-indebtedness. He regularly publishes articles in professional journals (Jurisprudence, Law and Family, Commercial Law Revue) and he lectures academics, professionals and public.

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 as a government agency and accounting entity, whose revenue and expenditures form a part of the budget chapter of the Ministry of Finance. The Office of the Financial Arbitrator was constituted on 1 July 2011 (by Act No. 180/2011 Coll.).

The Financial Arbitrator is the head of the Office of the Financial Arbitrator. In the Financial Arbitrator's absence, the Deputy Financial Arbitrator acts on behalf of the Financial Arbitrator to the

full extent of the competence and responsibilities of the Financial Arbitrator. The employment relationship and the remuneration of the employees of the Office of the Financial Arbitrator are governed by the Labour Code.

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 varies according to actual needs. Due to the increasing number of consumer credit disputes and, in particular, life insurance disputes, and due to the need to settle each and every dispute quickly and efficiently, multiple departments have been created. The distribution of disputes among the departments is usually based on the complexity of the case without considering a particular financial institution, in life insurance departments the distribution is based on insurance company and type of product though.

The structure of the management is:

- 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 competence of the Financial Arbitrator, i.e. in activities that are usually directly related to each other and build on each other, except for decision-making).

In addition to the positions of the Financial Arbitrator and the Deputy Financial Arbitrator, there are following positions established to perform the Financial Arbitrator's activities:

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

The development of job positions since the establishment of the Office of the Financial Arbitrator (including the Financial Arbitrator herself and the Deputy Financial Arbitrator) has been following:

2011	14 systemized posts
2012	14 systemized posts
2013	14 systemized posts
2014	35 systemized posts
2015	35 systemized posts
2016	45 systemized posts
2017	55 systemized posts
2018	55 systemized posts

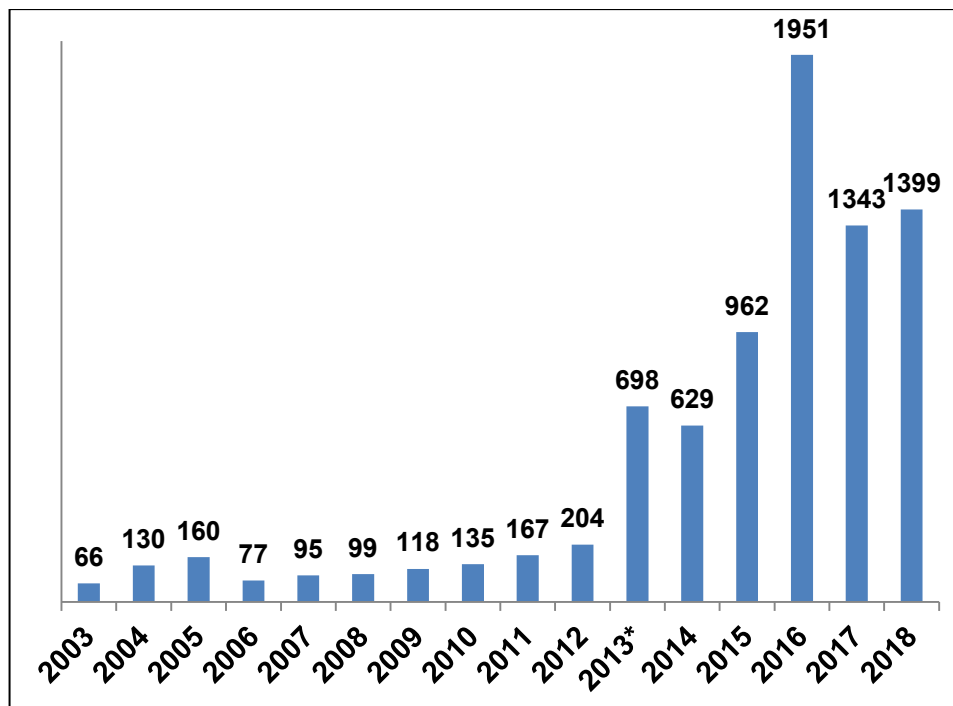
The Office of the Financial Arbitrator asked for 15 additional systemized posts from 2019 and got 5 posts. Considering the overall shortage of qualified workers in private and public sector in Czechia, not all of the systemized posts are occupied. Therefore, the Office of the Financial Arbitrator employs persons on the basis of agreements out of employment relationship with employees on parental leave and orders current employees to work overtime.

IV. SUMMARY OF THE FINANCIAL ARBITRATOR'S ACTIVITIES

In 2018, the Financial Arbitrator received 1,399 complaints. As of 15 June 2019, the Financial Arbitrator has already received 580 complaints.

The annual sum of commenced proceedings since the constitution of the Financial Arbitrator (2003 – 2019)

Year	Total
2003	66
2004	130
2005	160
2006	77
2007	95
2008	99
2009	118
2010	135
2011	167
2012	204
2013	698*
2014	611
2015	964
2016	1948
2017	1343
2018	1399
2019	580**



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

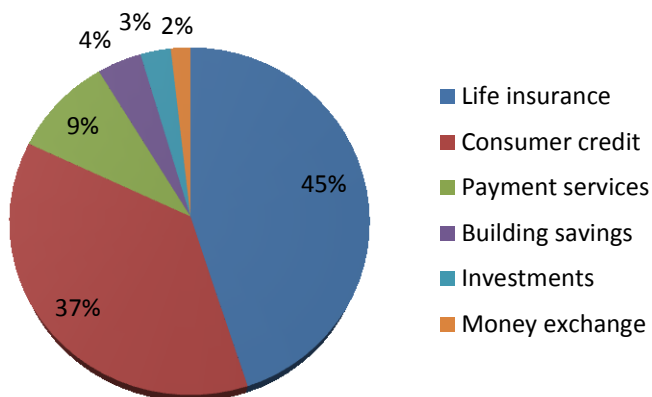
** state as to 15 June 2019

The Financial Arbitrator also commenced 19 proceedings to impose a fine on the institution due to lack of cooperation. The total of commenced proceedings was 1,418.

Proceedings commenced in 2018 divided into specific areas

Similarly to the previous period, the majority of complaints received in 2018 were life insurance and consumer credit disputes and the least of them were money exchange and collective investments disputes.

Area	Total
Life insurance	626
Building savings	57
Consumer credit	513
Payment services	130
Collective investments	3
Retail investments	36
Money exchange	25
Other	9
Total	1 399

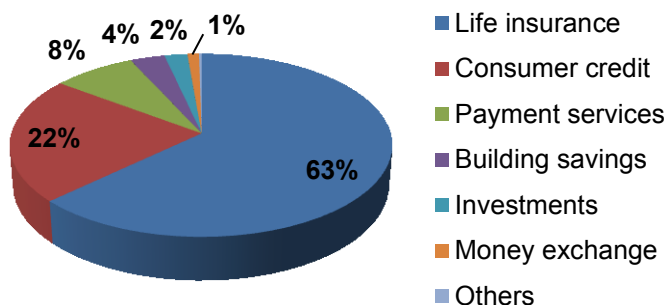


Beside newly commenced proceedings, there were 2,223 ongoing proceedings commenced in previous years, which makes a total of 3,622 proceedings.

Ongoing proceedings are proceeding suspended for legal reasons (e.g. ongoing insolvency proceedings) or at the complainants request (e.g. pending judicial decision) and proceedings where a complainant amends a complaint, evidence is collected, dispute is being settled amicably, award or ruling on objections is being prepared, i.e. every proceedings which were not terminated before 31 December 2018.

Ongoing proceedings in 2018 divided into specific areas

Area	Total
Life insurance	2 280
Consumer credit	807
Payment services	287
Building savings	120
Retail investments	54
Money exchange	40
Collective investments	25
Others	9
Total	3 622



Payment services

The most common type of payment services dispute is unauthorized payment transaction, usually in connection with the use of payment instruments such as internet banking or credit card, often related to a cash withdrawal from an ATM with a stolen credit card and a PIN code.

Disputes arising from the improper execution of the payment transaction were also frequent, particularly when an ATM was used for the operation, e.g. a dispute on 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/she received different (lower) amount than he/she entered, or that the provider of payment services debited his/her account with different (higher) amount than he/she 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 on the payment of the sum corresponding to the double of the 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

Typical disputes arisen in connection with consumer credit happened to be disputes about the invalidity of the credit agreement due to a violation of the creditor's duty to duly assess the creditworthiness of the consumer.

In addition, disputes about the fee for early repayment of the credit, particularly the mortgage credit, were also frequent.

The Financial Arbitrator also resolved disputes concerning the excessive amount of fees for the provision of credit, especially for short-term credits.

Disputes, in which a consumer demanded remuneration by the CNB's discount rate as a result of the institution's failure to provide mandatory information in the consumer credit agreement or provide them correctly (e.g. APRC), were also frequent.

Other objects of disputes were registrations in the registries of debtors. In these cases consumers approached the Financial Arbitrator with requests to review if the institutions were indeed entitled to share information about their commitments in the registries and to determine the amount of debt in relation with non-standard credit products, i.e. product, which are for consumers difficult more to understand (e.g. building savings bridging loans, credit cards).

There were some cases that the Financial Arbitrator could not resolve and had to terminate the proceedings, because she acknowledged that the agreement was not contracted by a consumer and a complainant failed to prove that the credit was in fact a consumer credit.

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 State aid or the amount of the interest on the building savings deposits.

Life insurance

In most life insurance disputes complainants sought the invalidity of an agreement and the reimbursement of premiums. The complainant's argument was that he/she thought that it was a savings agreement and the insurance intermediary misled him/her about the nature of the product during the negotiation of the contract.

In numerous life insurance disputes complainants seek the invalidity of the provisions on fees in the agreement (management fees, fees for a conclusion of a contract, fees for the risks taken etc.), because the fees were hidden in the agreement or not contracted at all.

Consumers file complaints against the majority of the insurance companies in the Czech insurance market.

The Financial Arbitrator resolved disputes about the validity of many insurance agreements with various types of insurance products. Even though the Financial Arbitrator was able to reach an amicable settlement in some cases, the majority of them still ended with issuing an award, in which the invalidity of insurance contracts was confirmed or the complaint is dismissed due to statute of limitations.

The most of the Financial Arbitrator's decisions are judicially reviewed by court on complainant's or institution's request. The complainants disagree mainly with the legal assessment of limitations and institutions disagree with declaration of invalidity of o part of or a full contract.

Already issued decisions of first instance courts in judicial reviews confirm the decisions of the Financial Arbitrator related to the plea of limitation. In one case, a court repealed the Financial Arbitrator's award on invalidity of the insurance contract for a consumer's error, because the court stated that there was no error on consumer's part and assessed a consumer's behaviour more strictly. The parties to this particular dispute settled it amicably though.

Investments

Although the number of disputes in collective investments and investment services (retail investments) is lower in comparison with other areas of the Financial Arbitrator's competence, these disputes are more diverse, because an object of each and every dispute differs from the others and the legal assessment reaches across various areas of the financial market. The legislation is fragmented, but vast when joint together.

Due to the large scope of the regulation on the capital market, the diversity of its actors and activities on the financial market and high level of internationalization, the legal assessment of such disputes is significantly more demanding on time and human resources.

Disputes on retail investments are mainly disputes about the amount of the entry fee for the intermediation of the investment in a collective investment product, wrongful investment advice by the investment intermediaries, e.g. to invest into high risk financial products, financial products misselling, damages for violation of the information duties during investment products distribution and disputes on damages for the investment loss suffered by the consumer.

Money Exchange

All of the money exchange disputes were disputes about the amount of the currency rate and the amount of the fee for the exchange transaction. The complainants were mostly foreign tourists and the financial institution cannot be any person or entity authorized to currency exchange activity other than a money exchange provider.

In money exchange disputes, the Financial Arbitrator examines if the money exchange provider has fulfilled its information duty towards the customer about the conditions of the exchange or if the customer failed to get fully acquainted with the provided information.

As of 1 April 2019, an amendment to the Foreign Exchange Act, which stipulates the customer's right to withdraw from the foreign exchange transaction or its part, came into effect.

In this matter, disputes on the validity of withdrawal from the exchange transaction can be expected. Rather than resolve disputes, the Financial Arbitrator will advise on how to withdraw from the exchange within the legal 3-hour period.

Results of the decision making process and length of proceedings

Simpler proceedings, in which both sides of the dispute provided the Financial Arbitrator with assistance, the subject of the dispute was clear from the beginning of the proceedings, legal issues related to the dispute have been already decided by the Financial Arbitrator and applicable case law is available, last, while preserving all procedural rights and obligations, 4 months at minimum. The length of proceedings in more complex cases is roughly 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 the 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 one case. When the final conditions of an amicable settlement are negotiated between the financial institution and the Financial Arbitrator, the amicable settlement is discussed in and adjusted to other proceedings with regard to individual conditions of each dispute.

A length of the proceedings before the Financial Arbitrator is significantly influenced by the Financial Arbitrator's effort to bring parties of a dispute to an amicable settlement or to a withdrawal of an unfounded complaint. Resolving a dispute without any prior attempt to reach an amicable settlement could have negative consequences for a consumer such as proceedings at court and its costs and also burdening the court system.

Current status of ongoing proceedings in 2018* as of 15 June 2019

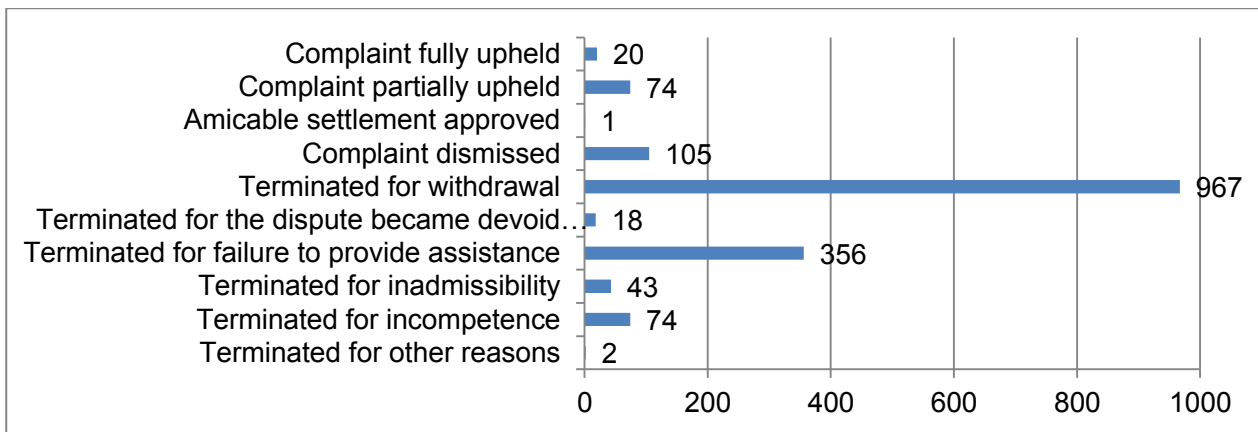
Result	Sum
Decision in legal force as of 31 December 2018	1,660
Decision in legal force from 1 January 2019 to 15 June 2019	824
First instance decision as of 15 June 2019	1,055
Suspended due to ongoing court proceedings or criminal proceedings	100
Ongoing proceedings as of 28 February 2019 (the evidence is being collected, an amicable settlement is negotiated, results of judicial review or criminal proceedings are expected)	807

**In 2018, the number of complaints increased annually by 4 % (1,399 vs 1,343). At the same time, the Financial Arbitrator managed to resolve 1,660 disputes, which means 65 % annual growth in comparison with 1,007 disputes in 2017.*

As far as the results of the disputes in competence of the Financial Arbitrator are concerned, out of 1,660 proceedings finally completed in 2018, 59% were settled amicably, i.e. financial institution satisfied wholly or in part the consumer's claim in the proceedings before the Financial Arbitrator. A situation, in which the Financial Arbitrator is able to explain to the complainant that from all the collected evidence it is obvious that the claim is unjustified or that the decision is less favourable to the complainant than status quo and it results in withdrawing the complaint by the complainant him/herself, is considered to be an amicable settlement as well. Such **967** proceedings were terminated by the Financial Arbitrator for withdrawal of the complaint or because the reason for the dispute has ceased. In **one** case, on request of the parties to the dispute, the Financial Arbitrator approved by issuing a decision the amicable settlement concluded by the parties. Another **18** proceedings were terminated by the Financial Arbitrator due to reasons that the dispute became devoid of purpose, because the financial institution satisfied the consumer's claim completely and brought evidence about it, though the consumer did not withdraw his complaint, because for him/her the obtaining of compensation meant the end to the current dispute. The total of **986** proceedings was settled amicably in 2018.

When the parties to the dispute failed to reach an amicable settlement, the Financial Arbitrator issued an award. In 2018, **199** awards were issued out of which **105** were dismissed and **94** upheld wholly or partly. Not always did the complainants provide the Financial Arbitrator with the necessary assistance to deliver a fair and lawful decision, even though the Financial Arbitrator requested them repeatedly as well as noticed them, what evidence should have been presented and how to correctly formulate their claim against the institution. The Financial Arbitrator terminated the proceedings for complainant's failure to provide assistance in **356** cases. If the Financial Arbitrator ascertained that there was some legal obstacle, she must have terminated the proceeding for inadmissibility; in 2018, it happened in **43** cases. If the Financial Arbitrator was not competent to decide some dispute, she terminated the proceedings for incompetence; it happened in **74** cases.

Result	Sum
Complaint fully upheld	20
Complaint partially upheld	74
Amicable settlement approved	1
Complaint dismissed	105
Terminated for the dispute became devoid of purpose	18
Terminated for inadmissibility	43
Terminated for incompetence	74
Terminated for failure to provide assistance	356
Terminated for withdrawal	967
Terminated for other reasons	2
Total	1,660



Pursuant to section 17a article 1 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, but not less than CZK 15,000. The penalty shall be part of the State budget revenue.

In addition, according to Section 23 of the Financial Arbitrator Act, the Financial Arbitrator is authorized to impose a fine if a financial institution breaches its duty to present the requested evidence; the fine may be imposed up to CZK 100,000 and it is part of the State budget revenue.

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 agency and a separate accounting entity, whose revenue and expenditures form a part of the budget chapter of the Ministry of Finance.

In 2018, the Office of the Financial Arbitrator's expenditures formed a part of the State Budget, Expenditure Block VB – Expenditure on ensuring the activities of the Office of the Financial Arbitrator; in terms of sectorial budget classification, they were included into Section 5471.

Final budget and its execution

The approved budget of expenditures of the Office of the Financial Arbitrator in 2018 was CZK **61,290,000**, including current expenditures amounted to CZK **60,240,000** and capital expenditures amounted to CZK **1,050,000**. Claims on unused expenditures (CUE) from previous periods were amounted to CZK **16,480,000** as of 31. 12. 2018, including CZK **3,783,000** on profiled CUE (programmed financing), CZK **3,545,000** on profiled CUE (on salaries and other payments for realized work) and CZK **9,152,000** on non-profiled CUE. Out of total CUE, the amount of current CUE was CZK **14,508,000** and the amount of capital CUE was CZK **1,972,000**.

The real expenditures on ensuring the activities of the Office of the Financial Arbitrator in 2018 were CZK **61,118,000**. The 2018 budget on expenditures was executed up to **79.3%** of the final budget on expenditures. Within the budget of the current expenditures the amount of CZK **60,071,000** was used, which makes **81.1%** of the final 2018 budget on current expenditures. The capital expenditures were executed up to the amount of CZK **1,047,000**, which makes **34.7%** of the 2018 final budget on capital expenditures.

The non-execution of all the funds of the budget of the Office of the Financial Arbitrator planned for 2018 (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; therefore the Office of the Financial Arbitrator did not use its funds planned for equipment (furniture, IT equipment, IT services, premises, services related to the use of premises).

Expenditures on salaries and other payments

Within the current expenditures for 2018, the expenditures on salaries were set to an amount of CZK **41,556,000**, out of which CZK **40,960,000** were used on salaries and CZK **596,000** on other payments; CZK **14,129,000** on public insurance scheme and CZK **819,000** for the financial allocation for the cultural and social needs fund. The total number of systemized positions was set to 55 posts at an average salary of CZK **62,060**. The 2018 final budget on salaries and other payments of the Office of the Financial Arbitrator was CZK **45,101,000** on salaries, CZK **15,938,000** on public insurance scheme and CZK **879,000** on financial allocation for the cultural and social needs. The final budget on salaries was amounted to CZK **44,121,000** and on other payments to CZK **980,000**.

In 2018, salary appropriations (funds on salaries and other payments) amounted to CZK **40,854,000** was spent, i.e. **90.6%** of the 2018 final budget planned on salaries and other payments.

In 2018, the Office of the Financial Arbitrator recorded an average number of **54** employees while the approved number of systemized positions for 2018 was **55**. The vacancy of the systemized posts was due to several maternity leaves, lack of candidates in the public sector and poor skills of the job applicants.

Thus, in 2018, the Financial Arbitrator kept ordering overtime work to the current employees, in total **1,903** hours of overtime works, which cost the Office of the Financial Arbitrator the total amount of **CZK 719,000**.

Other current expenditures

The approved budget on other current expenditures of **CZK 3,736,000** together with the CUE made a total of **CZK 12,181,000**. An amount of **CZK 4,587,000** was used, i.e. **37.7%** of the 2018 final budget on other current expenditures.

The major part of the other CUE consists of the purchase of services, specifically **CZK 2,580,000**, i.e. **60.5%** of the 2018 budget for the purchase of services. The expenditures on data processing services in 2018 were **CZK 1,062,000**, expenditures on training and educational services were **CZK 199,000**, expenditures on post services were **CZK 318,000** and expenditures on telecommunications and radio communications services were to **CZK 46,000**. Expenditures for the purchase of other services were **CZK 46,000**. The expenditures on other services were **CZK 900,000**; **CZK 447,000** was spent on employees' diets, **CZK 19,000** on money services, **CZK 36,000** on parking spot rental and **CZK 46,000** for telecommunication.

A sum of **CZK 402,000** was used for other purchases, i.e. **40%** of the 2018 final budget on other purchases. Expenditures for the repairs and the maintenance of the assets of the Office of the Financial Arbitrator were amounted to **CZK 122,000** (these 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 foreign business trips were **CZK 124,000**, expenditures on conference subscriptions were **CZK 57,000** and expenditures on providing amenities were **CZK 11,000**.

The purchase of materials cost **CZK 684,000**, i.e. **55.9%** of the 2018 final budget for the purchase of materials. Expenditures for the purchase of laptops and cell phones including the accessories were **CZK 550,000**, expenditures on the purchase of publications and books were **CZK 9,000** and expenditures on the purchase of office paper and office supplies were **CZK 124,000**.

A sum of **CZK 284,000** was spent on the consumption of water, fuel and energy, i.e. **27.7%** of the 2018 final budget for the purchase of water, fuel and energy. 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 638,000** consist of **CZK 145,000** on expenditures on payments for failure to employ disabled persons, **CZK 68,000** on expenditures on sick leave payments, **CZK 421,000** on judicial costs and **CZK 3,600** on other payments such as taxes, fees and exchange rate spreads.

In 2018, the employees of the Office of the Financial Arbitrator were on 4 foreign business trips and 5 domestic business trips. In total, an amount of **CZK 124,000** was engaged on expenditures on business trips 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 (the 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 (the 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 was CZK **764,000** with recording a budget of current expenditures of CZK **2,576,000** 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 **1,742,000**, i.e. **67.6%** of the final budget on current expenditures destined to the program in 2018.

The approved budget on capital expenditures of the sub-program 012V4110 was CZK **1,000,000**; after including the claims on unused capital expenditures the budget was amounted to CZK **2,972,000**. In the reference period, the resources on capital (investment) expenditures of the program were used up to the amount of CZK **1,047,000**, i.e. **35.2%** of the final budget on capital expenditures destined in 2018.

Revenues

In 2018, as in previous periods, the revenues were not set out in the budget of the Financial Arbitrator, because the purpose of the Office of the Financial Arbitrator's existence is not collecting revenues to the State budget and at the same time the revenues of the Office of the Financial Arbitrator are unpredictable.

The Office of the Financial Arbitrator revenues was CZK **1,289,859.31** in 2018, including:

- a) sanction payments of CZK **1,202,787.52** representing sanctions imposed in the proceedings held before the Financial Arbitrator (concretely it includes 78 sanctions; 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 CZK 15,000, and this sum is an income of the State budget);
- b) reimbursement of foreign business trips expenditures in total of CZK 44,239.86 (the reimbursement was received form the European Commission for trips to Brussels, Oslo and Dublin);
- c) transfer of CZK **30,000** from own funds (this sum represents a reserve in case of unexpected expenditures related to the payment of salaries in the last month of the calendar year. As none unexpected circumstances happened, these funds were returned to the income account as a transfer from own funds);
- d) refund of CZK **22,831.93** from the Ministry of Finance as an overpayment for rental of the premises, in which the Office of the Financial Arbitrator is seated, as of 31 December 2018.

VI. INFORMATION DUTIES OF THE FINANCIAL ARBITRATOR AND PUBLIC RELATIONS

Handling of queries

The Financial Arbitrator shall answer to every query, even to those that do not concern the Financial Arbitrator activities; at least the Financial Arbitrator shall provide a notice of the lack of her competence and shall refer to the competent authority, if it is possible.

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

The Financial Arbitrator received over 5,000 queries (including telephonic queries) in 2018. The Financial Arbitrator managed to answer the queries in writing without undue delay, usually within a few days.

Information duties of the Financial Arbitrator

The Financial Arbitrator has the duty to carry out an annual report on her activities, containing particularly detailed information on the number of heard disputes, the way the disputes are settled, including description of some selected disputes, and to publish it appropriately once a year 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 <http://www.finarbitr.cz/cs/informace-pro-verejnost/vyrocnizpravy.html>. There are also English versions of the reports available at the website <https://www.finarbitr.cz/en/information-for-public/annual-reports.html>.

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

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

The Financial Arbitrator fulfils her duty to inform the complainants about the possibility of assistance in the proceedings before the Financial Arbitrator and about the steps of the decision making process in compliance with Financial Arbitrator Act, through individual acts in each proceedings, by answering the queries of the public and particularly through the website operated by the Financial Arbitrator.

Collection of Decisions

In 2018, the Financial Arbitrator continued to publish the full text versions of selected decisions in the Collection of Decisions, which is located on the website (<http://www.finarbitr.cz/cs/reseni-sporu/sbirka-rozhodnuti.html>). It is possible to search a decision by full text search of register number or key words.

The Financial Arbitrator publishes decisions in merit, i.e. an award or a decision on objections, which are new or in any way useful to the laymen and specialists. The Financial Arbitrator also publishes decisions imposing fines on financial institutions for not providing assistance in the proceedings. The Financial Arbitrator does not publish rulings 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 having the information value for the public.

The published decisions in the Collection of Decisions are identified by the type of the decision (i.e. award, decision on objections, ruling or 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 in 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 serves 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.

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 laymen and the specialists about her activities.

During 2018, further adjustments on the website were made in order to allow simpler orientation in the information about the Financial Arbitrator and to simplify the inquiry, filing of the complaint to commence proceedings or amend already filed complaint. On the main page, it is possible to get information about the Financial Arbitrator, basic rules for the proceedings, areas and kinds of disputes, which the Financial Arbitrator is competent to decide, including thee reference to the legislation and the Collection of Decisions.

Answers to the most frequent inquiries are also available there, both on merit and proceedings, and recommendations, where the consumer should turn in case the Financial Arbitrator is not competent to solve the dispute as well.

The service "Subscribe to newsletters" allows sending of press releases, updates or information about the publication of anonymized decisions in the Collection of Decisions. Before subscribing to newsletters the subscriber shall fill his/her email address to which the newsletter is sent.

In 2018, the English version of the website was officially published, which has so far only operated in pilot test mode.

Press releases

The Financial Arbitrator published several important press releases on the website, both on the issued decisions and as a notice to the public.

Press release: Issue of the decision on invalidity of a life insurance contract

By award of 15 August 2017, the Financial Arbitrator decided in proceedings commenced by filing a complaint against AXA životní pojišťovna a.s. that the investment life insurance contract Kumulativ Life is invalid because it contradicts the Insurance Contract Act (AXA životní pojišťovna a.s. did not take up the insurance risk, nor did the consumer fulfil his or her insurance interest; both of these factors are essential elements of the insurance relationship).

This legal conclusion was confirmed by the Financial Arbitrator in the decision on objections of 29 November 2017. Since the decision was issued, both parties to the dispute have the right to file an action on judicial review of the decision in a competent court. Since the parties to the dispute in the proceedings before the Financial Arbitrator refused to settle the dispute amicably, it can be assumed that the Financial Arbitrator's decision will be subject to judicial review. ...

Press release: Issue of the decision on invalidity of a life insurance contract

By award of 26 September 2017, the Financial Arbitrator decided in proceedings commenced by filing a complaint against Česká pojišťovna a.s. that the investment life insurance contract PROFI Invest is invalid because of the invalid fee arrangements that cannot be detached from the rest of the insurance contract.

This legal conclusion was confirmed by the Financial Arbitrator in the decision on objections of 24 January 2018. Since the decision was issued, both parties to the dispute have the right to file an action on judicial review of the decision in a competent court. Since the parties to the dispute in the proceedings before the Financial Arbitrator refused to settle the dispute amicably, it can be assumed that the Financial Arbitrator's decision will be subject to judicial review. ...

Notice on risks related to the assignment of claims from life insurance or to a mandate agreement

The Financial Arbitrator informs the public that she acknowledged, while deciding life insurance disputes, that there is a company, or attorneys, involved in a financial market, who enter into contracts with consumers, who "sell" the attorneys their terminated life insurance agreements. Consequently, the attorneys represent the consumers in proceedings before the Financial Arbitrator without the consumers' knowledge or conclude a contract on high remuneration for representing them in the proceedings before the Financial Arbitrator, even though it is free.

Although the consumers are bound by confidentiality under the threat of high financial penalties, some of them asked the Financial Arbitrator for help anyway.

The Financial Arbitrator found out that it concerns:

- a) contracts on assignment of a claim arising from life insurance agreements with Česká pojišťovna, a.s.;
- b) mandate contracts.

Dozens of consumers assured the Financial Arbitrator that by concluding a contract on assignment of a claim they "sold" their life insurance agreement, which they terminated just before that, or the insurance ceased to exist. These consumers do not understand, who and why has filed a complaint to the Financial Arbitrator, having thought that the relationship with the insurance company is finished.

The Financial Arbitrator does not challenge the right of a consumer to assign his claims from a life insurance contract, even on an entrepreneur (corporation). Doing that means that the dispute is no longer a dispute between a consumer and a financial institution, but between a corporation and an insurance company. Such a dispute cannot be decided by the Financial Arbitrator.

Currently, the Financial Arbitrator is taking steps to identify cases on assignment of claims from insurance and terminating them, as they should not be heard by the Financial Arbitrator. If the Financial Arbitrator decided such a dispute, which she is not competent to, she would act against the law. Consumers, who assigned their claims from insurance agreements, should ascertain that there are no ongoing proceedings on their name before the Financial Arbitrator or at court.

At the same time, dozens of consumers confirmed to the Financial Arbitrator that they concluded a mandate contract with an entrepreneur.

In these contracts the consumer empowers the company to choose a lawyer and arrange recovery of alleged claims from the insurance agreement. These contracts are characterized by complex relationships among the consumer, the corporation and the attorney, including remuneration for the provided services.

Basically, all the recovered money is transferred primarily to the account of the corporation, which retains almost 50% of it and gives the consumer only the remaining part. The consumer thus

agrees to pay the company, and consequently the attorney, the costs of the proceedings before the Financial Arbitrator, which is otherwise completely free of charge. The consumer is obliged to pay the corporation even if it decides to terminate the mandate contract prematurely.

At the same time, the consumer agrees with the full confidentiality about the contract under the threat of financial penalty. Although the Financial Arbitrator considers this type of mandate contract is immoral, she is not competent to assess its validity. The consumer would have to go to court. The Financial Arbitrator was established by the state as a free of charge out-of-court dispute resolution body.

The purpose of the Financial Arbitrator's existence is to enable the consumers to settle their disputes amicably without legal representation and free of charge. A consumer should hire a lawyer only when he/she does not succeed in the proceedings before the Financial Arbitrator, or if he/she does not agree with the Financial Arbitrator's decision, because it may be judicially reviewed by court.

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, 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 2018, the Financial Arbitrator did not record any complaint filed through the ODR platform.

In June 2018, so called ADR Assembly took place in Brussels under the aegis of the European Commission. It was the first meeting of out-of-court decision bodies for consumers' disputes notified to the European Commission pursuant to the ADR Directive. Almost 400 ADR practitioners from the member states of the European Union and the European Economic Area including the Deputy Financial Arbitrator attended this event in order to get to know each other, to establish contacts and cooperation and to share knowledge gained from previous activities.

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. In 2018, the Deputy Financial Arbitrator has been repeatedly appointed a member of the FIN-NET Steering Committee for other 2 years, which is in charge of planning the prospective orientation of the network and preparation of the plenary session's agenda.

In 2018, the European Commission and the members of the network FIN-NET focused particularly on increasing the public's awareness of the network, on the functioning of the financial ombudsmen in the member States constituting the European Economic Area and on simplifying the access to the particular bodies for consumers. The European Commission, on this regard, updated and improved significantly its website and initiated a promotional campaign on social media. The Financial Arbitrator published the European Commission's promotional video about FIN-NET on her website in Czech and English language as well.

The aim of a campaign 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 and to reach better cooperation among out-of-court consumer dispute resolution bodies across the European Economic Area.

The members of FIN-NET also continued to deepen cooperation with the global INFO Network.

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.).

As a part of deepening the cooperation between INFO Network and FIN-NET Network, there was a meeting of FIN-NET Steering Committee in Dublin held as a part of the INFO Conference in September 2018.

Foreign business trips

In 2018, the Deputy Financial Arbitrator, who is authorized by the Financial Arbitrator to act on her behalf in matter of cross-border cooperation, made foreign business trips to participate in:

1. FIN-NET Steering Committee meeting (Oslo, Norway);
2. FIN-NET Annual meeting (Brussels, Belgium) 2x; in June 2018 linked to the ADR Assembly and in November 2018 linked to the Financial Education: Global Perspectives and Challenges Conference (organized by the International Federation of Financial Museums and the European Banking Federation);
3. INFO (International Network of Financial Services Ombudsman Scheme) Annual General Meeting and Conference 2018 (Dublin, Ireland) and FIN-NET Steering Committee meeting.

From this list of foreign business trips it is clear that the Deputy Financial Arbitrator tried to plan all the meetings on a European and global level with maximal effort to be as effective as possible (joining events etc.).

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 foreign business trips, the Deputy Financial Arbitrator strengthened the cooperation between the members of the community; he lectured about situation in Czechia and collected findings from areas, which are not regulated by the Czech legislature. 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 FIN-NET Network.

Other forms of international cooperation

In November 2018, under the twinning project of the European Union and Serbia called „Further Development of Consumer Protection in Serbia SR IPA OT 01 16“, there was a meeting with representatives of the Ministry of Trade, Tourism and telecommunication of Serbia, where the Deputy Financial Arbitrator explained the legal background and functioning of the Financial Arbitrator in Czechia and discussed advantages and disadvantages of this kind of settling consumer disputes in the Czech financial market.

Financial Education

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

In 2018, within the Work Group, the Deputy Financial Arbitrator participated in the preparation of the revision of the National Strategy for Financial Education.

The Deputy Financial Arbitrator lectured 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 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 international conference „Efficient collective redress mechanisms in Visegrad 4 countries: an achievable target?“, which took place on the grounds of Czech Academy of Sciences in September 2018, or the debate “Czechia in times of debts” at 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. In 2018, the Alliance against debts' activity was muted. 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.

The Financial Arbitrator will take steps to broaden her competence to other consumer disputes in the financial market, such as pension savings and bondholders' 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 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.

The Financial Arbitrator presumes adjustments to the Collection of Decisions accessible on the website in order to make it even more user-friendly and make easier to use the information published in it.