

## CONSUMER PROTECTION REGULATIONS FOR THE FINANCIAL MARKET

### 1.1. BUSINESS RULES

Pursuant to Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (Hpt.), financial institutions (credit institutions and financial enterprises) shall specify their general terms and conditions, concerning their authorised and regularly conducted activities, in the form of business rules. The business rules are the key document of the financial institution. In the case of certain business lines (e.g. deposit transactions, bank credits and loan transactions) the act specifies the mandatory minimum content of the business rules (Section 276-278. of Hpt.).

The financial institution may only conclude agreements in writing in relation to financial and auxiliary financial services, with the exception of single payment orders and the deviation in Section 285 of Hpt. The financial institution must provide one original copy of each written contract to the customer. (Section 279 (1) of Hpt.)

Any breach of the above provision does not mean the annulment of the contract. Nonetheless, MNB may as a legal consequence resort to taking action and impose a fine.

The agreement for financial services and auxiliary financial services must clearly indicate the interest rates, fees and all other charges and conditions, including the legal consequences of default payment, and the procedure for the enforcement of additional obligations made in security of the contract and the legal ramifications involved. (Section 279(1)-(3) of Hpt.)

The business terms and conditions, which contain the terms and conditions of deposit transactions, shall include in particular

- a. the full name of the credit institution, the number and date of its authorisation,
- b. the method of interest computation and that of average interests, and the option to change the interest rate,
- c. the minimum amount accepted by the credit institution as a deposit,
- d. the minimum period during which the deposit may not be withdrawn at all, or during which the deposit may be withdrawn only when the interest is lost in part or in full,
- e. deductions, if any, by the credit institution from the interest to be paid,
- f. the procedure for the termination of the deposit account and any costs involved,
- g. information on the insurance coverage of deposits,
- h. in the case of registered deposits, the personal identification data recorded by the financial institution (Section 277 of Hpt.).

The business rules containing the standard contract terms and conditions of bank credit and bank loan operations shall comprise at least

- a. the full name of the credit institution, the number and date of its authorisation,
- b. whether the interest rate can be changed and, if so, how,
- c. method of interest computation,
- d. other fees and costs,
- e. additional obligations in security of the contract,
- f. the regulations on data processing in connection with the Central Credit Information System and notification on the legal remedies available,
- g. in the case of foreign currency denominated mortgage loan contracts the calculation method selected and applied according to Section 267 of Hpt., and an indication of the time when conversion to forint is performed.

Point (g) shall also apply in the case of foreign currency denominated financial lease agreements. (Section 278 of Hpt.)

In case it has subjected itself to the code of conduct applicable to the financial institution's activities, this

fact shall be clearly stated in the business rules. (Section 276 (2) of Hpt.)

In the case of agreements concerning financial and auxiliary financial services not subject to Act CLXII of 2009 on Consumer Credit (Fnyht.), interests, fees, charges and other contract terms may be arbitrarily modified, adversely affecting the customer, only if there is a separate section in the agreement that allows the financial institution to do so under clearly defined conditions and circumstances. Any changes to the agreement concerning the interest or fees and charges, which are reported to be unfavourable for the customer, shall be published fifteen days prior to their entry into force. In the case of electronic commerce services such notifications shall be continuously made available to the customers electronically, in any easily accessible way.

Agreements cannot be modified unilaterally with the introduction of a new fee or charge. Calculation methods for interests, fees or other costs defined in the contract cannot be modified arbitrarily, in a way that is unfavourable for the customer.

Communications addressed at the customer shall ensure that the rate of changes made to the concerned interests, fees and charges are easy to define. The reasons of the changes must be communicated to the customer.

The financial institution may unilaterally change the terms and conditions it has signed with the customer, if it does not have an adverse effect.

The **business rules for home savings and loan associations** shall establish the general contract terms and conditions, for deposit services and credit granting activities as well as bridge financing loans, in a way that they at least cover:

- a) the extent and frequency of services to be performed by the home savings account holder and by the home savings and loan association, and the legal consequences of any delay,
- b) the interest falling due on the sums to be deposited in accordance with the agreement,
- c) the conditions for receiving housing loans, minimum savings ratio, minimum savings value, aspects considered for credit rating, the cases for rejecting housing loan applications,
- d) interest rates and handling charges on housing loans,
- e) the method of determining the sequence among housing loan applicants, the determination of accounts to be disbursed, due date of housing loans and the execution of their disbursement,
- f) the conditions and legal consequences of extraordinary deposit placement and of the amendment of the agreement, in particular of the increase or decrease the contract amount,
- g) the cases and legal consequences of the termination of the agreement,
- h) the conditions of the maximum duration of suspension of making deposits, and the conditions of transferring accounts,
- i) the instances of eligibility for interim financing,
- j) documents required to verify the use of the loan for housing purposes.

Pursuant to Act CXIII of 1996 on Home Savings and Loan Associations (Ltp), home savings and loan associations are required to determine their general contract terms and conditions in a manner so as to provide for long-term harmony between the obligations assumed by the home savings and loan associations and those by home savings account holders.

Any amendment in the general contract terms and conditions of building societies shall be subject to the MNB's authorisation, with the exception of the general terms of contracts applicable to products without state subsidy. (Section 18 of Ltp)

General contract terms and conditions that have been incorporated in the business rules or consumer contract shall become part of a contract only if they have previously been made available to the other

party for perusal and if the other party has accepted the terms. (Section 6:78 (1) of the Civil Code)

The other party shall be explicitly informed of any general contract term that differs substantially from legislation or the usual contract conditions, unless it is consistent with the prevailing practice among the parties. The other party shall be explicitly informed of any general contract term that differs from the term prevailing earlier among the parties. Such terms shall only become part of the contract if, upon receiving specific notification, the other party has explicitly accepted them. (Section 6:78 of the Civil Code)

In accordance with Act CVIII of 2001 on Electronic Commerce and on Information Society Services (Ektv), the provider of an information society service shall, prior to sending its offer for electronic contracting, make the general contract terms and conditions pertaining to the information society service available in a manner that allows the recipient to store and retrieve such terms and conditions. (Section 5 (1) of Ektv)

In proportion to size of the financial institution and to the nature, scope and complexity of its activities, it has a strategy, adopted by a board with a conferral of management, for the promotion of equal access to its financial service agreements for disabled people. The board with a conferral of management shall review the adopted strategy at least every second year. (Section 283 of Hpt.)

## **1.2 INFORMATION**

General information for clients

Financial institutions shall publish the following in the customer area of their premises, and where services are provided in electronic commerce, by way of electronic means in an easily accessible format:

- a. its business rules including the general contract terms and conditions;
- b. their contract terms and conditions for financial services and financial auxiliary services (transactions) offered for customers;
- c. rates of interest, service fees, and other costs charged to clients, interests on late payment and the method of the computation of interests.

If the amendment of the business rules, which also contains the general contract terms and conditions, or that of any regulation also affects another contract already signed with the customer, the financial institution shall ensure that its business rules or any other regulation, which were effective before the amendment, are accessible on its Internet based website for at least five years. Should the financial institution fail to have such a website, access to the previously applicable business rules and other regulations shall be ensured on its premises in the customer area.

The financial institution shall, upon the customer's request, make the following items available free-of-charge:

- (a) its business rules, and
- (b) the data whose publication is stipulated by law.

Unless otherwise prescribed in law, the financial institution shall, prior to the conclusion of the agreement, inform the customer that in the case of any legal dispute in connection with the agreement it is not the Hungarian law that will prevail and nor will the Hungarian Court have exclusive jurisdiction in the subject matter. (Section 271(1)-(3) of Hpt.)

### ***Periodic information provision***

#### ***- Statement (extract)***

In the case of continuing agreements, including contracts for the repeated commitment of deposit amounts, the financial institution shall send the customer a clear, unambiguous and easily understandable written statement (extract), which must be submitted at least once a year or within

thirty days after the termination of the contract. In the absence of an opposing provision in the business rules or in the contract, the statement made on the basis of the account shall be considered accepted if the the customer makes no written objection thereto within sixty days of its delivery. Nevertheless, this does not affect the enforceability of the claim.

- The customer may, at his or her own expense, request a statement about individual transactions for the past five years prior to the request. Any such statement must be sent to the customer in a written form, within a period of ninety days at the latest.
- Unless the parties have otherwise agreed, the credit institution shall prepare and submit the extract and the statement in Hungarian.

Every year the credit institution draws up a statement for the depositor, in the form prescribed by NDIF. The statement covers the depositor's cumulative account of his guaranteed deposits at the credit institution, and on the basis of this, of the deposit guarantee amount registered for him.

The statement, which is dispatched to the depositor by the NDIF affiliate, shall indicate whether it is subject to deposit guarantee and references must be made to the information material mentioned in Annex 6 to Hpt. The NDIF affiliate must submit this information material, as set out in Annex 6, at least once a year to the depositor.

As agreed with the depositor, the above information material must be made available through postal service, or on the bank's Internet platform or in any other direct way specified in the contract. Upon the depositor's request, the information material shall be delivered or sent in a written form.  
(Section 275 of Hpt.)

#### *Provision of prior information before concluding the loan contract*

Lender shall ensure that the [notice](#) on the risks of over-indebtedness, published by the MNB on its website, is distributed to the natural person loan applicants liaising with the lender – including its agents – in writing or electronically, prior to the assessment of creditworthiness. The MNB provides guidance to the loan applicant in respect of the following indicators.

From 1 January 2015, MNB Decree No. 32/2014. (IX. 10.) on the Regulation of the Payment-to-Income Ratio and the Loan-to-Value Ratio prescribes debt cap rules. The upper bound prescribed for the payment-to-income ratio (PTI) prevents the borrower from taking new loans entailing overly large instalment burden compared to borrower's regular, legal income. The value of the indicator is calculated by dividing the sum of the borrower's monthly instalment and the related fees and costs by his monthly net (after-tax) income. Confirmed, legal net income (wage, pension, family allowance, etc.) may be recognised as income. In the case of loans not exceeding HUF 300,000 it is not necessary to apply the debt cap rules, as long as the borrower has no other outstanding debt from prior loans – taken after 1 January 2015 – where the original amount of the loan did not exceed HUF 300,000. If he takes a new loan, for the purposes of calculating the PTI ratio the monthly instalment and other fees of the new loan shall be added to the instalments and other fees of the outstanding, previously taken (and not yet repaid in full) loans. When co-debtors are also involved, for the purposes of calculating the PTI, the co-debtors' outstanding monthly instalments and related payment obligations as well as the instalment and other fees and costs of the new loan must be added and that amount should be prorated to the amount of the net incomes. The ratio of the total monthly liability and income must be below the prescribed PTI limit.

The loan-to-value (LTV) ratio indicator limits the available amount of the secured loans (e.g. mortgage loans, car purchase loans) pro rata to the value of the collaterals (house, car). LTV shows to consumers the maximum loan amount they can get during the loan application from the financial organisation

expressed as a percentage of the current value of the property or the market value of the car securing the loan.

<b>Payment-to-income ratio (PTI) limits</b> What is the total amount of your and the co-debtors' –participating in the loan contract – monthly confirmed income?		<b>Loan-to-value ratio (LTV) limits</b> What is type of your loan?	
		<b>Mortgage loan</b>	<b>Car purchase loan</b>
	<b>Below HUF 400,000</b>		
	<b>HUF 400,000 or more</b>		
	<b>Maximum percentage of the income usable for loan instalment:</b>		<b>Maximum value of the loan at the time of the assessment as a ratio of the current value of the collateral:</b>
<b>In the case of HUF loan:</b> In the case of EUR-denominated and euro loans. In the case of other foreign currency loan:	<b>50%</b>		<b>80%</b>
	<b>25%</b>	<b>60%</b>	<b>75%</b>
	<b>10%</b>	<b>30%</b>	<b>45%</b>
		<b>15%</b>	<b>30%</b>

## CCIS

Pursuant to Act CXXII of 2011 on the Central Credit Information System (CCIS), reference data providers are financial institutions conducting at least one of the financial services, payment institutions, electronic money institutions, insurance undertakings, depositories; Diákhitel Központ Zrt.; investment loan credit institutions, investment enterprises; security lending investment enterprises, investment funds, investment asset managers, clearance service providing organisations, voluntary mutual pension funds, private pension funds, financial institutions, central securities depositories and insurance undertakings, and those lenders that provide cross-border services and have a registered seat in another EU Member State, provided that they have joined CCIS, and the Family Bankruptcy Service acting in the debt settlement procedures under Act CV of 2015 on the debt settlement of natural persons. (Section 2 (1)(f) of CCIS)

CCIS is a closed circuit database, which is available for the exclusive management of reference data defined in this Act. (Section 5 (1) of CCIS)

The financial undertaking, in charge of the management of CCIS, is responsible for the comprehensive recording and updating of all the reference data that have been submitted by reference data providers, as well as for the integrity and continuous maintenance of the database.

The financial enterprise in charge of CCIS management may only accept reference data that have been submitted by reference data providers, with a view to forwarding them to CCIS. Furthermore, it can only transfer reference data that it manages in CCIS to reference data providers. No other details than the reference data, which concerns the registered person indicated in the data request application, may be transferred from CCIS to the reference data provider. Diákhitel Központ Zrt may not be provided any reference data other than the ones specified in Section 15 (8) of CCIS.

Data processing in CCIS is automated. Reference data that concern the same natural persons and have been submitted by reference data providers may be matched in CCIS for the purpose of the data's receipt by the reference data provider. (Section 5 (4)-(6) of CCIS)

The financial enterprise in charge of CCIS management is required to provide, without discrimination,

the option to join CCIS to any lender seated in another EU Member State (lender in another Member State) if it provides cross-border services in Hungary.

The financial undertaking in charge of CCIS management may, exclusively within the scope of its cross-border activity, transmit CCIS processed data to a creditor in another Member State if

(a) this is requested in a written statement by such a creditor, wherein the statement concerning the accession to CCIS must be addressed to the financial enterprise in charge of CCIS management;

(b) in the accession statement it assumes liability for making sure that the data required by the financial enterprise, in charge of CCIS management, will be used as prescribed by the law and

(c) it declares in writing that it will act appropriately and fulfil its information provision, data transmission and other obligations, as stipulated in this legislation for the reference data provider, both in respect of the customer and the financial enterprise in charge of CCIS management.

The data provision obligation to CCIS in respect of lenders established in other Member States is limited to the data of registered customers of their cross-border services as specified in the Annex inasmuch as said data relate to these cross-border services. (Section 5(8)-(10) of CCIS)

Before the reference data are transmitted to CCIS, the reference data provider shall obtain a written statement from the "natural person" customer, confirming whether he gives his consent to the receipt of his data, from CCIS, by another reference data provider, in accordance with paragraph (7). Such an approval may be granted any time during the time the data are recorded in CCIS. No approval is needed from the customer for the receipt of any data processed in accordance with Section 11-13/A. Should the customer decide not to support his data's receipt from CCIS, CCIS will contain only the data defined in Section 1.1 and 1.2(a)-(d) and in Section 1.5 of Chapter II of the respective Annex. (Section 5 (3) of CCIS)

The financial undertaking, in charge of CCIS management, shall ultimately and irretrievably delete the data received under Section 5 (2)(a) of CCIS, and it shall do so within one working day from the termination of the contractual relation, with the exception of the items specified in paragraph (2). Concurrently with the conclusion of the data provision agreements, the reference data provider shall, in writing, notify the natural person, as contracting party, of the possibility to have his data processed by the financial enterprise in charge of CCIS management, even after the contractual relation has ceased, if this is requested by the registered natural person. At the time of the signing of the agreement or during its term, the registered natural person may, in writing through the reference data provider, ask the financial undertaking, in charge of CCIS management, to keep his data for a maximum of five years after the contractual relation is terminated. The approval as to have one's data processed after the respective contractual relation has ended may be withdrawn through the reference provider until the contractual relation expires, and subsequent to this it may be withdrawn directly in writing, at any time, with the financial enterprise in charge of CCIS management. (Section 9(1)-(2) of CCIS)

As part of the preparation of the agreement to which the data provision relates, the reference data provider shall, in writing, inform the natural person, acting in consideration of the contract's conclusion, about the prevailing rules for CCIS, as well as about the purpose of the registration, the rights of the registered person and about the fact that the data processed by CCIS may only be used for the purpose stipulated in law, and that his data will be transmitted in accordance with Section 5(2) and may be transmitted in accordance with Section 11-13/A. (Section 15(1) of CCIS)

Before the agreement to which the data provision relates is signed, in order to allow an informed decision, the reference data provider shall let the natural person know about the data that have been taken over from CCIS, and shall inform him about the conclusions it has drawn therefrom regarding the natural person's creditworthiness, and, if necessary, will warn the natural person about the risks borrowing entails. (Section 10 of CCIS)

With the indication of the purpose of the data transfer and the scope of the data that is to be transferred, and with the marking of the fact that, subsequent to the data transfer to CCIS the financial undertaking, in charge of CCIS management, may transmit the reference data to the reference data providers for any purpose defined in Section 1, the reference data provider shall, prior to the conclusion of the agreement, inform the undertakings in writing about the fact that their reference data will be entered into CCIS if the conditions set out in Section 14-14/B of CCIS prevail.

The reference data provider shall supply in writing to the financial enterprise operating the CCIS the reference data specified in Points 1.1-1.2 of Chapter II of the Annex of any natural person who fails to comply with the payment obligation agreed upon in a contract subject to reporting in a manner where the amount of any overdue and unpaid debt for which he is liable exceeds the prevailing monthly minimum wage in effect at the time of the default, and this delay in excess of the prevailing minimum wage was sustained for more than ninety days on a continuous basis. (Section 11 (1) of CCIS)

With the exception of the reference data described in Section 6 (5) of CCIS, the reference data provider shall, in writing, inform the registered natural person about the completion of the data transfer, which must be done no more than five working days after the data have been transferred to the financial enterprise in charge of CCIS management.

Information may be requested by anyone from any reference data provider as regards the types of data recorded in CCIS, and as regards the reference data provider that has provided any such data. The registered natural person will have unrestricted access to his own data recorded in CCIS and may request information about the entities that had access to these data, also specifying the respective date and the title. Such information must be provided free of charge. (Section 15 (5)-(7) of CCIS)

The registered person may make objections to the transfer of his data to the financial enterprise in charge of CCIS management, and to their processing by the afore-mentioned financial undertaking, and may request the correction or deletion of the affected reference data. (Section 16 of CCIS)

For reasons of illicit reference data transfer and processing, and with a view to the correction or deletion of these reference data, legal action may be brought against the reference data provider and the financial undertaking in charge of CCIS management. The application must be lodged with the competent district court, within whose jurisdiction the registered person resides, no later than thirty days after the notification, as per Section 16(4), was received. (Section 17-20. of CCIS)

### ***Information with respect to certain deposit contracts***

Information concerning the remuneration of deposit contracts and debt securities

Besides the interest calculation method set out in its business rules for its own deposit contracts, the credit institution must also make calculations for the unified deposit rate index (**EBKM**), and shall publish it in an appropriate way.

In the case of a customized individual deposit method, the credit institution must calculate the EBKM and indicate its value in the contract.

If, according to the contract, the deposit interest rate constitutes variable interest rate and its scope cannot be defined upon the calculation of EBKM, then it is the last known interest rate from EBKM calculations that should be applied until the deposit contract expires.

In the case of indefinite term deposits, revolving or uncommitted deposits, the lock up period shall be understood as one year. The credit institution, however, may also publish an index calculated for the lock up period it finds typical. The calculation of the index should take into consideration the lock up

period stipulated in the contract.

As for home savings and loan associations, the EBKM value specified in the commercial communication shall assume a continuous depositing of HUF 20,000 per month. If continuous deposit payment of HUF 20,000 per month is not possible at the building society, then the value of EBKM shall be determined by assuming continuous monthly deposit payment that is the closest to it, available in relation to the building society product, which shall be clearly indicated in the commercial communication.

(Government Decree No. 82/2010 (III. 25.), Section 4)

In the EBKM calculations the interest amount may only incorporate the actually payable (to be credited) amount. In the event the payable interest is subject to deductions under specific titles (e.g. commission, fee), other than tax payment obligations, the interest amount shall be reduced by the sum of deductions.

(Government Decree No. 82/2010 (III.25.), Section 3-5)

In those cases that the legislation for the implementation of Hpt. defines, the commercial communication must indicate the unified deposit rate index of the deposit. The methods of calculation and indication for this index are governed in the legislation issued for the implementation of Hpt. (Section 268 of Hpt.)

In its business rules, posted in the customer area on its premises, the credit institution shall publish the following:

- a. the formula for interest computation;
- b. the starting and closing data of remuneration;
- c. the date (dates) of interest relief;
- d. the conditions of withdrawal before the expiry date;
- e. all facts, information and conditions that may affect the amount paid during the term, at the time of expiry or after the term; and
- f. the EBKM, with its appropriate abbreviated form, and the value being expressed in percentage to two decimal places.

(Government Decree No. 82/2010 (III.25.), Section 6)

If the credit institution decides to apply some discount with the EBKM calculations, and this discount is subject to a particular condition (either on the credit institution's or the customer's end), the commercial communication shall at least contain references to the accessibility of the detailed conditions.

In the case of revolving deposits that were announced with interest rate subsidies, the offer for the contract and the commercial communication shall, apart from the subsidised EBKM value, indicate the non-subsidised EBKM value set out in the condition list effective at the time of the announcement.

If the credit institution is to offer a complex service where investment units must also be bought besides the deposit, the commercial communication or the offer for the deposit contract must contain the following drafting, which should come after the EBKM value applicable to the deposit, in the same form as below: The return rate of the investment fund, which constitutes another element of the offer, may vary based on the return rates of the investment assets that are included in the fund. No previous return rate should be considered as a guarantee for future return rates. [Government Decree No. 82/2010 (III. 25.) on calculating and announcing deposit interest rates and returns on securities, Section 7].

Concerning debt securities and investment units, if the security's interest or return rate has been established by the issuer for the remaining part of the term, the investment enterprise, the credit institution, the investment fund manager or the organisation that, according to the law, has the right to market securities issued by itself without the use of a distributor, must make calculations for the

uniform securities yield index (**EHM**) and publish it in an appropriate way. [Government Decree No. 82/2010 (III.25.), Section 8 ]

***Information concerning loan agreement tariffs – the annual percentage rate indicator:***

Provisions for the calculation of the annual percentage rate indicator (**THM**) are made in Government Decree No. 83/2010 (III.25.), on the Definition, Calculation and Announcement of the Annual Percentage Rate Indicator.

THM calculations shall take into account all the fees payable, by the consumer, in connection with the loan agreement and the leasing agreement (**loan agreement**) (including the interest, fees, commission, charges, costs and taxes), as well as the costs of the credit-related auxiliary services, provided that they are known to the creditor or the lesser (**lender**) and the use of the services is required by the creditor for the conclusion of the contract or for its offer-based signing. They shall take into account in particular

- a. the value assessment fee for the collateral that the consumer has offered,
- b. the site visit's fee to a building site,
- c. the costs of account maintenance and those of the use of cashless payment instruments, alongside other costs related to payment transactions, except for the one mentioned in Government Decree No. 83/2010 (III. 25.) in Section 3(3)(f) thereof,
- d. the fee payable to a credit intermediary,
- e. the cadastral duties, other than the property acquisition fees, and
- f. the insurance and guarantee fees. [Government Decree No. 83/2010 (III. 25.), Section 3 (1)]

THM calculations cannot take into account:

- (a) the cost of prolongation (term extension),
- (b) interests for late payment, not including the interest that is payable for arrears within 30 days of the loan agreement's conclusion in the case of a loan granted under the cover of a pledge,
- (c) any other payment obligation which derives from the failed fulfilment of the commitments assumed in the loan agreement, not including the payment obligation that is due 30 days after the loan agreement was signed in the case of a loan granted under the cover of a pledge,
- (d) notary's fee,
- (e) in the case of a commercial loan or a linked loan agreement, the extra fee paid by the consumer for the purchase of products or services, irrespective of whether it was paid in cash or from a loan, and
- (f) the costs of account maintenance and those of the use of cashless payment instruments, alongside other costs related to payment transactions, if the lender does not require the maintenance of an account for the respective loan agreement and its costs have been clearly and separately indicated in the loan agreement signed with the consumer. [Government Decree No. 83/2010 (III. 25.), Section 3 (2)]

The THM value shall be established with the use of the formula in Annex 1, subject to the criteria set out in Section 5(2)-(3). [Government Decree No. 83/2010 (III. 25.), Section 5 ]

In the case of mortgage loans and property leasing, the formula in Annex 1 shall be applied subject to Section 7-8. [Government Decree No. 83/2010 (III. 25.), Section 7-8 ]

What THM calculations shall consider, with the exception of Section 4(1a), is whether the loan agreement is fulfilled in accordance with the loan agreement during the term set out in the loan agreement. If necessary and in the event the conditions for the establishment of the THM value may change during the term of the loan agreement or certain elements thereof may not be quantified, THM calculations must be made subject to the conditions in Section 4(2). [Government Decree No. 83/2010 (III. 25.), Section 4 ]

In the case of foreign currency denominated loan agreements, if disbursements and repayments are

both made in Hungarian forint, upon the use of the formula mentioned in Annex 1, payments made by the creditor and the consumer should be converted into Hungarian forint, subject to the following exchange rates that the lender applied for the given transaction:

- (a) the foreign currency exchange rate defined in the loan agreement, from no more than 30 days before the loan agreement was signed,
- (b) the foreign currency exchange rate effective on the first working day of the month preceding the reference quarter as defined in the commercial communication.

In the case of foreign currency denominated loan agreements, if disbursements and repayments are both made in Hungarian forint, upon the use of the formula mentioned in Annex 1, foreign currency payments should be converted into Hungarian forint at the official MNB daily exchange rate effective on the first working day of the month that precedes the reference quarter mentioned in the commercial communication, which cannot be more than 30 days earlier, as stated in the loan agreement.

In the case of foreign exchange loans, upon the establishment of the THM value, fees payable in Hungarian forint should be converted into the currency of the loan, at the foreign exchange rate that the lender used for remuneration with the transaction, effective on the first working day of the month that precedes the reference quarter mentioned in the commercial communication, which cannot be more than 30 days earlier, as stated in the loan agreement.

Foreign currency and foreign currency denominated loan agreements shall indicate whether THM was established on the basis of Forint payments or on the basis of payments made in the foreign currency of the loan. They shall also specify the effective date of the foreign exchange rate that the conversion of the payments to another currency was subject to. [Government Decree No. 83/2010 (III. 25.), Section 6 ]

The commercial communication shall make as clear indications of THM as of the interest, and its value must be computed for a loan, with uniform repayment, granted under the following conditions:

- a. for home savings and loan association loans the loan amounts to HUF 1 million with a term of 5 years, in the case of the bridging loan granted by the building society, the loan amount shall be HUF 5 million and its maturity, together with housing loan shall be 15 years,
- b. for mortgage loans from another lender the loan amounts to HUF 5 million with a term of 20 years,
- c. for loans related to credit cards and payment accounts the loan amounts to HUF 375,000,
- d. for loans with a threshold of up to HUF 1 million, that do not belong to points (a)-(c), the loan amounts to HUF 500,000 with a term of 3 years,
- e. for loans above HUF 1 million, that do not belong to points (a)-(c), the loan amounts to HUF 3 million with a term of 5 years.

Loans with non-uniform repayment shall also apply the afore-mentioned conditions, yet in this case deviating repayment methods must be indicated clearly and prominently.

If the loan is not granted with the above-mentioned conditions and the conditions offered by the lender significantly differ from them, then THM computations shall consider the closest amount and term applicable to the said loan type. The commercial communication must make clear and prominent indications thereto.

Loans with uniform payment are loans with a maximum of 6 months grace period, whose repayment is done on a monthly basis in instalments of the same amount. Repayments in identical amounts are loan repayments where, in the principal repayment period, the combined sum of the principal repayment and the interest, expressed either in Hungarian forint or in a foreign currency, is constant. [Government Decree No. 83/2010 (III. 25.), Section 9]

In the case of open-ended loan contracts, where the loan is not connected to a payment account and is

not a bridging loan:

- a) in the case of a mortgage loan, the maturity of the loan shall be considered twenty years from the date of the first drawdown and in the case of any other types of loan agreement type it shall be one year, and the payment of the outstanding principal, interest and any other fees shall be considered fulfilled upon the payment of the last instalment,
- b) if the consumer starts repaying the principal amount in equal instalments one month following the first drawdown, including the case when the principal amount must be repaid in full in a single instalment in each payment period, the consecutive drawdowns and repayments of the total principal shall be taken into account for the maturity of the loan as defined in ca) above, and
- c) the interests and other fees shall be taken into consideration in accordance with the drawdowns and repayments and the provisions of the loan contract [Section 4(2)c) of Government Decree 83/2010 (III. 25.)]

In the case of loans connected to a payment account, where the duration of the loan is unknown, the APR shall be calculated assuming that the total amount of the loan will be drawn down for the full tenor of the loan contract, with the proviso that when the maturity of the loan is unknown, the loan maturity shall be considered three months for the purposes of calculating the APR. [Section 4 (2)g) of Government Decree 83/2010 (III. 25.)]

The mortgage loan related public information and the bid shall clearly indicate the THM value with the comment that

- (a) THM was established subject to the current circumstances and the applicable legislation, whose rate may change in the event changes are perceived in the circumstances,
- (b) the THM value does not reflect the loan's exchange rate risks,
- (c) the THM value does not reflect the loan's interest risks.

Section 10(2)(b) of Government Decree No. 83/2010 (III. 25.) shall be applied with foreign currency denominated loans, whereas point (c) is applicable to loans with variable interest. [Government Decree No. 83/2010 (III. 25.), Section 10 (2)-(3)]

For mortgage loans combined with a home savings contract, the THM value, in the commercial communication, shall be established on the basis of the home savings products with the shortest saving time, assuming a continuous depositing of HUF 20 thousand per month. [Government Decree No. 83/2010 (III. 25.), Section 10 (4)]

Loan related commercial communications shall avoid all possible drafting that may raise false expectations on the consumer's side with regard to the accessibility or costs of the loan. Information in the commercial communication must be easy to read or clearly audible. Loan related commercial communications shall clearly and prominently indicate the annual percentage rate, alongside its abbreviation, with the value being expressed to at least one decimal place in any case. (Section 4 of Fnyht.)

In the event the lender decides to sign a contract with the consumer in accordance with the template form that the information was contained in, a draft of the contract must be made available to the consumer, upon his request, free of charge.

If, based on the consumer's request, the loan agreement is signed by means of a telecommunication instrument mentioned in Act XXV of 2005 on the Distance Marketing of Consumer Financial Services (TávTV), which does not allow any preliminary information provision pursuant to Section 6 and Section 7, and thus in particular, if it happens via phone as described in Section 4 (3) of TávTV, the lender and the credit intermediary shall, after the signing of the loan agreement, immediately fulfil their information provision obligations towards the consumer, as defined in Section 6 and Section 7, in paper format or by means of a durable data medium.

Should the conclusion of the payment account related credit line contract, upon the consumer's request, happen with the use of a telecommunication instrument, which does not allow any preliminary information provision pursuant to Section 6 and Section 7, and thus in particular, if it happens via phone as described in Section 4 (4) of Távtv, the lender and the credit intermediary shall, after the signing of the loan agreement, immediately fulfil their information provision obligations towards the consumer, as defined in Section 6 and Section 7, in paper format or by means of a durable data medium.

In the case of a mortgage loan, the lender, the credit intermediary or the intermediary vendor shall, prior to binding the consumer by any loan agreement or offer, provide clear and unambiguous information (hereinafter referred to as general information provision) to the consumer, whose content is governed in a regulation by the minister responsible for the regulation of the financial, capital and insurance markets. Such information must be provided in due time either in paper format or via other durable media or in an electronic way.

The lender, the credit intermediary or the intermediary vendor shall, subsequent to the general information provision but prior to the conclusion of the contract, provide personalised information (hereinafter referred to as personalised information provision) to the consumer. Such information shall be provided in paper format or by means of any other media, in the form and with the content stipulated in the regulation of the minister responsible for the regulation of the financial, capital and insurance markets. The personalised information material must be prepared without delay and it must be handed over to the consumer, once the consumer has submitted all the necessary information about his mortgage loan related requirements, the financial status and his preferred conditions, just before the consumer becomes bound by an offer validity in connection with the loan agreement.

The above information must be made available to the consumer free of charge, without any payment obligation.

Mortgage loan related offers, that are binding for the lender, shall be made available to the consumer in paper format or by means of other durable media, along with the personalised information, provided that

- a) the personalised information has not yet been disclosed to the consumer or
- b) the offer deviates from the personalised information that has been earlier provided to the consumer.

In the case of mortgage loans, within the scope of the relevant characteristics of the subject of the contract, as defined in Section 4 (2)(b) of Távtv, information shall be given about the elements set out in point 3-6 of the legally regulated personalised information.

The lender, the credit intermediary or the intermediary vendor may provide information, beyond the data in the personalised information material, in a separate way only, by attaching it as an annex thereto.

Fnyht.

In case of financial lease related to mortgage loan or real estate, upon making the lender's binding offer, the draft agreement shall be made available to the consumer at least three days prior to the planned date of concluding the agreement without the explicit request of the consumer. The consumer shall not accept the offer before the lapse of three days. The offer shall bind the lender for fifteen days from the date of submitting the draft contract to the consumer.

Mortgage loans and financial lease contracts for properties shall not be concluded in the absence of the parties' simultaneous physical presence – with the exception of contracts signed by the parties in the presence of witnesses; however, this does not preclude the parties' using the means specified in Section

8(2) and (3) of the Consumer Credit Act with regard to fulfilling and confirming the fulfilment of the obligation to provide information or providing the draft agreement, if the conditions for that are available.

(Section 9-15. of Fnyht.)

***Provision of prior information before concluding framework agreements for the rendering of payment services:***

Prior to the client's legal declaration aimed at the conclusion of the framework agreement, the payment service provider shall inform the client in due course, on paper or on permanent data carrier, of the provisions of Section 10 of Act LXXXV of 2009 on the Pursuit of the Business of Payment Services (Payment Services Act-Pft.);

The payment service provider shall comply with the obligation to provide information in a clear, precise and easy-to-understand manner, in the Hungarian language or in any other language agreed between the parties. The payment service provider may fulfil the obligation to provide information by providing a copy of the framework agreement, if it contains the data specified in Section 10.

(Section 8-10 of Pft)

***Information concerning the settlement of payment orders:***

Prior to the consumer's statement concerning single payment orders, the payment service provider shall inform the customer about the contents of Section 31 of Act LXXXV of 2009 on the Pursuit of the Business of Payment Services (Pft) on its website and in the notice posted in the customer area on its premises.

The payment service provider must fulfil this information provision obligation in Hungarian or in the language agreed with the customer, in a clear, comprehensible and precise way.

The payment service provider may also fulfil this obligation by making available one copy of the single payment order agreement, provided that it contains the data below.

If the customer requires so, the payment service provider shall disclose the information and the contractual terms in paper format or via a durable data storage device.

Should the single payment order, upon the customer's request, be fulfilled through such long-distance communication that does not allow preliminary information, the payment service provider shall ensure the disclosure of the information, pursuant to Section 31 of Pft, immediately after the payment order was settled.

The payment service provider shall inform the customer about the following:

- a) the data or individual identifier, which are indispensable for the initiation or settlement of the payment order,
- b) the date of delivery concerning the payment service,
- c) the fees the customer must pay to the payment service provider, just like the costs or other payment obligations, in a detailed way, and
- d) the actual or reference exchange rate that the payment service provider should apply during the payment transactions.

Apart from the data above, the payment service provider in charge of the payment initiation service must inform the customer about the following, before the payment is initiated:

- a) the company name and registered address of the payment service provider in charge of the

- payment initiation service, alongside the address of the payment intermediary and the premises in the EEA member state where the payment service is offered, and the contact address for the customer (including the electronic mail address), as well as
- b) the contact data of the competent supervisory authority.

Besides the data above, the payment service provider shall inform the customer about the data specified in Section 10 of Pft on its website and in the notice posted in the customer area on its premises.

The payment service provider, however, is not obliged to disclose the information specified in Section 31 (1)(b) of Pft, if

- a) the registered seat of the beneficiary's payment service provider is not located in an EEA member state, or the payment transaction is not carried out in the currency of an EEA member state, and
- b) the payment service provider does not have the respective data.

The payment service provider does not have to disclose the information set out in Section 31 (1)(c) of Pft with regard to fees, costs and other payment obligations applicable outside the EEA member state, if the payment service provider does not have these data.

Upon the initiation of a payment initiation service, the payment service provider in charge of the payment initiation service shall, after the initiation, immediately disclose the following data, besides the ones described in Section 31 (1) and (1a), or shall without delay make them available to the paying party and, if applicable, to the beneficiary:

- a. confirmation of the fact that the payment order has been successfully initiated with the payment service provider that maintains the paying party's account,
- b. the reference enabling the identification of the payment transaction and, if applicable, the paying party's identification for the beneficiary, together with any other information forwarded with the payment transaction,
- c. the sum of the payment transaction, and
- d. if applicable, the total of the transaction fees payable to the payment service provider in charge of the payment initiation service, with their breakdown.

Upon the initiation of a payment initiation service, the payment service provider in charge of the payment initiation service shall inform the payment service provider in charge of the maintenance of the paying party's payment account about the reference that enables the identification of the payment transaction. (Section 29 -31/B of Pft)

Concerning the service it has provided, the payment service provider shall immediately inform the paying party, after the single payment order has been received, about the following:

- a) the reference that enables the identification of the payment transaction and, if applicable, the beneficiary's details,
- b) the computed sum of the payment transaction, expressed in the currency that the payment order prescribed,
- c) all the fees that the paying party is to pay to the payment service provider, along with the costs and any other payment obligation, in detail,
- d) the exchange rate that the payment service provider applied during the payment transaction and the sum after the conversion, as well as
- e) the date when the payment order was received.

The payment service provider shall make the above information available in the manner stipulated in Section 29 of Pft. (Section 32 of Pft)

In the event conversion is carried out, in connection with the payment transaction, before the payment order is submitted, and the conversion is carried out by an automatic banknote dispenser or on the place of payment or by the beneficiary, the party performing the conversion must inform the paying party, prior

to his statement concerning the payment order, about the applicable exchange rate for the conversion and about all the fees, costs and other payment obligations related thereto. After this information has been disclosed, the paying party shall approve the conversion. (Section 6 of Pft)

The payment service provider – at the request of the payer – prior to the payer’s legal declaration aimed at payment orders based on a framework agreement, shall inform the payer of the following data:

- a) the maximum execution time for the payment services to be provided, and
- b) The breakdown of the amounts of all charges payable to the payment service provider, including all commissions, fees and other payment obligations.

(Section 22 of Pft)

After debiting the payer’s account based on a payment order executed on the basis of a framework agreement or, where the payer performs the payment not through the payment account, after the receipt of the payment order, the payment service provider shall provide the payer without undue delay with the following information:

- a) reference enabling the payer to identify the payment transaction and, where appropriate, information relating to the payee,
- b) the amount of the payment transaction in the currency specified in the payment order, or in the currency in which the payer’s payment account was debited,
- c) an itemised list of any charges, fees and other payment obligations payable by the payer to the payment service provider,
- d) the exchange rate used in the payment transaction by the payment service provider, and the amount of the payment transaction after the currency conversion, and
- e) the date of receipt of the payment order or the value date of the debit entry.

(Section 23 of Pft)

The framework agreement shall include a condition that – contrary to the information provided under Section 23 – the information referred to in Section 23(1) a)-e) is to be provided – at the payer’s request, including the provisions laid down in the framework agreement – or made available by the payment service provider at least once a month, free of charge and in the form agreed in the framework agreement, which allows the payer to store such data for an extended period of time corresponding to the objective of the data and to reproduce such information unchanged in terms of form and content. If the payer is a consumer, the payment service provider shall – at the payer’s request – make available the information specified in Section 23 on paper once a month free of charge, fees and other payment obligations, provided that such information had not been made available on paper previously.

(Section 24 of Pft)

***Electronic information:***

Service providers delivering information society services shall electronically publish at least the following data and information, making them directly and continuously available in an easily accessible way:

- a. the name of the service provider;
- b. the registered seat and premises of the service provider, or its place of residence in the absence of the afore-mentioned,
- c. the service provider's contact data, in particular its electronic mail address regularly used for liaison,
- d. if the service provider's establishment or the starting practice of its activity is subject to registration, as prescribed in law, the name of the court or authority that entered the service provider in the registry and the service provider's registration number,
- e. if, according to the respective legislation, the practice of the service provider's activity is subject to authorisation, this fact shall be indicated along with the name and contact point of the authorising body and the number of the authorisation,
- f. if the service provider is the subject of value added tax, then the service provider's tax number;

- g. within the scope of regulated professions in practice:
  - (ga) the name of the professional advocacy body (chamber) that the service provider is a member of, either pursuant to a mandatory provision or voluntarily;
  - (gb) the qualification or professional, scientific title of the "natural person" service provider, and the member state where the qualification or title was obtained;
  - (gc) reference to the technical regulations that apply to the practice of the regulated profession in the state where the service provider resides, and to their accessibility
- h. the registered seat, premises and contact data of the service provider that caters for the service provider's storage needs, as defined in Section 2(l)(lc), in particular the electronic mail address that is regularly used for liaison, unless this information is otherwise accessible due to the nature of the hosting service that the service provider receives.

(Section 4 of Ektv)

### 1.3 RULES OF ADVERTISING

Advertisements attracting **young people** to place deposits, take out loans or to make use of other financial services must be published in at least two national dailies in the case of advertising credit institutions, and in at least one daily and one national daily in the case of advertising co-operative credit institutions. (Section 269 of Hpt.)

Advertisements for drawing lots are forbidden. This prohibition does not apply to premium bond drawings. (Section 270 of Hpt.)

Financial institutions that perform loan advisory services, dependent intermediaries that perform mortgage loan intermediary services and intermediary vendors cannot use, in their commercial communication, the phrase 'loan consultancy', 'consultancy', 'independent consultancy', 'loan advisor', 'consultant', 'independent advisor' or any other expression of this kind. (Section 270/A of Hpt.)

In the event the above regulations are violated, it is MNB that will take action in connection with the advertisement that pertains to the activities it supervises.

In bids, advertisements and commercial communications concerning **deposit contracts**, the attention must be drawn to the fact that the detailed description of the deposit contract is included in the business rules.

Should the bid for the conclusion of a deposit contract or the commercial communication concerning the deposit mention the deposit interest rate or any cost thereof, the EBKM value shall directly come after that (along with the abbreviated form, expressed to a two decimal place), whose presentation must be at least of the same size and form, or it must be similarly audible.

If the deposit has a state subsidy and the bid or commercial communication for the conclusion of the contract indicates the deposit interest rate or any cost thereof or the scope of the state subsidy or the sum thereof, the EBKM value shall also be specified with and net of the subsidy.

(Government Decree No. 82/2010 (III.25.), Section 6 (2)-(4))

The advertisement for the deposit shall, in connection with the deposit guarantee, display the deposit guarantee emblem prescribed by NDIF, in the way NDIF requires that. In connection with the deposit insurance, only the logo prescribed by NDIF may be included. (Section 274 of Hpt.)

Loan related commercial communications shall avoid all possible drafting that may raise false expectations on the consumer's side with regard to the accessibility or costs of the loan. Information in the commercial communication must be easy to read or clearly audible. Loan related commercial communications shall clearly and prominently indicate the annual percentage rate, alongside its abbreviation, with the value being expressed to at least one decimal place in any case.

If the loan related commercial communication also specifies the loan interest or indicates figures that pertain to other types of remuneration (including fees, commissions, costs) beyond the annual percentage rate, the commercial communication shall clearly, briefly and visibly present the following data as well, supported with a representative sample:

- a) the extent and type of the loan interest (fixed loan interest, variable loan interest or both),
- b) the fee, commission, cost and tax incorporated in the total amount of the loan,
- c) the total amount of the loan,
- d) the term of the loan,
- e) the annual percentage rate,
- f) in the case of loans granted in the form of deferred payment for product selling or service provision, the cash price and own contribution, and
- g) the total amount payable by the consumer and the sum of the instalment.

If the mortgage loan related commercial communication also specifies the loan interest or indicates figures that pertain to other types of remuneration (including fees, commissions, costs), besides the annual percentage rate and beyond points (a)-(e) and (g) of the above paragraph, the commercial communication shall clearly, briefly and visibly present the following data as well:

- a) the name of the lender, the credit intermediary or the intermediary vendor,
- b) information regarding the fact that the credit cover is a mortgage on a real estate,
- c) the number of instalments, and
- d) in the case of foreign currency denominated loans, warning that changes in the exchange rate may affect the amount payable by the consumer.

The representative sample in the commercial communication shall be used consistently in the information material too.

If the use of the service pertaining to the loan (for example, insurance) is necessary for the conclusion of the contract or for its signing based on the lender's offer, and the remuneration for the loan related service is not known, the commercial communication concerning the loan shall clearly, briefly and visibly mark the obligation as to sign the contract for the loan related service, alongside the indication of the annual percentage rate. [Section 4 (1) – (5) of Fnyht.]

In the loan related commercial communication the credit intermediary must specify the person on behalf of whom he is acting. [Section 4 (6) of Fnyht.]

#### **1.4 CONFIDENTIALITY AND DATA PROTECTION**

**Bank secrecy** is any fact, information, solution or data that the financial institution has about the customer, which concerns the customer's person, details, property, business activity, management, ownership and business relations as well as the balance and turnover of his account maintained by the financial institution, and the contracts he has signed with the financial institution.

Pursuant to the Hpt. provisions on bank secrecy, every person that makes use of a financial service of the financial institution shall be regarded as a customer of the financial institution. Bank secrecy regulations shall also apply to those who contact the financial institution with a view to making use of a service but decide not to make use of it eventually. Bank secrecy regulations must also be appropriately applied to the details of the intermediary's client, as defined in Section 160 (1) – (3) of Hpt.

Anyone who gets hold of a business or bank secret shall keep it without any temporal limitation. According to the obligation of secrecy, no fact, information, solution or data falling within the scope of

bank secrecy, with the exception defined in this Act, may be disclosed to a third person without the client's authorisation and neither can they be used outside one's scope of competence. Entities getting hold of a business or bank secret may not use them for creating an advantage, either directly or indirectly, for himself or another person, and neither can they be used for causing disadvantage to the financial institution or the institution's clients. (Section 165 of Hpt.)

Bank secrecy may only be disclosed to a third person if:

- a) the client of the financial institution, or their legal representative, carefully specifying the scope of bank secrecy that may be disclosed concerning them, makes a request made out in a private deed of full probative value or in a public instrument or gives an authorisation (this is not required to be made out in a private deed of full probative value or in a public instrument, if the client makes this written statement as part of the contracting procedure with the financial institution, including the initiation to open a payment account) stating that in this case the statement may also be made in an identified electronic way;
- b) legislation relieves them of the obligation of keeping bank secrecy,
- c) the interests of the financial institution deems this necessary to sell receivables from the client or to collect overdue receivables,
- d) the certifying organisation employed by the financial institution and its sub-contractor becomes familiar with it during the certification procedure.

(Section 161 (1) of Hpt.)

Further regulations on bank secrecy are contained in Section 161-166/A of Hpt.

## **1.5 PROTECTION OF CUSTOMER CLAIMS, THE NATIONAL DEPOSIT INSURANCE FUND (NDIF)**

The credit institution shall inform the depositor about matters related to NDIF or the foreign deposit insurance systems and, if it participates in the voluntary deposit insurance or the institution protection fund, about related matters affecting the depositor, thus in particular about the deposit types secured by NDIF, the scope of the insurance, the currency of the indemnity payment and, in the event the credit institution's authorisation is withdrawn by MNB pursuant to Section 33 of Hpt. or in the case the credit institution is wound up, it shall inform the depositor about the conditions of compensation payment as per Section 214 (1) of Hpt., and about the procedure concerning the use of the insurance – also prior to concluding the contract – in an easy to understand form. The credit institution shall also warn the depositor that in cases set out in Section 213 and Section 239 (4) of Hpt. the NDIF insurance does not cover the deposit.

The above-mentioned information shall be provided to the client in a clear and meaningful way. Unless the parties have otherwise agreed, the language of the communication is Hungarian, or in the case of a foreign branch of the credit institution, which has its registered seat in Hungary, information shall be given in the language of the country where the branch was established, whereas if the credit institution, registered in Hungary, has cross-border services, the language to be used is the language that the depositor and the credit institution agreed upon at the time when the deposit was placed or the contract was concluded.

Prior to the placement of the deposit or before any such framework contract is signed, the acknowledgement of the information about deposit insurance shall be certified by the client by way of signing the information set out in Annex 6 to Hpt. If the contract or framework contract is signed electronically, the client may also confirm the acknowledgement of the information in an electronic way.

Credit institutions whose membership in NDIF or in a foreign deposit insurance corporation has been terminated must, in writing, notify their depositor within a month's time thereof, and shall amend their information material about deposit insurance accordingly. The information shall cover the rights of the deposit holder and the enforcement of such rights.

The credit institution will provide the above information in Hungarian, unless otherwise agreed by the parties. (Section 272-273 of Hpt.)

Credit institutions may conclude deposit contracts (that is, deliver a deposit instrument) or issue debt securities only if their contract raises awareness to the provisions mentioned in Section 213 (1) of Hpt. (Section 281 (1) of Hpt.)

The NDIF insurance does not cover deposits under Section 213 (1)-(2) of Hpt.

Should the credit institution, as NDIF member, execute deposit transactions by way of a dependent intermediary in accordance with Section 14 (1)(h) of Hpt., the dependent intermediary shall also specify the credit institution for and behalf of which the deposit is accepted. The deposit instrument, issued in a security-like format, must clearly and visibly indicate whether the underlying contract is a deposit contract or a savings contract. [Section 281 (2)-(3) of Hpt.]

NDIF shall first pay the principal and then the amount of the interest, whose cumulated amount, per person and credit institution, may not exceed one hundred thousand euros. This amount is derived from a deposit claim, which was filed against a credit institution whose authorisation was withdrawn by MNB in accordance with Section 33 (1) or Section 33(2)(c) of Hpt., or the winding-up of which was ordered by court, and it will be paid to the person eligible for compensation, with the exception of the following paragraph, in Hungarian forint as compensation.

The forint amount of the compensation shall be established on the basis of the official foreign exchange rate that was published by MNB acting within the scope of its competence as a central bank, and which was effective on the day preceding the starting date of the compensation as defined in Section 217 of Hpt.

In the case of foreign currency deposits, the establishment of the compensation amount and the threshold shall, irrespective of the date of the payment, be based on the official foreign exchange rate that was published by MNB acting within the scope of its competence as a central bank, and which was effective on the day preceding the starting date of the compensation as defined in Section 217 of Hpt. [Section 214 (1)-(3) of Hpt.]

## **1.6 RULES PERTAINING TO SPECIFIC CONTRACTS**

One copy of the loan agreement shall be handed over to the consumer. The loan agreement shall clearly and briefly specify the elements set out in Section 16 (1) of Fnyht., with the derogation from paragraph (4), which includes the substance of the payment account related credit line contract.

If the lack of the substance, as set out in Section 16 of Fnyht., does not affect the conclusion of the contract, the lender shall compensate the damage incurred, by the consumer, from the missing substance of the contract, in accordance with the rules of liability for damages caused by breach of contract. (Section 15-16. of Fnyht.)

The establishment of the contract terms and conditions for the consumer loan agreement, under Fnyht., shall take into consideration the provisions, in Fnyht., related to the interests, charges, fees and their amendment, as well as its regulations concerning the prohibition of tying and bundling practices. [Section 14/A, 17/A-18, 20/C and 28 (5)-(6) of Fnyht.]

The consumer may, in any case, decide to resort to the early full or part-repayment of the loan. In the case of early repayment the lender reduces the full amount of the loan, in respect of the prepaid instalment, with the loan interest applicable to the remaining period based on the contract's original date of expiry, and with any remuneration other than the loan interest. (Section 23 of Fnyht.)

The lender is eligible for the compensation of the costs it has incurred directly in connection with the early payment, provided that they are fair and objectively justifiable and the early payment falls within a period when the loan interest is fixed.

The costs, as defined above, may not exceed one percent of the prepayment sum, if the interval between the date of prepayment and the expiry date of the loan, according to the loan agreement, is more than one year. Furthermore, the above costs may not exceed half percent of the prepayment sum, if the interval between the date of prepayment and the expiry date of the loan, according to the loan agreement, is not more than one year.

The costs may not exceed the amount of the loan interest payable for the interval between the date of prepayment and the expiry date of the loan, as set out in the loan agreement, with due regard to the conditions effective at the time of prepayment.

The lender is not entitled to compensation in the case of payment account related credit line contracts.

Neither is the lender entitled to compensation if the early payment was executed on the basis of an insurance contract signed as a repayment collateral.

Nor is the lender entitled to compensation if in one single case during a period of twelve months the amount of prepayment, executed by the consumer, fails to exceed two hundred thousand forints. (Section 24 of Fnyht.)

In the case of mortgage prepayment, the lender is entitled to the compensation of the fair costs it may have incurred directly in connection with the prepayment. The sum of the considered costs may not exceed the lender's financial loss, and its volume, with the derogation specified in paragraph (2), cannot be more than 1.5 percent of the prepaid amount.

In the case of loan agreements financed with a mortgage bond, including loan agreements refinanced by the mortgage credit institution, the lender may have its fair costs, incurred directly in connection with the prepayment, considered at a rate higher than stipulated in the above paragraph, provided that the prepayment falls within a period when the mortgage credit has fixed or variable interest and prepayment happens during the interest period. The considered costs, in this case, cannot be more than 2 percent of the prepaid amount.

Apart from the costs mentioned above, the lender may not prescribe any other payment obligation in the course of the prepayment, and neither is he entitled to compensation if the prepayment was based on an insurance contract signed as a repayment collateral.

If the consumer makes a statement of intention to prepayment, the lender shall, either in paper format or on a durable data storage device, provide the consumer with all the relevant information for early payment, along with the quantification of its consequences and the reasonable and justifiable assumptions that the establishment of the consequences considered, including the costs that may be considered according to Section 24 (1) or Section 25 (1) and (2) of Fnyht., as well as their method of establishment. From 10 March 2021 the lender shall provide the consumer with the necessary information within 5 working days after the consumer has indicated his intention to make a prepayment. The lender shall settle the prepaid instalment within 5 working days, at the latest, following the receipt by the lender of the instalment to be prepaid as notified by the consumer based on his intention to make a prepayment. (Section 25 of Fnyht.)

The ***consumer protection rules on circulation and cashless payment instruments*** are governed in a

separate legislation. They lay down the requirements related to framework agreements, the settlement deadline for payment orders, the deadline for withdrawing or amending the payment order, the ancillary rules of commonality, the payment obligation of the interest for late payment and the obligation of immediate return in the case the order fails.

The payment service framework agreement shall be concluded in writing. The payment service framework agreement shall include the provisions of Section 14 of the Pft. in a clear, precise and easy-to-understand manner, in the Hungarian language or in any other language agreed between the parties. The payment service provider may initiate the amendment of the framework agreement only in the manner stipulated in Section 8, at least two months before the effective date of the proposed amendment. In the absence of a notice period, the client may terminate the framework agreement any time, with immediate effect. Any notice period longer than one month shall be void. The parties may stipulate in the framework agreement that the payment service provider may terminate the open-ended framework agreement in accordance with the provisions of Section 8. The stipulation of a notice period shorter than two months shall be void, unless the client has severely or repeatedly breached his obligations specified in the framework agreement.  
(Section 14-17 of Pft)

In the event the financial transaction is approved by a cashless payment instrument, the parties in the framework contract may set a payment transaction threshold for non-cash means of payment. The payment service provider may, in the framework agreement, reserve the right to disable the cashless payment instrument if suspicion arises that the said cashless payment instrument is used in an unauthorised or fraudulent way, or may do so for the safety of the cashless payment instrument.

In the case of cashless payment instruments that have been matched with a credit line, the payment service provider may also reserve the right of disablement, as set out in paragraph (2), if the risk that the payment party will not be able to fulfil its payment obligations towards the service provider significantly rises.

It falls within the payment service providers responsibility to prove that the conditions for the disablement of the cashless payment instrument are fulfilled.

Upon the disablement of a cashless payment instrument, the payment service provider shall, prior to the disablement or subsequent to the disablement at the latest, notify the paying party of the fact and reasons of disablement in the manner stipulated in the framework agreement.

The payment service provider is not under the obligation to give information in accordance with the previous paragraph, if this would threaten the security of his operation, or a legislation precludes the fulfilment of the obligation to give information.

If there is no longer reason to disable the cashless payment instrument, the payment service provider shall without delay stop the instrument's disablement or provide the paying party with another new cashless payment instrument.

The payment service provider that maintains the payment account may deny access to the payment account, from the payment service provider in charge of the account information service and from the payment service provider in charge of the payment initiation service, on grounds that access was not granted by the payment service provider in charge of the payment initiation service and nor by the payment service provider in charge of the payment initiation service, or that access was obtained fraudulently, with any such reason being objectively justifiable and adequately proven, including the initiation of a non-approved payment transaction or the fraudulent initiation of a payment transaction.

In the case described in the above paragraph, the payment service provider that maintains the payment account shall, if possible, before the access is denied but subsequent to the access denial at the latest, without delay inform the customer about the access denial and its reasons, in the manner stipulated in the framework agreement.

The payment service provider maintaining the payment account is not under the above obligation as to give information if such information provision is not right for objectively justified security reasons or the fulfilment of the obligation, as to give information, is prohibited by law.

After the reason to deny the access has been eliminated, the payment service provider maintaining the payment account will again grant the access.

In the case mentioned in Section 39/A, (1) of Pft, the payment service provider maintaining the payment account shall, without delay, notify MNB of the access denial, together with the relevant details of the case and the reasons for denial. MNB shall investigate the case and bring appropriate action, as applicable.

The client or the entity authorised to dispose of the client's payment account must use the cashless payment instrument as it is specified in the framework agreement, and in order to keep the cashless payment instrument and his personal data, necessary for its use, safe, he must adopt a conduct expectable in any such situation.

The conditions for the use of the cashless payment instrument must be objective, non-discriminatory and proportionate for both the client and the entity that is authorised to dispose of the client's payment account.

The client or the entity authorised to dispose of the client's payment account shall immediately notify the payment service provider or any third person designated by him of any case when it is perceived that the cashless payment instrument is no longer in the client's or entity's possession, or it has been stolen, or is used by an unauthorised person or without authorisation.

On the basis of a framework agreement concerning cashless payment instruments for small amounts, the parties may agree that the client and the entity authorised to dispose of the client's payment account are not obliged to report in accordance with Section 40 (2), if the disablement of the cashless payment instrument or the prevention of the further use thereof is not possible.

The payment service provider may grant the client a cashless payment instrument only if it is explicitly requested by the client, not including the case when the already existing cashless payment instrument is being replaced.

The payment service provider may hand over the cashless payment instrument and the personal authentication data necessary for its use exclusively to the client, in the manner specified in the framework agreement.

The payment service provider shall make sure that the client can make the respective report as set out in Section 40 (2) of Pft, or request the termination of the attachment as set out in Section 39 of Pft, free of charge without any payment obligation. The payment service provider shall keep records of the notifications, as set out in Section 40 (2) of Pft, which will ensure the demonstration of the date and contents of the above reports for a period of eighteen months.

Subsequent to the notification described in Section 41 (3) of Pft, the payment service provider may not execute any payment transaction with the cashless payment instrument, on the basis of a payment

order.

The fee charged for the provision of a new cashless payment instrument, in replacement of the one that has got out of the client's possession, cannot exceed the actual costs directly incurred in connection with the replacement of the said instrument.

Risks that might arise with the sending of the cashless payment instrument to the client or with the disclosure of any personal authentication data related to the cashless payment instrument shall be borne by the payment service provider.

On the basis of a framework agreement concerning cashless payment instruments for small amounts, the parties may agree that the payment service provider is not under the obligations of Section 41 (3) and (5) of Pft, if the disablement of the cashless payment instrument or the prevention of the further use thereof is not possible. (Section 39 -41 of Pft)

### **1.7 Complaint management**

Complaints shall be managed in the Hungarian languages unless the financial service provider and customer agreed in a different language.