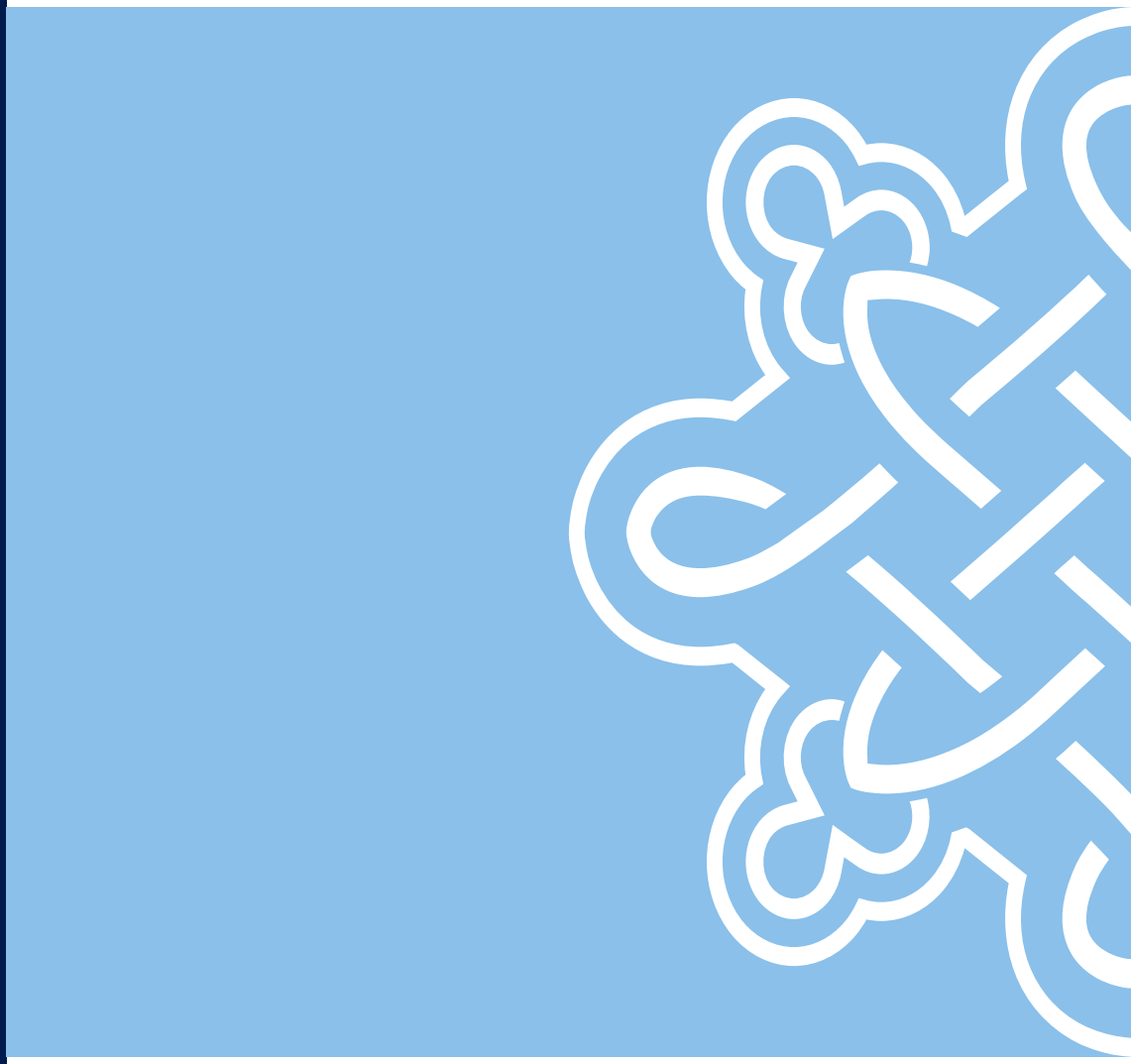
REPORT ON THE ACTIVITIES OF THE HUNGARIAN FINANCIAL ARBITRATION BOARD



2018

REPORT ON THE ACTIVITIES OF THE HUNGARIAN FINANCIAL ARBITRATION BOARD

2018

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Chair's foreword

2018 was the year of balanced operation. During the year we worked on nearly 4,000 cases. The so-called "fair bank regulations" were applied in practice to a large extent, and their positive effects could be experienced. In respect of the matters in dispute, consumers were more aware of the relating regulations than in previous years. We consider that the Magyar Nemzeti Bank's efforts to steer financial service providers towards focusing more on their customers' demands, giving them a better understanding of the rules relating to the services they intend to use, and helping them in resolving their complaints concerning services, were effective.

Consumers have become more conscious, they pay more attention to the attributes of the various financial products, have a better understanding of their characteristics and functions, they are able to formulate their requirements and prepare more comprehensible petitions. The number of petitions fit for judgement on the merits increased from 82% in 2017 to 83% in 2018. Again, petitions were submitted mostly by post or in person via our front office service, and there was an increase in the number of customers who decided to use the bureaus of civil affairs.

According to our experience obtained from the 3,402 completed cases, the largest number and proportion of customers who contacted us were based in Central Hungary. The majority of the petitioners asked for our help in connection with their legal disputes relating to cases concerning financial services, including, most commonly, lending services. By 2017–2018 the situation significantly improved in the field of financial services related to lending, given that the process of statutory settlement had taken place at the service providers, together with the portfolio transfers related to non-performing loans. Original lenders assigned their claims against private individuals arising from credit, loan and lease contracts to debt management companies, consequently a significant proportion of such cases referred to the Board had been initiated against debt management company assignees. Primarily, petitioner demands containing equity petitions appeared against the debt management companies taking over the portfolios. The majority of them were understanding, cooperative and willing to compromise.

A minor decrease of only 0.9% could be seen in the proportion and number of legal disputes related to insurance as compared to the previous year. Similarly to earlier years, mainly disputes originating from compulsory motor third-party liability insurance and from property damage were taken to the Board. The number of disputes related to investment services and funds was not significant this year either, a minor increase could be observed in both as compared to the previous year.

Nearly 30 percent of all closed cases ended with a settlement agreement concluded in front of and approved by the Board, but several service providers had concluded an agreement with their customers already before the date fixed for the hearing, or they had fully satisfied the demand included in the petition, or they had concluded a settlement agreement instead of waiting for the end of the proceedings. The latter represented nearly 17 percent of the cases closed with termination. By the end of the year 99.4 percent of the settlement agreements had been fulfilled.

Four binding resolutions and one recommendation were issued. In fact, the Board had to make a judgement on the merits only in the five cases mentioned above. The service providers' attitude and willingness to conclude settlement agreements is commendable, showing improving results year after year. In the seventh year of the Board's existence, the proportion of binding resolutions and recommendations is less than 1 percent of all closed cases.

I hope that in 2019 we will be able to provide help for an increasing number of customers again in reaching settlement agreements with their service providers or in getting to know all the characteristics of their chosen services and being able to identify the individual risks and consider their choices more efficiently. This is even more important since the financial sector is progressing rapidly towards digitalisation, and average consumers, especially those belonging to older generations, are increasingly challenged by digital services. Our 3rd Alternative Dispute Settlement Conference organised

on 3–4 December also focused on this, but, as dr. László Windisch, deputy chairperson put it: - *"Those dealing with dispute settlement and mediation are well aware of that reconciliation between people cannot be digitalised, because: It is only with the heart that one can see rightly."*

I thank all financial service providers and petitioners who were partners in reaching a compromise and – as a result of our assistance and cooperation – managed to settle their disputes. I hope that with each settlement agreement we are able to contribute to the maintenance of a long-standing and mutually advantageous partnership between service providers and their customers, even in the digital world.

Dr. Erika Kovács
Chair of the
Financial Arbitration Board

1 Operation of the Board

The operation of the Board in 2018 was based on the rules laid down in Sections 96–130 of Act CXXXIX of 2013 on the Magyar Nemzeti Bank and in Sections 21–22 of Act XL of 2014.

Our operation was not affected by the legislative amendment prescribed in Act CCXXII of 2015 on the General Rules for Electronic Administration and Trust Services (Eüsztv.), or by the provisions relating to the general rules governing the electronic relationship between bodies ensuring electronic administration and customers, and to the cooperation between bodies ensuring electronic administration and other bodies in the field of information technology, or by the rules included in Government Decree 451/2016. (XII. 19.) containing the detailed rules of electronic administration. As regards the MNB, the said rules apply only in administrative procedures. Accordingly, the special provisions included in Section 58 of the MNB Act – which are different from the provisions of the Eüsztv. – also apply to the MNB's administrative procedures only, and they did not affect the procedures of the Board, as they are non-administrative in nature.

Communication between the Board and its customers took place as before, on paper or via the government customer portal.

1.1 LEGAL ENVIRONMENT

The provisions of the MNB Act relating to the Board were not amended last the year. Section 111 of Act CXXX of 2017 amending the wording of Section 122(5) – (7) of the MNB Act in 2017, entered into force on 1 January 2018. This provision amended and clarified the provisions that entered into force in 2017 to resolve the contradictions in challenging the Board's binding resolutions based on statutory submission, as set out below:

Section 122

(5) If the Financial Arbitration Board does not reject the statement of opposition, it shall forward the statement of opposition to the consumer within eight days and shall simultaneously call on the consumer to
a) file with the court specified in the call a document containing an application within the meaning of Section 257 of the Pp., which should contain the case number, as well as an indication of the procedural background of the case before the Financial Arbitration Board,
b) pay the duties charged for the litigation, and
c) append the call of the Financial Arbitration Board to the application within fifteen days of receipt of the call.

(6) In the call, the Financial Arbitration Board shall warn the consumer that
a) the court shall terminate the proceedings in the cases specified in Section 259 of the Pp., and
b) the consumer is required to proceed in accordance with the provisions of the Pp. on electronic communication, if the consumer is subject to mandatory electronic communication under the Pp. or chooses electronic communication under the Pp.

(7) If the consumer fails to comply with the instructions contained in the call, the court shall terminate the proceedings in the cases specified in Section 259 of the Pp.

During the year, the Operating Procedures were amended on one occasion, on 1 March 2018, and the amendment was published by the Chair of the Board on the website on 28 February. The amendment concerned equity cases. On the one part, the concept of equity cases was defined more accurately, and on the other part it was cleared that pending enforcement or court proceedings do not constitute a barrier to making a decision on the acceptance of equity cases, therefore such pending proceedings do not constitute procedural obstacles to equity cases taken to the Board. This clarification was important, because from the end of 2016 and mostly in 2017 major portfolio transfers took place in

the market of non-performing loans, when original lenders assigned their claims against private individuals arising from credit, loan and lease contracts to debt management companies. As a result of this, in 2018 there was an increase in the number of cases in which consumers had to apply for payment facility because of their family, personal, financial or social situation. Many people thought that this was hindered by pending proceedings.

By amending the Operating Procedures, the Board encouraged the financial consumers concerned to try and assert their claim in front of the Board too, if the financial service provider fails to reply to their equity petition within 30 days, or if their petition is rejected. However, they should only do so, if it is really justified by their family, personal, financial or social situation. The number of equity cases increased significantly.

The Board currently performs and in 2018 also performed the tasks allocated to it by the rules stipulated in the MNB Act and in accordance with the operating principles complying with **Commission Recommendation 98/257/EC**. The principles laid down in the Commission Recommendation were made obligatory by **Directive 2013/11/EU of the European Parliament and of the Council** (Directive on consumer ADR). In its Preamble (37) it is worded as follows: *The applicability of certain quality principles to ADR procedures strengthens both consumers' and traders' confidence in such procedures. ...By making some of the principles established in those Commission Recommendations binding, this Directive establishes a set of quality requirements which apply to all ADR procedures carried out by an ADR entity which has been notified to the Commission*.

1. Independence

The Board is an independent organisation, which cannot be instructed, and operates within the organisational framework of the Magyar Nemzeti Bank. Such independence applies not only to the Board, but also to its chair and members. The Chair of the Board is appointed for 6 years, and the Chair's mandate may only be terminated in the cases stipulated in the MNB Act. Section 96(2), Section 97(2), Section 100(1), (2), (4) and Section 101(4) of the MNB Act

2. Transparency

Upon request and even without request, the Board provides information on its activity and the rules applicable to its operation on its website (www.mnb.hu/bekeltetes), on a continuous basis and in its annual reports. Section 99 and Section 115 and Sections 129–130 of the MNB Act

3. Adversary procedure

In the proceedings, parties are provided with the opportunity to appear at the hearings in person and present their views both orally and in writing, while financial service providers affected by petitions are obliged to cooperate. Section 108 of the MNB Act

4. Efficiency

The procedure is fast; the date of the hearing is set within 75 days following the receipt of the complete petition, and the procedure is concluded within 90 days. This deadline may be prolonged by the Chair on one occasion per case by a maximum of 30 days. The procedure is free of charge both for the petitioner and the financial service provider, but the incurred costs (related to travel, mailing, etc.) are borne by the parties. – Sections 106(3) and 112(5) of the MNB Act

5. Legality

All members of the Board are experienced employees of the Magyar Nemzeti Bank, they hold a degree in law and passed the bar exam and/or hold a degree in economics and gained experience in one of the fields of the financial sector and/or in court. All employees perform their work in a professional manner, in knowledge of and relying on the applicable laws. The members are independent and unbiased in respect of the cases managed by them. – Sections 97(1), (3) and 98(4) – (7) of the MNB Act

6. Liberty

The decisions passed do not prejudice the right of the consumers to go to court, as the law provides for seeking remedy at the court against the recommendations and binding resolutions of the Board. – Sections 116–117 of the MNB Act

7. Possibility of representation

Petitioners can participate in the proceedings of the Board in person without a proxy, or by proxy. The proxy may be any natural or legal person. Petitioners may participate in the procedure at the hearings in person even if they are represented by a proxy. Financial service providers are represented by their authorised representatives, who may be employees of the organisation or lawyers with permanent or ad hoc power of attorney. Section 110 of the MNB Act

1.2 ORGANISATION AND GOVERNANCE

On 1 January 2018 the Board's total headcount was 32 (Chair, head of office, 18 members and 12 office workers). The fixed-term employment contract of one of the Board members expired on 20 January 2018, so the Board's headcount was reduced to 31. At the end of January, the employment relationship of two Board members was terminated, and one staff member employed as an assistant was transferred to a new position within the MNB, which resulted in a reduction in the headcount by 3 persons. One Board member returned to active employment in February, while the employment relationship of another member of the Board was terminated – at the member's own request – as of 31 December. As a result of the above, as of 1 January 2019 the total headcount of the Board was 28: 17 members and 11 persons working for the office in administrative positions, not including the head of the office.

The governance and organisational structure developed as a result of reorganisation that took place in 2014-2015 did not change. The Board established by the autumn of 2017 had four divisions, but by the end of January 2018 the number of divisions was reduced to two. Both departments were dealing with conciliation cases, but only one of the departments was dealing with settlement cases, the administration of which was only allowed within the framework of a council under the law. The average length of procedure was 59 days.

The Board – complying with its obligation set forth in the MNB Act – continuously improved its website and informed consumers and financial service providers on current news. The system registered 87,000 page downloads at annual level.

As last year, the Board performed its activity in the Capital Square Office Building located in the 13th district of Budapest at Váci út 76, which was and is the venue for hearings. Documents concerning cases taken to the Board can be submitted in person at the headquarters located in the 1st district of Budapest at Krisztina krt. 39, where the front office service was and is currently operating.

1.3 DOMESTIC AND INTERNATIONAL RELATIONS

1.3.1 Domestic relations

The Board is still not present outside of Budapest and holds hearings only in Budapest. Accordingly, its domestic relations, which on the one hand help inform consumers and on the other hand facilitate that as many petitioners as possible receive assistance in how to turn to the Board and in matters of general consumer protection if needed, remain important.

BUREAUS OF CIVIL AFFAIRS

The bureaus of civil affairs operating in the country were identified in Annex 3 to Government Decree 515/2013. (XII. 30.), and among documents submitted for forwarding, between 2015–2017 they also handled petitions for Board proceedings on a legal basis. However, due to an unfortunate but unintended legislative amendment, by the beginning of 2018 this legal basis was temporarily terminated. The result of this – which, unfortunately, was experienced at several locations – was that on the grounds of lack of statutory provisions, certain bureaus of civil affairs did not provide support in filling in petition forms, and they did not even accept petitions from consumers for forwarding to the Board. This situation

was rectified by Government Decree 155/2018. (IX. 3.) on the amendment of certain government decrees related to the operation of Budapest-Capital and county bureaus of civil affairs, which contained the desired legislative amendment, which amended Government Decree 515/2013. (XII. 30.) on bureaus of civil affairs with effect from 4 September 2018, reinstating the earlier provision in its Annex 5 as below:

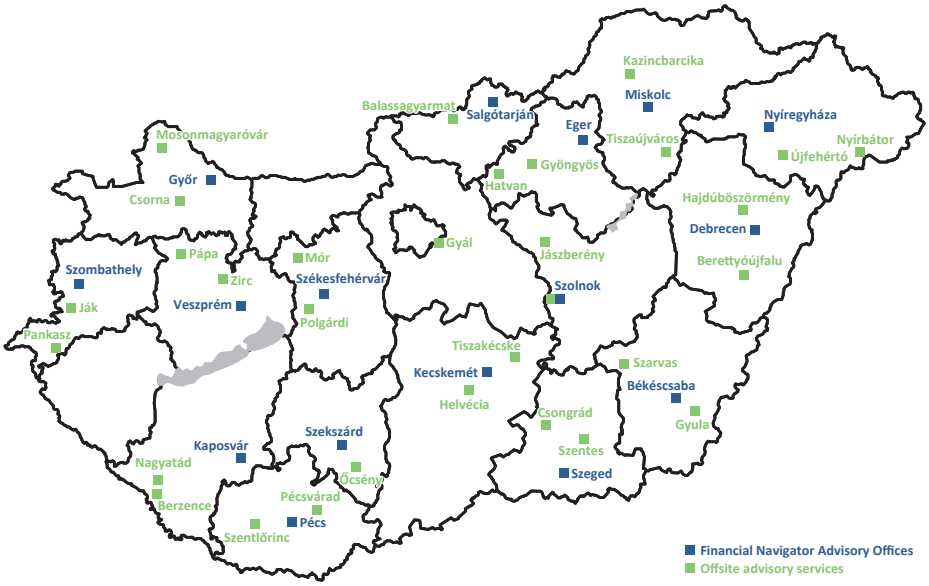
Annex 5, Section 17: "Supplementary services provided by bureaus of civil affairs: (…)

17. Forwarding financial consumer protection complaints, submissions of general interest, petitions for proceedings by the Financial Arbitration Board not constituting administrative proceedings"

As a result of this, by the autumn of 2018 financial consumers were able to submit petition forms again directly and free of charge, in all offices – on a legal basis – to initiate proceedings in front of the Board. The Board's experience is that by now petitioners are well aware of this service rendered by the bureaus of civil affairs and use it more and more frequently, as in 2018, 232 petitions were received through this channel. Consumers can access the contact details of the bureaus of civil affairs on the website https://kormanyablak.hu/hu/kormanyablakok.

ADVISORY OFFICES AND OFFSITE ADVISORY SERVICES

The **Network of Financial Navigator Advisory Offices** operated by the Magyar Nemzeti Bank, together with the so-called offsite advisory services provided by these offices, play an important role in informing consumers. In 2018 the number of offices and offsite advisory service locations where financial consumers can rely on independent, free and competent advisory services increased from 13 to 16. The Magyar Nemzeti Bank has already been in contractual relations with six organisations – more than previously – and has been continuously increasing the number of these offices, which regularly appear at other locations too, at the so-called offsite advisory services, in order to provide assistance. For the contact details of the **Network of Financial Navigator Advisory Offices** go to: https://www.mnb.hu/fogyasztovedelem/tanacsado-irodak



The majority of the Network of Financial Navigator Advisory Offices is operated by the ***Hungarian Association of Consumer Protection Organisations (FOME)***. The Network of Offices provides support to its bank, insurance, capital market or fund customers by providing information necessary for financial decisions, making them familiar with the risks and the management of consumer complaints. Besides advisory services, the experts working here also help consumers fill in petitions initiating the procedure of the Board and compile submissions. A new service has been introduced, in the framework of which they contact all persons over the phone requesting information or in need, who indicate such request on their website. They do so to save the cost of phone calls for those who would face difficulties in paying it. For details about their services go to: http://penzugyifogyaszto.hu

Another important partner is the ***Charity Service of the Order of Malta with its HITEL-S Program***. They operate two offices within the Network of Financial Navigator Advisory Offices. In February 2009, the Hungarian Charity Service of the Order of Malta launched the Hitel-S Program to help people adversely affected by the credit crunch that erupted in October 2008. The HITEL-S Program provides families in a deteriorated life situation or in a debt trap because of the credit crunch with a nationwide intermediary service and assistance in debt management. The target group of the program includes socially disadvantaged families and persons whose life situation has deteriorated and whose subsistence and housing has been jeopardised because of the financial crisis. They assist families and affected persons to find their way among the rules and information relevant for them and identify institutional and other support that may resolve their difficult situation. With a view to achieving or restoring the economic and financial balance of family households, they look for solutions jointly with the distressed, they survey the situation, perform debt management and deliver help while they also perform intermediary service towards financial institutions and public utility service companies. The Board supports family care services in this work, delivering financial skills to them. With the participation of the staff of the **Network of Financial Advisory Offices** it is also made possible for them to learn about the special features of the procedure and contact the Board on behalf of their customers so that with the assistance of the Board they can make an attempt to reach the most favourable agreement with the respective financial service providers. For more details about them go to: http://hitels.maltai.hu/

1.3.2 International relations

In 2018 – similarly to previous years – the Board placed great emphasis on fostering international relations and participating in extended international cooperation. These efforts were demonstrated, in addition to the already existing memberships in international organisations, by joining and using the Online Dispute Resolution Platform introduced in February 2016. The experience obtained in recent years clearly signals that international cooperation can significantly increase the efficiency of financial conciliation, and it definitely improves the quality of conciliation mechanisms and procedures. The relations with **FIN-NET** and the **INFO Network**, as well as separately established relations with individual organisations that are members of such networks, continue to play an outstanding role in the Board's international activities.

FIN-NET

The FIN-NET network is a European system operating within the European Economic Area (EU Member States, Iceland, Lichtenstein and Norway), an organisation established for the alternative resolution of cross-border financial consumer disputes between consumers and financial service providers. Its name comes from the abbreviation of its English name, i.e. "Financial Dispute Resolution Network".

The FIN-NET network was established in 2001 based on the decision of the European Commission, and now it includes over 60 organisations that deal with some form of alternative dispute resolution, such as conciliation, arbitration or mediation in any of the Member States. FIN-NET helps consumers resolve their disputes with financial service providers – banks, insurance undertakings, investment firms, etc. – operating in other Member States, relying on the alternative dispute resolution forum of the given country. In respect of cross-border disputes, all members, including the Hungarian Financial Arbitration Board, must provide, promptly upon request, information in written or in other suitable form on the operation of FIN-NET, on the alternative dispute resolution forum participating in FIN-NET and residing in another EEA Member State, having the power and competence over cross-border consumer disputes related to the provision of financial services, as well as on the proceedings of such forum. All members perform continuous statistical data reporting to the European Union on procedures related to cross-border cases initiated at them, and they are entitled to use the intranet database facilitating communication between members of the network.

For more information on the organisation and operation of FIN-NET, visit www.ec.europa.eu.

FIN-NET

financial dispute resolution network

In 2018, FIN-NET held its semi-annual general meetings with the participation of its members on two occasions, in the spring and in the autumn. Both plenary meetings took place in Brussels. The main topics of the first meeting included the presentation and discussion of experience and challenges related to the ODR Platform, and the FIN-NET communication campaign launched at the end of 2016. In the framework of this, discussions were held on the current status and the future of the organisation, as well as on the Member States' related tasks and ideas. Several new EU legislations also affecting FIN-NET members, their entry into force and potential effects on the work of alternative dispute resolution forums were presented. Including, in particular, the amended payment services directive (Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC (commonly known as PSD2)). New Commission proposals also affecting FIN-NET members were presented, among others, the package entitled "New Deal for Consumers", which was elaborated to ensure that all European consumers can fully exercise their rights granted to them under EU law. As a part of this, the introduction of the European form of "representative actions" was also included in the proposal: according to the New Deal for Consumers, on behalf of a group of consumers harmed by illegal commercial practices, authorised organisations – such as consumer organisations – can seek redress, for example by claiming damages, replacement or restoration.

In certain Member States consumers already have the possibility to bring a collective action in court, which will be possible in the entire European Union in the future. The sustainable financial investment action plan was introduced, as well as the possibility to regulate crowdfunding, the review of the Motor Liability Insurance Directive, and the issue of the secondary market for non-performing loans. The exchange of experience facilitates the Board's work and suggests the direction of gradual digitalisation in the financial sector, which requires continuous adaptation, and a part of which is formed by the dispute resolution proceedings taking place on the ODR Platform. The nomination process of the new members of the Governing Council of FIN-NET was also launched at the plenary meeting.

FIN-NET also places great emphasis on communication among members on technical matters, the purpose of which is to ensure that members are familiar with each other's functioning as much as possible and master best practices, thereby making their own operation as well as the cooperation with other members more efficient. Within the framework of this, in 2017–2018, with the support and under the auspices of FIN-NET, the alternative dispute resolution forum attached to Banca d'Italia distributed a detailed questionnaire among members, the objective of which was to obtain information on the individual boards' operation, activity and the legislative environment regulating them. The Board was also among those FIN-NET members who, taking the questionnaire seriously, presented the legislative environment regulating their activity in detail and described the practical details of their functioning. The other important part of the plenary meeting was the presentation of the results of and the lessons learnt from this questionnaire.

The ADR Assembly, a large gathering of European alternative dispute resolution forums, was organised in June 2018 for the first time, in Brussels. European dispute resolution forums are organisations that comply with Directive 2013/11/EU of the European Parliament and of the Council of 21 May 2013 on alternative dispute resolution for consumer disputes and amending Regulation (EC) No 2006/2004 and Directive 2009/22/EC (hereinafter: Directive on consumer ADR).

The aim of the two-day event was to provide an opportunity for the members of different alternative dispute resolution forums to get to know each other, examine different dispute resolution solutions, exchange experience and think together about how they could make their activity even more efficient and more professional in this fast-moving world. In addition to presenting different alternative dispute resolution methods, they discussed the diversity and country-specific characteristics thereof, and in the framework of brainstorming workshops they tried to find answers together to future challenges, including, in particular, the new technologies gaining ground, which – based on the unanimous opinion of the participants – cannot be avoided any more by any organisation at all. The assembly was the first one of its kind, and with regard to its great success, the organisers intend to organise further similar events in the future for European Alternative dispute resolution forums and other stakeholders in the field. The main conclusion drawn from the two-day event was that the technological achievements of the 21st century cannot be disregarded when ensuring the efficiency of alternative dispute resolution. Communication with parties takes place via e-mail, on the telephone, during conference calls (via telephone, skype and other audio-visual means), in a fast and cost-efficient manner to ensure efficiency. Most participating organisations settle their disputes online, without the parties having to travel anywhere, obviously besides

using traditional means of communication too. However, it is necessary to set up appropriate infrastructure for this, for example to be able to submit petitions in a simple way, online, and to enable both parties to monitor the entire procedure.

The second FIN-NET plenary meeting was held in November 2018 in Brussels. A new member joined the FIN-NET network: the representative of the "Slovak Insurance Association" attended the plenary meeting for the first time. The new FIN-NET Governing Council now has 12 members instead of 11, and the members introduced themselves at the meeting. The topics discussed included the entry into force of new EU legislations (PSD2, MiFID, etc.) and their potential effects on alternative dispute resolution forums that are members of FIN-NET. But the most important topic of the meeting was the effects of increasing internet fraud also faced by the members, and how it affects consumers. The most serious problem in this field is represented by APP (Authorised Push Payments), when victims are persuaded to transfer money voluntarily onto the fraudster's bank account. During intense discussions, FIN-NET members were trying to propose solutions which would enable them to take joint action against this problem. Regarding the package entitled "New Deal for Consumers", the representative of the Commission informed the members that the co-legislative body – the European Parliament – was dealing with the proposal. In the following, the forum discussed problems represented by payday loans putting the population in debt. At the end of the event the Commission's representatives discussed the current status of two areas that had not been previously regulated, as well as their risks and effects on consumers: the issue of crypto-assets and ICO (initial coin offering), and crowdfunding.

INFO NETWORK

Since 1 January 2012 the Board has also been a full member of INFO Network, incorporating the world's financial ombudsmen, at present having over 50 member organisations from five continents. It regularly publishes information on its website on all of its members, including the Hungarian Financial Arbitration Board (www.networkfso.org). The organisation was established on 26 September 2007 in London, with the participation of the USA, Great Britain, New Zealand, Ireland, Canada and Australia. It was set up with the objective of coordinating alternative dispute resolution mechanisms operating mainly in the financial sector and developing an overall system. The members of the organisation constitute four regions: Eurasia, Africa, America, and Australia. The organisation operates in accordance with six key principles approved by members: independence, impartiality, efficiency, equity, transparency and accountability.

The purpose of cooperation within the organisation is to develop alternative, i.e. out-of-court dispute resolution models, elaborate codes of conduct, enhance the use of information technology, handle certain recurring issues and problems at systemic level, resolve cross-border complaints in a uniform and smooth manner and share in-service training opportunities and directions as well. The organisation focuses on the enforcement of consumer protection principles developed on the basis of international standards, which is guaranteed by the independent and unbiased alternative dispute resolution forums. In respect of Central and Eastern Europe the organisation pays special attention to the exchange of information and consultation among the countries of the region.

In the autumn of 2018 INFO Network held its annual conference in Dublin where members could meet each other.

As a member of INFO Network, the Board regularly contributed in 2018 as well to the monthly newsletters prepared by the Secretariat of INFO Network, reporting on novelties, changes and events related to members. It also responded to individual enquiries and cooperated in answering a detailed questionnaire on members' activity, sent by the Secretariat in August 2018.

1.4 THE THIRD ALTERNATIVE DISPUTE RESOLUTION CONFERENCE

After the successful conferences in 2016 and 2017, the Board organised another conference dealing with the issue of alternative dispute resolution. On 3–4 December 2018 the Third Alternative Dispute Resolution Conference was organised at the seat of the Hungarian Academy of Sciences with the participation of Hungarian and foreign contributors.

The event, which was organised jointly by the Magyar Nemzeti Bank, the National Office for the Judiciary and the Financial Arbitration Board with the support of Wolters Kluwer Hungary Kft., dealt with the issue of rapidly developing digital solutions and was entitled *"Alternative dispute resolution at the gateway of digital challenges"*.

The opening address was delivered by **dr. Erika Kovács**, Chair of the Financial Arbitration Board, followed by the welcome of the participants by Dr. Tünde Handó, President of the National Office for the Judiciary and Dr. László Windisch, Deputy Governor of the Magyar Nemzeti Bank.

In her welcome speech, **Dr. Tünde Handó**, President of the National Office for the Judiciary recalled the rapid change brought about in the past 10 years. She emphasised that digital development should be driven rather than contained. She also pointed out that the digital world was changing progressively in an increasingly wider area, and digital development had also reached the judicial organisation. Hungary was the first country in the EU to introduce online court proceedings. The digital change affects human nature, which is also changing. Lawyers graduating today, who are members of generation "Z" want to become successful quickly, they demand changes, insist on their freedom and have expectations; they should also be made partakers of the judicial organisation while retaining judicial authority, – she said

In his welcome speech **Dr. László Windisch** emphasised that the subject of the conference – alternative dispute resolution at the gateway of digital challenges – was highly topical given the major changes ahead of us. He presented how digitalisation had changed people's everyday life, and that it constituted a huge opportunity in all fields of life. It is obvious that there is no other choice, digitalisation cannot be avoided.

Now is the time for regulating this field, but legislators and lawyers need to be extremely careful when laying down ethical and moral foundations. If a dispute is decided quickly, it does not necessarily mean that it has been settled. For this reason, it will be crucial to have a steady hand when choosing between the different options and directions and making the right decision on the basis of the data gathered. Various legal issues can be digitalised, robo-advisers can be produced, but equity and justice cannot be achieved via artificial intelligence. Those dealing with dispute settlement and mediation are well aware of that reconciliation between people cannot be digitalised, because: "It is only with the heart that one can see rightly" (Antoine de Saint-Exupéry), he said at the end of his speech.

"All Hungarian citizens, all local Hungarian communities and all Hungarian enterprises should benefit from digitalisation." **Dr. Károly Balázs Solymár**, Deputy State Secretary for Infocommunication, said in the introductory part of his speech that at the beginning of his career he was dealing with online trade, and his long-term goal was the large-scale rollout of online trade. Since then time has proved that online trade and digitalisation has gone through significant development. It is an indisputable fact that by now digitalisation has become a phenomenon fundamental to everyday life. The Government of Hungary has recognised the importance of digital transformation, so the Government's aim is to make all Hungarian citizens, all Hungarian local communities and all Hungarian enterprises benefit from digitalisation. In the following, he presented the Government's actions taken up to that point, as well as the Government's plans yet to be implemented in practice to ensure safe digitalisation.

Péter Virányi, sociologist, university professor, Candidate of Social Sciences – who also has in-depth knowledge of special fields such as sociology of education, pedagogy, communication sciences and psychology – gave the opening lecture of the conference, which was entitled *"Consumer behaviour of the digital generation".* "How has the members of generation Z become superconsumers?"- was the question he raised and then answered in his lecture. Generation Z – i.e. those born in the period between 1995–2009 – is the first global generation for whom the use of digital tools is totally self-evident; the members of this generation navigate within two worlds: the real and the virtual world. They are often identified as the Net Generation, because smart phones and computers form integral parts of their everyday life, they get along fine on the internet, they are permanently available on different communication channels (Facebook, Twitter, etc.), while at the same time they often feel embarrassed in the real world, where they get into conflicts and realise that the rules of virtual life do not apply there. They spend a third of their life in possession of electronic devices, and they have no memories of the world without the internet. They spend an average of 3–4 hours online every day, 81 percent of them make and share video recordings or photographs on a weekly basis, they rarely read books, and 67 percent of them learn about what is going on in the world from the television, while 13 percent of them are not at all interested in what is happening in the world. 95 percent of young Hungarians below the age of 25 have smart phones, and 75 percent of them use a search engine on their phones, while 76 percent keep informed about products online.

The demographic gaps are widening to a significant degree in the countries of the EU; while in 2010 the number of 60–64 year-olds and 15–19 year-olds was approximately equivalent (nearly 30 million persons), after 2050 – unless the trends change – the number of 60–64 year-olds is expected to exceed the number of young people by 20 million. What will the future generation be like? What sort of employees will the members of generation Z become? 'Who are the "seemingly invisible" leaders shaping this generation?' were the questions raised by the lecturer.

This generation is fundamentally characterised by the fact that they have been socialised in consumer culture, they demand interactivity and experiences, they assess the value of things by determining how entertaining they are, they are impatient when their needs have to be satisfied, and their further characteristics include practical thinking, need for comfort, divided attention, and difficulty in maintaining focus. Hierarchy and authority do not mean much for them, they enter the labour market with unrealistic expectations, being independent is important or even the most important for them. Generation Z is the generation with the greatest purchasing power ever, they also have a significant influence on their parents' purchasing behaviour, so it is quite understandable that marketing people want to take advantage of the characteristics of this generation. Generation Z is the largest media consumer, its members are not afraid of changes, and even younger age groups become the targets of advertising. This generation is the target of totally incorporative marketing. The culture of "buy it, take it, use it" is the fundamental principle, everything must be immediately accessible and perfect; it is not simply about encouraging consumption, but about bringing up consumers and selling happiness. Generation Z consumes more than any other generation before, which may have serious consequences. This generation is threatened by addictions, obesity, diabetes and depression. Apart from marketing people, their parents' generation is also responsible for this. Health-conscious generations may be followed by a generation, the average life expectancy of which will be lower than that of their parents, – warned the lecturer in the end.

Six young Hungarian people – Gergely Bihary, Péter Lakatos and Márton Elődi, computer engineering students, Bálint Danóczy, economics student, Dániel Bihary, law student, and Kristóf Nagy, designer student forming the **Revealu Team**, i.e. the representatives of a Hungarian start-up – won the Global Legal Hackathon competition organised in New York on 20–22 April 2018. **Gergely Bihary, Dániel Bihary, Bálint Danóczy**, members of the winning team and **Belián Baticz** were given the opportunity to introduce themselves at the conference. During the panel discussion moderated by **Gábor Tóth** (Global Innovation Director, Wolters Kluwer Legal & Regulatory), they explained that the best 14 projects of more than 300 teams participating in the global competition were weighted against each other in the final round. Among the European teams only a German team was able to reach the finals apart from the Revealu Team. At the creative global competition for programmers they had to present digital innovations that have the potential to revolutionise the legal sector.

The Hungarian team chose the topic of the GDPR, because the results of their preliminary marketing research showed that the majority of companies did not have solutions for the handling, administration and fulfilment of data requests. REVELAU BUSINESS Service, the winners' design theme can now provide a solution for this. The Hungarian team created a programme, with which it can be checked with just one click what type of data large tech companies such as Google or Facebook store. By presenting charts and reports, the application makes it easy to interpret "big data" retrieved in this way, and after the analysis has been made, it can be deleted with one click of a button. At the competition two winners were announced in two categories each, Revelau was one of the winners in the Private Sector category. The event was looked upon with great interest all over the world, and it was supported by large international companies such as IBM, Microsoft, American Express or Reuters.

Following their victory in New York, the team also entered a start-up competition in Budapest, in which they won again. This was the point where they became sure that their idea was not simply interesting and valuable for lawyers, but it was also appreciated by others. They also decided to launch the service developed by them, as it would be excellent for all companies that had already spent millions on compliance with the GDPR and wanted to ensure transparency for their clients while reducing the time needed for satisfying data requests from 30 days to only a few seconds.

The Revelau Business Service has three versions: the first one reduces the administrative burden by setting up an automated portal for submitting data requests, where all requests can be handled on the same interface, and it also ensures workflow management within the company, as well as appropriate exporting for authorities. The second version enables the exchange of messages within the application, while with the help of the third version the fulfilment of requests can be fully automated, and the service time can be reduced to a few seconds.

When asked about their future plans and goals, they said that since October they had been working within K&H Bank's incubator programme, and they had been provided with an office and financial support for a whole year ahead, and they also had large company mentors. They are planning to launch the first version of Business Service in January 2019, but applicants for testing can contact them even now. At the beginning of next year, they will start preparing an investment plan to answer the question on how they will be able to grow and make developments. They want to become market leaders, and as they themselves put it: "If you want privacy, choose Revealu!"

The first foreign lecturer at the conference was **James Walker**, founder, CEO and driving force of Resolver. He set up his company in 2013. Resolver is a leading and independent service for supporting consumers, which provided help for consumers and ensured a better outcome for everyone in over 3.2 million cases by the end of 2018. In the first year of the company's existence James was the only employee in Resolver's team. Since then James has been considered as a recognised expert in consumer rights. He built up Resolver from a company, which initially hoped for 30 cases per day, into a company handling twice as many cases already before 1 a.m. every day. Besides running the company, James writes articles on a weekly basis for local and international journals, and he is often contacted for guidance and explanation on consumer cases even by legislators and by the government.

In his lecture given at the conference and entitled *"The role of FINTECH and modern technology in dispute resolution"*, he revealed that one of his own experiences represented the starting point for his company. He personally experienced the difficulties of handling complaints and disputes arising between consumers and businesses they come into contact with. It was after this that he started to set up an online complaint-handling platform, where they were able to provide efficient help for consumers in resolving their complaints. The aim was to set up a well-functioning system, which is plain, easy to handle and provides a solution free of charge for any consumer, both in respect of simple cases and more serious cases involving larger amounts. The primary task of Resolver is to reach out to consumers and inform them about their rights, obtain information relating to the given complaint and select key information. In the following they take a position as to whether it is necessary to submit a complaint against the company in question, or whether it is worth doing so. The process of submitting complaints, as well as the handling and forwarding of complaints is supported by the use of forms, which simplify and also accelerate administration and problem-solving. At the same time, Resolver does not simply support consumers, but it also makes it easier for companies to resolve complaints, by arranging and selecting information relating to the complaints. Its primary objective is to provide independent help for both parties.

General experience shows that the smaller the gap is between the two parties and the lower the amount at issue is, the more ready the company is to reach a compromise and the easier it is to find a solution to the dispute. The more easily accessible a company makes complaints procedures for its customers, the higher proportion of consumers will make a complaint in the case of harm suffered by them, and the higher the proportion of complaints will be in which a solution is reached between the parties. And vice versa: where a company makes it difficult to lodge complaints, the number of complaints submitted is much lower, and the proportion of dissatisfied customers is much higher. If a lodged complaint is not suitable for being forwarded to the company as a complaint, then the consumer's report is sent to the competent ombudsman. Resolver primarily consults its customers via Chatbot, which was initially launched on Facebook, but communication channels are continuously extended, and today, consumers can be contacted via Telegram and WhatsApp, and also in text messages. In several countries, complaints can also be submitted now via customer portals. In the interest of providing help quickly and efficiently, when consulting customers, Resolver devotes special attention to judging the seriousness of the case (e.g. if the complaint is reported on the phone, then it is probably less serious than a complaint reported from a laptop), to the issue of vulnerability (e.g. dependency is linked to financial vulnerability), to filtering out the probability of escalation, and to determining how the case would proceed (e.g. whether it would be

taken to the conciliation panel or to the ombudsman). During the development of Resolver, feedback from customers is also an important milestone.

Resolver is a technology company, so it does not undertake conciliation, it does not have the powers of an ombudsman, but it acts as a facilitator in disputes and it provides customers with all possible information for lodging complaints, as well as the necessary forms, and it provides feedback for customers on whether their complaints are justified. In the near future Resolver is planning to provide efficient help in 4–5 million consumer cases in any segment of the market (judicial, parking, energy, telecommunication, railway company or financial legal disputes). In short, as the lecturer put it: Resolver's aim is to make consumers happy.

James Walker's lecture was followed by a presentation on the process and the results of digitalisation that has taken place, is currently going on and continuing in the future in the Hungarian justice system. This topic was presented by **Katalin dr. Turcsánné dr. Molnár**, Chair of the Székesfehérvár Tribunal, and **dr. Szabolcs Kékedi**, Head of the Department of Electronic Procedures, at the National Office for the Judiciary, during a panel discussion entitled *Digital court – "All will be yours in the crystal ball". "Digital constellation"* – in their lecture they discussed issues such as e-lawsuits, the collection of anonymised decisions, the videoconferencing system, electronic communication in respect of court cases, and the so-called "convenience services" such as the lawsuit duration calculator or notifications sent via text messages or e-mail.

This is one of the development paths involving the editing and standardisation of court decisions, the electronic development of the publication and anonymisation of court decisions, the complete computerisation of the documents created during the procedures, and providing access to files via electronic means, and it also involves creating an online link between public registers and specialised justice systems; this is called the e-file. All the above makes the work performed at courts easier and simpler. The other major development path is constituted by the project aimed at the realisation of remote hearings and courtroom video and audio recording. Remote hearing means that the hearing of the parties to the dispute staying at different geographical locations takes place via computer, while paper-based records are drawn up at the same time. It means that the individual parties do not need to be physically present at the same place to be able to hear them in the framework of a court hearing. With the help of courtroom video and audio recordings the hearing of the parties to the dispute is recorded by computer, completely independently of any location, and the recording itself serves as the official records for the court. In order to use these technological innovations, the courts used a closed-purpose communication network until 31 December 2017, and since 1 January 2018 they have been using an electronic communication network.

The legal framework for all this is provided by Council Recommendation 'Promoting the use of and sharing of best practices on cross-border videoconferencing in the area of justice in the Member States and at EU level' (2015/C 250/01). Based on these recommendations, the rules of remote hearing were included in Chapter XLVII of the new Civil Procedure Code. As regards the aims, the lecturer presented that the National Office for the Judiciary had a threefold objective when introducing the use of these modern tools. One of these was to set up a modern and cost-efficient remote communication

justice system suiting 21st century demands and expectations, which is interoperable with other systems. The other aim was to make the recording of procedural acts and reporting faster and more transparent. And the third aim was to reduce the administrative and other burdens borne by court staff. The tools mentioned above are used both in civilistics and in criminal cases, and even in the field of mediation within courts. So far 72 terminal points for remote hearing have been established, of which 30 terminal points support criminal judicial duties – with one terminal per regional court –, while 42 terminal points support judicial tasks in the field of civilistics – with two terminal points per regional court.

Although the Hungarian justice system is advanced in digitalisation, there is still work to be done. According to the plans, 112 further terminal points will be set up in small and medium-sized courtrooms at regional courts and at seats of district courts. Last but not least, they intend to devote special attention to education tasks too, as all court staff members need to learn the use of the new tools and systems, for which mutually supportive and loyal cooperation between lawyers and IT experts is required at national and local levels, they added and concluded their lecture.

Dr. Orsolya Görgényi (Szecskay Attorneys at Law) and Dr. Miklós Klenanc (Réti, Várszegi & Partners Law Firm PwCLegal), lawyers, gave a lecture entitled *'Digitalisation of the legal paractice'*. They pointed out that lawyers were also facing the challenges associated with digitalisation. They explained that a new lawyer model was emerging, and it became obvious that it was only possible to carry on competing on the market, if – similarly to other industries – lawyers also learnt to look at their own activity from a business point of view, and changed their patterns established earlier by learning from their clients' needs. According to a survey, 60 percent of young lawyers find that lawyers themselves constitute the greatest threat to the legal profession, i.e. they are the ones who stand in the way changes. Ultimately, lawyers' activity is also a type of "business" – only their ethical and professional rules distinguish them from other market participants –, so lawyers also need to give some thought to what exactly they are "selling on the market" to customers.

According to a French study, 90 percent of people do not realise it when they have a problem of legal nature, and only a fraction of those who actually come to realise it turn to a legal expert. They primarily find out information from the internet or online platforms, and they contact a lawyer only as a last resort. When choosing an expert or lawyer, trust is a fundamental issue for them. According to available data, 75 percent of them find convenience and easy access important, and they consider the price of the service only after these issues. It can be stated that digital channels are equally suitable for attracting new customers and for more efficiently serving already existing customers. Lawyers were affected by technological development in four waves. First, programmes supporting administration and increasing efficiency appeared (e.g. invoicing programmes), but according to a US survey, these programmes are not used by many lawyers, although they spend a significant part of their working time doing administration and obtaining new clients. This was followed by the automation of documents, and then by using the potential of large amounts of data. And finally, the use of artificial intelligence appeared. As for the latter, in an experiment it took 26 minutes for a legal software to analyse 5 confidentiality agreements with a precision of 94 percent, which took an average of 92 minutes for lawyers, only reaching a precision of 85 percent.

Time will come in alternative dispute resolution too, when disputes will be resolved by artificial intelligence, but it obviously needs to be regulated. Legal regulations should be ensured that satisfy the demands of clients seeking justice and truth, and provide a competent and unbiased service, which is swift and available to anyone. But humans are creatures of instinct, driven by their emotions. How safe will they feel, if their disputes are settled by some software? This is a great opportunity for lawyers! Let us hope that humans can still be better than a programme, because as opposed to machines they are capable of empathy and creative solutions. Consequently, digitalisation represents a great challenge for lawyers too. We are facing or already are right in the middle of a radically new world. It is the lawyers' opportunity and also responsibility to make sure that "law remains the art of good and fair", – they ended their lecture.

Dr. Zsolt Hajnal, Chair of the Arbitration Board of Hajdú-Bihar County, held a lecture entitled "Dispute resolution solutions of online marketplaces", in which he presented the characteristics of the operation and the development of online marketplaces. Among the advantages offered by online marketplaces, he emphasised that it had enabled the emergence of a worldwide market. The appearance of online marketplaces promoted competition between traders, both in respect of the quality and the price of products. Traders and service providers equally benefit from online marketplaces, which can be operated anywhere in the world. He emphasised that consumer trust was the key driver of online marketplaces. Consumer trust can be ensured and strengthened through legislation, the application of law, and also through voluntary commitments made by operators, and consumer-friendly systems. He also presented the results of legislation achieved so far. In this context he pointed out that laws had been made in the knowledge of arising problems, through follow-up. First, rules relating to e-commerce were laid down, and they were followed by the directive on consumer rights and the rules of alternative dispute resolution and online dispute resolution. Among the results of the application of law, he presented several cases, such as the case of eBay in the field of online auctions versus e-commerce services.

Through national and foreign examples he presented the efficient tools used by online marketplace operators to win and strengthen the trust of customers in order to encourage purchases of this type. Consumers' worst fear in online purchasing is whether they would receive the ordered product in time, or whether they would receive a product with the parameters chosen on the basis of the advertisement. In the case of this type of purchasing too, it is essential to guarantee that purchasers are able to assert their consumer rights efficiently, just as if they had purchased the product in the traditional way. The examples presented clearly demonstrated that both domestic and foreign service providers operating online marketplaces were introducing an increasingly wide range of consumer-friendly measures to win and ensure consumer confidence. It can be mentioned as a positive result that even without legal prescriptions there are examples of both domestic and foreign operators guaranteeing the resolution of potentially arising legal disputes for consumers making purchases on the marketplace below a certain value limit. Enterprises operating online marketplaces continuously offer new solutions to encourage both sellers and consumers to use the marketplace. They place especially great emphasis on positive customer feedback, on the basis of which they set up a ranking list of sellers, and those at the top of the list are granted extra advertising options or reductions from the commission to be paid. The lecturer mentioned the issue concerning the classification of sellers as the sore point of online marketplaces, i.e. when a seller should be regarded as an enterprise. He presented examples to draw attention to the new forms of scam emerging in line with the changing of shopping patterns, against which the current legislation cannot protect consumers. He summed up his lecture saying that in the future this form of abuse would be efficiently suppressed through the practice of legislation and the application of law.

Dr. András Zsigmond (Legal Assistant – Implementation of the Consumer Protection Cooperation Regulation) presented the European Union's online dispute resolution platform, the ODR platform in the last lecture of the first day of the conference. In his introduction he described in detail the three fundamental requirements set out in Directive 2013/11/EU on alternative dispute resolution for consumer disputes (Directive on consumer ADR) – availability, compliance with the requirements set out in the Directive, obligation to inform –, and the most important deadlines for transposing the Directive on consumer ADR into national legal systems, as well as the measures taken. He was pleased to note that Member States had reported 430 alternative dispute resolution forums using this platform across the Member States. The ODR platform established by Regulation (EU) No 524/2013 (Regulation on consumer ODR) has been available for European consumers and traders since 15 February 2016, and it is intended to enable the consumers and traders of EU Member States, Norway, Iceland and Liechtenstein to settle their legal disputes arising in connection with online sale of goods or services, out of court. The dispute resolution bodies registered on the platform are independent organisations and/or persons. Their aim is to help consumers and traders to settle their disputes out of court. The ODR platform facilitates communication between consumers and traders, forwards complaints to the relevant alternative dispute resolution forum, and also provides the opportunity to settle such legal disputes on the platform.

The online dispute resolution platform is simple to use: entities need to register themselves on the interface before first use, and then users are given guidance about the necessary steps throughout the procedure. Complaints can be submitted instantaneously, or they can be saved as draft for a maximum period of six months. After six months, drafts are automatically deleted by the system for reasons of data protection. If the trader has agreed to the complaint being settled in the scope of a dispute resolution procedure, then within 30 days the parties must come to an agreement concerning the dispute resolution body they would ask to examine their complaint. If they fail to come to an agreement on the dispute resolution body within 30 days, no further processing of the complaint will take place. According to experience obtained so far, the strengths of the ODR system include the significant number of visits, the large number of submitted complaints, high consumer satisfaction, multilingualism, simple communication, the fact that it is free of charge and that the benefits of the structure are exploited. The network of contact points helping online dispute resolution provides support all along the procedure. Based on experience, the network of contact points is functioning efficiently, and there are contact points in all Member States. In order to enhance traders' commitment and improve the processes, the European Commission organised events and roundtable discussions with the participation of the main stakeholders of the most frequently affected areas in 2017 and conducted an ODR campaign for consumers and traders around Christmas 2017 and in August 2018, respectively. The website was updated in 2018 to offer a more refined version, more extensive information on consumer rights, and a more efficient messaging function for traders. The year of 2019 will be an important part of the next period: the ADR/ODR report will be submitted, which may contribute to the experience obtained so far about operation, discussions with the stakeholders will continue, and based on experience obtained so far there will be a continuing need for efficient communication activity, – he ended his lecture.

The opening lecture of the second day of the conference entitled *'Digital dispute resolution and the world 4.0'* was held by **Erika Csemáné Dr. Váradi**, Head of the Alternative Conflict Management and Dispute Resolution Interdisciplinary Research Centre. As a source of inspiration, the lecturer quoted a prophecy by Erich Pinchas Fromm, a philosopher, which says that *'The danger of the past was that men became slaves. The danger of the future is that men may become robots.'* She emphasised that digital dispute resolution offered innumerable opportunities for the extensive use of information and communication technologies (ICT), but it also raised numerous questions and doubts about how it would be possible to provide even better solutions in dispute resolution. According to critics, technical obstacles may occur in respect of such ICT (missing hardware, software, data transfer problems, quality deficiencies), and certain psychological obstacles can also be observed.

She pointed out that digitalisation is a process that cannot be disregarded. It has several consequences that are significant from the aspect of the change in society. Given that the internet has become commonly used and widely available, technical development affects all members of society and induces a generation change. The method and extent of internet use by the different generations – the so-called 'veterans', the 'baby-boomers', generations X, Y, Z, and the youngest generation Alpha – is completely different. A further consequence of development is the IT paradox: the emergence of collective loneliness and the consequences of loneliness (depression, addictions). According to a thought-provoking national survey, the average time spent using ICT on a weekly basis is multiplying, while the average time spent doing family activities on a weekly basis is significantly decreasing.

She described the nature of the information society that has emerged as a consequence of technical development, as well as the challenges of this society, and the factors for and against this society. According to the definition created by Yoneji Masuda, a Japanese professor of sociology, the information society is 'a new type of society the transformation and development of which is driven by the mass production of information rather than material goods'. In this society information becomes a factor of power, and the power is with the one who produces and distributes information. The material foundations of the information society are provided by the new and intensely globalising net economy, global values appear. ICT is in the infrastructural background of the transformation of society. Due to accelerated development, the half-life of 'valid knowledge' acquired becomes shorter, which generates a constant pressure on individuals to learn and further educate themselves. This society is also characterised by the struggle between the net and the self, which may result in a 'meta-social chaos'. The joint effect and consequence of all the above factors is increasing social insecurity. Because of the temporary nature of the knowledge acquired, there is less certainty and foresight, and a new system of social inequalities emerges, – the lecturer warned.

Referring to the theory of Manuel Castells, Spanish sociologist associated with research on communication and globalisation, the lecturer presented that the new e-exclusive society is of an exclusionary nature, places and persons that are irrelevant for the net are excluded from the flow inside the net. The excluded ones suffer increasing disadvantage, which induces poverty, and a lagging 'Forth World' appears at horizontal and vertical levels. On comparing the definitions of online alternative dispute resolution, online mediation and democracy, the lecturer pointed out several common characteristics: participation, responsibility, volunteering, equality. Parties turn to mediators based on their voluntary and free decision, because they have a conflict, which they are unable to resolve by themselves. During mediation it is important that parties should be able to undertake responsibility for the emergence of the conflict, because by this they become competent to resolve the conflict. In mediation, equality should be asserted between the parties on the one part (the mediator's expertise is essential, peace offered by one of the parties from a position of power does not lead to reconciliation), while on the other part there should be an equal relationship between the parties and the mediator too, emphasising that one of the mediator's important tasks is to prevent the deepening of the conflict and strengthen communication aimed at resolving the dispute. At the same time, mediation is clearly incompatible with exclusion, as the key words of traditional techniques, circular and conference models are reconciliation, parties' active participation, inclusion and readmission. Mediation and alternative dispute resolution solutions are characterised by inclusivity, accepting

and respecting the diversity of individuals within a given community – also with a view to differences of any kind –, and thus ensuring equal opportunities. In the context of online dispute resolution, the fundamental features of mediation must be taken into consideration, and these basic principles must be asserted, – she ended her lecture.

The second foreign lecturer of the day and the conference was Rosa Taban, who presented how online dispute resolution was organised in France and shared her experience on the new challenges faced by dispute resolution in France and the answers given to these challenges. We all experience how fast the world is changing around us, – she started her lecture. On the one part, processes in business life have accelerated, but apart from work we also face in other fields of life too that we are expected to find quick solutions, and so we also expect such solutions from others. As a result of this, we need to face new and a growing number of conflicts that never existed before. Today you can buy a product on the internet by only three clicks of a button, but if any problem arises in connection with this rapid transaction, the process of dispute resolution may last for months. In order to handle this situation, a few online dispute resolution forums have been established in France, with the help of which people can settle their disputes easily and fast, at much lower costs as compared to traditional solutions, she said.

'Demanderjustice.fr' (assistance before state courts) is a service aimed at helping consumers who are not acquainted with legislations so as to enable them to contact the other party to the dispute by mail, without involving a legal representative, before turning to court, thereby attempting to settle their legal dispute amicably. If despite this no satisfactory solution is reached in the dispute, with the help of the service the parties can prepare submissions containing standard legal texts, and so they can turn to the court directly. After selecting the subject and providing details on the legal dispute, the platform sends official letters and guides the user along the dispute resolution phase before turning to court, or – if necessary – through the litigation procedure. The system was launched in 2012 for handling cases involving small amounts, where the amount in dispute remains below ten thousand euros, and where legal representation is not obligatory under the Code of Civil Procedure. Use of the service is completely free of charge up until the point where the case is referred to court. Statistics so far show that 82% of those who have used the platform have come out successfully from the dispute, and 30% of the cases are resolved already at the first pre-litigation stage.

'*eJust.fr*' is an online arbitration platform. The parties, in an agreement concluded between them, may stipulate in a traditional arbitration clause whether in the case of legal disputes arising between them from the contract, they intend to use eJust or the court with jurisdiction and competence. This is a final choice in each case. The entire procedure takes place online, and platform users may choose between different packages. According to the fundamental principle of the service, as the case progresses, the more the applicant takes up the arbitrator's time, the more it has to pay for the service (pay-as-you-go). *'FastArbitre'* is another online arbitration platform established for arbitration in commercial affairs. It can be accessed in six languages, and its use can be stipulated in a traditional arbitration clause too. The procedure can be divided into three phases: the amicable phase, the arbitration phase and the arbitral award. Use of the amicable phase is free of charge, while users in the other phases must pay a fee. This service has been available since 2016. 90% of the 150 cases submitted so far was resolved in the first phase, i.e. free of charge, and only 10% of the cases got as far as the arbitration phase. Although this situation is favourable for the users of the service, if the proportions remain the same, those who established the service may find that the operation of the system is not financially viable.

Unlike the platforms described above, the TAAF (Family Affairs Arbitral Tribunal) may proceed in family law matters. Its establishment in France was preceded by intense debate, as its critics questioned the necessity of arbitration in this field. Due to the particular nature of the subject, the system merges elements of online and traditional, personal alternative dispute resolution. This the latest online alternative dispute resolution forum, which was set up in June 2018. Currently, an average number of 30 claims are submitted to the platform on a monthly basis, i.e. 1–2 claims a day.

What exactly do we expect from online dispute resolution? – the lecturer asked. Do we want to access the already functioning justice system online, or do we want to extend the possibility of self-regulatory online alternative dispute resolution already realised in commercial practice to other fields, or do we want both at the same time? When talking about digitalisation, the necessity of education cannot be emphasised enough, – she continued. In support of this, the University Paris 2 Panthéon-Assas started a new course entitled ‘Digital Transformation and Legal Technology’, the aim of which is to increase awareness of the importance of this field and encourage students to launch projects in the legal field too. Digitalisation raises numerous confidence issues for customers, – the lecturer said. They want to know who makes decisions online in their cases, what sort of interest alignment system and ownership structure the decision-maker has, what incompatibility rules apply, or whether it has the necessary certificates, etc. When setting up an online dispute resolution forum, careful consideration should be given to how safe financial operation can be achieved without posing a potential threat to impartiality or future operation. It must also be determined who can access such a system: in legal disputes initiated by consumers against service providers or vice versa, or maybe in legal disputes between two private persons. Finally, it should also be determined, whether we want to do justice for the system users, or we only want to provide another service, where consumer satisfaction is the main aspect, – she ended her lecture.

After France, another European country’s alternative dispute resolution solution was introduced: the “Danish Financial Complaint Boards” was presented by its Chair, **Ulla Wulff Kjær**. In her lecture she described the *Danish Financial Complaint Boards’ four independent Boards* that are specialising in four different financial sectors, which are the following: the Danish Complaint Board of Banking Services, the Danish Mortgage Credit Complaint Board, the Danish Complaint Board of Investment Funds, and the Complaint Board of Danish Securities and Brokering Companies. Each of them has their own statutes, and their work is supported by a joint Secretariat. Each board is chaired by a judge who previously worked for the Supreme Court. Half of the members are appointed by consumer protection organisations and the other half by financial service providers. As of 1 February 2019, the first three boards will be merged under the name Danish Financial Complaint Board. This is expected to optimise work processes and make it easier for consumers to turn to the Board, – the lecturer said.

The deadline within which the Board is expected to conduct its procedure is 90 days following the receipt of the relevant data needed for making a decision. Regarding the outcome of the procedure, the submitted petitions can be found partly or fully substantiated, or unsubstantiated. Experience shows that in 40% of the cases the petitions were found substantiated. The Board does not proceed in cases within the jurisdiction of a different organisation, or in cases in which another board or organisation has already made a decision. Its decisions are not binding, and its decisions found substantiated or partly substantiated can be challenged in district courts within 30 days. If none of the parties initiate a review of the decision,

the petitioner may request the court to declare that the decision is an enforcement order. The Board's decision is without prejudice to the petitioner's right to take the case to court, but experience shows that financial service providers implement most of the Board's decisions, – the lecturer said. Before 2015, the Board performed its work by traditional means, on paper. After being appointed as Chair of the Board, the lecturer changed this situation. Upon her initiative, the Board developed an online platform incorporating the official national Danish personal identification system – NEM ID (simple identification) –, which was launched on 1 July 2016. By using the platform, petitioners can submit their petitions via the Board's website, they can pay procedural fees and attach documents online. Financial service providers can submit their defence via the same system, and parties receive continuous feedback on the decision-making process, on the state of the proceedings, and on the Board's decision, through this system. The latest technological development concerning the system was the introduction of videoconferences. The success of the paperless solution is demonstrated by the fact that while previously the handling of a case took 30-35 minutes a day, by now it has gone done to 2-3 minutes, and in respect of individual cases the length of proceedings has been reduced from 7 months to 5.5 months. Client satisfaction has also increased significantly since the introduction of the new system, with regard to the fact that the new system saves time for clients, it is easy to use, and it provides a safe environment for data transfer. As a result of the introduction of the new system, the Board has successfully reduced its costs, and instead of a staff of 10 members employed before, now 6 employees are able to perform secretarial duties. Due to the use of electronic files, the equipment costs have also reduced significantly. The success of the project is also demonstrated by the fact that the total costs of digitalisation roughly amounted to one year's salary of one employee.

The latest challenge for the Board was represented by compliance with the GDPR (the general data protection regulation), in the interest of which numerous measures were introduced. The most important one of these was the privacy policy posted on the Board's website, in which consumers are provided with detailed information on the data protection rights and procedures that they are entitled to. They are also proud of the fact that the Danish Data Protection Authority also found the online platform safe from the aspect of data protection, – the lecturer emphasised. The comprehensive digitalisation realised by the Danish Financial Complaint Board could serve as a model for many other alternative dispute resolution forums, especially those that are looking for a satisfactory solution in this fast-moving world to today's technological and data protection regulation challenges, – she ended her lecture.

Consumer protection and alternative dispute resolution in communication and media. This was the title of the lecture presented by **Dr. Edina Kastory**, Commissioner for Communication, who explained that in recent years new challenges and new tendencies appeared in media and communication, which called for revising the sector's earlier regulations, and resulted in a change in attitude in the digital world's consumer protection. She described the legal environment related to this topic and explained European and national general and sector-specific regulations. She noted that new challenges had appeared in the field of communication, which had to be considered when reviewing the regulatory framework. In accordance with this, the New European Electronic Communications Code to be adopted contains significant changes. The Code lays great emphasis on giving priority to and protecting consumer interests. The aim of the regulations is to ensure consumers all over the EU have an equivalent level of security and efficient protection, and to provide access to all consumers with affordable and adequate communication services. By strengthening consumer protection rules, consumers are enabled to make their decisions in possession of transparent, up-to-date and comparable information.

Regarding the legal background related to the alternative resolution of legal disputes, the lecturer emphasised the significance of these forums being permanent institutions with independent and transparent operation, complying with EU requirements, and having appropriate expertise. In Hungary, out-of-court settlement of consumer disputes can take place in front of conciliatory boards attached to the county (Budapest) commercial and industrial chambers. When describing the tendencies related to the assertion of interests, the lecturer presented the characteristics of the individual age groups. In general, it can be stated that although everybody has had an experience of not being satisfied with their service provider, only one in every three persons makes a complaint. New tendencies can also be observed in this field, and based on research results, the generation of NOW is typically critical and confident when using services, they require efficient and good quality service provision and practical solutions. They choose new communication channels, for example they prefer to use different social media sites. Regarding the service providers, the lecturer presented that when dealing with cases their main aim is to increase consumer satisfaction and attract new customers. In the interest of this, service providers striveto have a deeper and fuller understanding of needs, and to provide customised, enjoyable administrative customer experience.

The lecturer also described the institution of the commissioner acting in the field of media and communication and emphasised that it was aimed at protecting consumer interests and facilitating consumer welfare. The commissioner functions as an advocacy intermediary forum, its proceedings are not regarded as official proceedings, it cannot examine individual cases or activities of service providers, and it proceeds in the case that interests are harmed to an extent, which is significant from the aspect of society. Regarding conciliation proceedings the lecturer presented that the subject-matter of such proceedings includes media content, and harm to interests caused by communication service practices, or a potential threat to such interests, which affects a significant number of consumers, as well as fair and reasonable consumer interests. In the context of procedural rules, the lecturer pointed out that the commissioner does not represent a classical dispute resolution forum, it may not make decisions or arrange settlement between different parties; the commissioner can reach settlement with the service provider itself, with regard to all parties concerned. In the course of proceedings initiated by complaints relating to electronic communication services, the commissioner consults the service provider either orally or in writing, and the complainant is involved upon the complainant's request, if the commissioner finds it appropriate. If an agreement is reached between the commissioner and the service provider concerned, it is also recorded in writing. In connection with proceedings instituted by complaints relating to media content services the lecturer pointed out that in such cases the media content providers' professional representative organisation or self-regulatory organisation must proceed, which is competent in respect of the given service provider. In the end the lecturer explained that on the basis of statistical data relating to the years 2016–2018 it could be stated that the number of complaints falling within the lecturer's competence was decreasing year after year.

In the last lecture of the conference the special rules and practice of domain legal disputes were presented. Three well-known experts, **Dr. Erika Mayer** (Infomediator – Domain Name Mediator Alternative Dispute Resolution Forum), **Dr. Ivett Paulovics** (Dispute Case Manager - MFSD IP DISPUTE RESOLUTION CENTRE) **and Dr. Katalin Szamosi** (SBGK Attorneys at Law), talked about this subject under the title 'An overview of the similarities and differences between domain dispute resolution solutions'. During the panel discussion they emphasised that domain dispute resolution was the earliest one of online dispute resolution solutions, which is natural and understandable. In order for service providers to be able to appear in the online world, domain name registration is needed, and if they have disputes, they want to and have to resolve them in a fast and simple way. There is no time for long procedures, because they need to know whether they can continue to operate under the given name or not.

Dr. Erika Mayer is head of the Hungarian Domain Name Mediator Alternative Dispute Resolution Forum, and she deals with legal disputes related to '.hu' and '.eu' domain names. In this respect, besides trademark infringements, proceedings can also be instituted for example in the case of the infringement of copyright. A council of one or – in more complex cases – three adjudicators acts in the procedure. Three types of decisions can be made: revocation of the domain name, transfer of the domain name, or rejection of the application. Court proceedings between the parties can be instituted within 30 days after the decision is made.

Dr. Katalin Szamosi presented the rules of procedure in two major dispute resolution forums, where she was personally concerned as an adjudicator. On the one part, she talked about WIPO (World Intellectual Property Organisation) seated in Geneva and operating since 1999, while on the other part she described the National Arbitration Forum seated in Minnesota and operating since 1986. The organisations proceed in the case of disputes arising from top level domain names ('.com', '.org'), where 70 percent of the cases are constituted by disputes relating to '.com' domains. Both forums deal with online dispute resolution, and adjudicators proceed in the case of both forums. She presented that the proceedings were instituted upon request, and the rules of procedure were determined in the so-called UDRP, which was binding upon the parties. She emphasised that the UDRP constituted uniform and supranational law, which was independent from location, national law and trademark, consequently disputes were decided under a uniform legal system. The decisions are made by panels consisting of one or three members, in respect of whom no grounds for exclusion may exist. There can be two types of applications, depending on whether they are aimed at trademark cancellation or domain transfer. The jurisdiction cannot extend beyond these limits, and payment of the procedural costs cannot be required. The panels are entitled to ask back, give answers and obtain further evidence. The procedural deadline is 14 days, the procedure takes place in writing even between the adjudicators, but they can discuss their positions during conference calls.

Dr. Ivett Paulovics presented the procedure of URS (Uniform Rapid Suspension) based in Milan, dealing with domain disputes for 20 years. The aim of the procedure is to provide an efficient, fast and cheap opportunity for trademark holders to have the use of a domain name or a website suspended in the case of trademark infringement. This organisation also proceeds in the case of top level domain names ('.web', '.budapest', etc.). The procedure is instituted upon request, which must be submitted in English, but the language of the procedure depends on the language used in the country where the party registering the domain name is seated. A formal examination takes place 2 days after the request is submitted, and then the domain name is suspended within 24 hours following notification of the registering party. No amendments can be made after submitting the request, the domain user has 14 days for defence as to the merits, in the lack of which the adjudicator is appointed and makes a decision within 3 days, she presented.

After presenting the different domain dispute resolution options, the participants of the panel discussion shared their opinion on the extent to which the GDPR affected the different dispute resolution procedures. Dr. Katalin Szamosi explained that after requests were submitted, taking legal interests into consideration, the National Arbitration Forum itself contacted registrars to request data, and WIPO did the same. Professional organisations are holding discussions on the amendment of the GDPR, which is aimed at making data accessible to those who intend to assert a claim. Dr. Ivett Paulovics said that since the GDPR entered into force, no changes have taken place in the course of proceedings of the URS, the proceedings have not become longer, and data entries happen fast. They continue to publish their data, as ICANN gave no instructions on what they should do with the data, but according to the rules they are obliged to publish them. Dr. Erika Mayer thought that the data of domain users can be requested from the registrar or from the registering organisation by demonstrating a legitimate interest in that regard. Among the problems she mentioned that if after instituting the proceedings it turns out that the domain user is a person who has some right to the domain name, then the applicant loses the procedural fee too. Decisions published earlier have been removed from their website and anonymised, which takes time, so currently not all decisions can be accessed.

The last topic the participants talked about was why they would recommend the use of certain alternative dispute resolution forums instead of regular court proceedings. Katalin Szamosi explained that although trademark infringing domains can be subject to infringement proceedings, such proceedings take a long time, they are costly and require an enormous amount of preparation work. If the primary aim is to have the domain cancelled or transferred, then it is recommended to use an alternative forum. She noted that with its 12 percent participation rate the financial sector (Allianz, Credit Agriculture, Rotschild Bank, etc.) is very active in online dispute resolution and comes first among all sectors. It is followed by the fashion industry.

Ivett Paulovics pointed out that online procedures are cheap, efficient and fast, as they are closed within 23 days and the domain name is suspended if the request is granted. In respect of the statistics mentioned by dr. Katalin Szamosi she presented that in their records fashion and cosmetics companies were at the top of the list. Erika Mayer said that the new Act on Civil Procedure had made litigation difficult and costly, while their procedure remained just as fast and costs the same as before. There have been cases when a decision was made within 3 days. No court can compete with that. Although unsuccessful parties cannot be obliged to pay procedural costs, compared to the costs of certain court proceedings it is still worth choosing their procedure. Furthermore, legal representation is not obligatory during the procedure. She also mentioned that the number of domain disputes judged by courts is not very high, there are very few cases when the parties challenge the adjudicator's decision in court. On the contrary, the Curia's decisions refer back to their decisions. This type of dispute resolution procedure will play a significant role in the future. All platforms of domain disputes have proved that they deserve a place among online dispute resolution forums, she summarised their discussion.

AVR AWARD 2018

After the lectures, the young winners of the contest introduced themselves and their successful projects.

On the second occasion in 2018, the Board launched a call for applications for supporting scientific research activities in relation to alternative dispute resolution, aimed at university students and recent graduates. The aim of the call for applications was to support the elaboration of projects written in a manner demonstrating professionalism and high scientific standards, containing methodological directions and innovative solutions that facilitate wider use of alternative dispute resolution. The successful applicants became entitled to use the title determined in their respective category and had the opportunity to present their projects on the second day of the conference. In addition to this they were able to lay the foundations for their future career, as they could make use of one of the opportunities of professional traineeship, according to their choice. Several special fields of the Magyar Nemzeti Bank, including the Financial Arbitration Board, the Education Directorate, the Consumer Protection Directorate, the Methodology Directorate and the Financial Consumer Protection Centre offered internship positions, and similar offers were also made by law offices recognised in the field of alternative dispute resolution. Successful applicants – suiting their choice – were able to apply for internship at Faludi Wolf Theiss Law Firm, Ormai and Partners CMS Cameron McKenna Nabarro Olswang LLP Law Firm, Réti, Várszegi & Partners Law Firm PwC Legal, Szecskay Attorneys at Law, and Duda and Csákó Attorneys at Law.

One of the winners of the AVR JUNIOR Award 2018 in the category of individual applicants was **Edina Gábor**, law student at ELTE's Faculty of Law, completing her seventh semester at the university.

In her project entitled **'THE FOURTH PARTY – The effects of the digital revolution on conciliation'** and in the lecture presented on it, she analysed the changes brought about by the digital revolution, with particular focus on digitalisation in the bank sector and FinTech gaining ground. She introduced GRÁNIT Bank, the first digital bank in Hungary, where accounts can be opened online due to the VideoBank feature, and the bank also makes it possible to handle complaints online, also through the VideoBank feature. On this basis she analysed the online possibilities available in the field of alternative dispute resolution, emphasising the online alternative dispute resolution platform and the participation of the Financial Arbitration Board in online dispute resolution proceedings. She compared the general operation of the Financial Arbitration Board to online dispute resolution and e-mediation gaining ground. As an example of e-mediation she mentioned the Virtual Mediation Lab and its technical background, the ZOOM communication programme. She also examined the extent to which online dispute resolution means widely used abroad could be tailored for the operation of the Financial Arbitration Board, by replacing personal hearings with live videoconferences.

Another winner of the AVR JUNIOR Award 2018 in the category of individual applicants was **Norbert Balogh**, graduate law student at Deák Ferenc Faculty of Law and Political Sciences of Széchenyi István University of Győr.

His study entitled **'Alternative dispute resolution 2.0 – i.e. the past, present and future of online dispute resolution'** and presented at the conference aims to explore the context of online dispute resolution. With a view to this, first of all he identified the basic theoretical and doctrinal lines of alternative dispute resolution, and then he went on presenting the online dimension differentiated by using the concepts determined before. In the following, in the context of the online special field he presented innovative technological solutions that may contribute to the success of this type of dispute resolution or may increase its standards. The study ends with a summary of the theoretical and practical conclusions that can be drawn, and with a final reasoning relating to the 21st century challenges faced by the legal profession.

Dr. Balázs Hohmann, PhD student, external lecturer at the Faculty of Law of the University of Pécs was also granted an opportunity to introduce himself at the conference as a winner of the AVR SENIOR Award 2018 in the category of individual applicants.

In his work entitled **'The possibilities of alternative dispute resolution in administrative proceedings'** he endeavoured to identify and analyse decision-making methods fitting in the system of official procedures, which also constitute efficiently applicable alternative dispute resolution methods complying with Hungarian legal culture. These may contribute to informing official decisions that take into consideration real circumstances governing official matters, as well as the aspects of customers and other participants. He focused on the theoretical aspects and the practice of mediation, in particular mediation related to administrative procedures, as well as their appearance in the procedural law in force, currently being revised.

Winners of the AVR JUNIOR Award 2018 in the category of teams were **Klára Stekler, Szonja Szepesi and Attila Berkó**. Klára Stekler (on the right) is a member of ELTE Bibó István College for Advanced Studies, a fourth-year law student, winner of the AVR Junior Award at the 2nd Alternative Dispute Resolution Conference (2017) with her study entitled 'Alternative Dispute Resolution in the 21st century'. Szonja Szepesi is a member of ELTE Bibó István College for Advanced Studies, a third-year law student. Attila Berkó is a member of ELTE Bibó István College for Advanced Studies, a graduate law student.

Their work entitled **'Standardisation considerations in the field of consumer protection, with special focus on online dispute resolution and the sharing economy phenomenon'** was built on the results of a study from last year, and they examined dispute resolution possibilities arising from B2C (business-to-consumer) and P2P/C2C (peer-to-peer, consumer-to-consumer) relationships. In respect of B2C relations the study focused on online dispute resolution tendencies in general, while in respect of P2P relations they concentrated on the sharing economy phenomenon. The aim of the research was to examine the results of the European Union's standardisation efforts, with regard to the relationships mentioned above. They consistently compared Hungarian tendencies with European indicators and drew their conclusions accordingly.

1.5 PROFESSIONAL ASSISTANCE TO LAW STUDENTS

ELSA-MOKK ALTERNATIVE DISPUTE RESOLUTION COMPETITION

The second national alternative dispute resolution competition was organised jointly by the European Law Students' Association (ELSA) Hungary and the Hungarian Chamber of Civil Law Notaries (MOKK) on 23 March 2018. The prestigious competition was organised with support from the Financial Arbitration Board, Szecskay Attorneys at Law and Wolters Kluwer Hungary Kft. One of the purposes of the competition was to ensure that law students, supplementing their university studies, acquire proper practical skills that later on they can efficiently use in business negotiations and everyday life, and also, by making the sessions of the competition public, providing the invited participants with an insight into the world of negotiations applying alternative dispute resolution methods.

Students of faculties of law and political sciences of all Hungarian universities had the opportunity to enter the competition in teams of two. Nearly 110 law students entered the competition, and 40 of them – twenty teams – were selected for the national finals, from six faculties of law. During the competition the teams could match their skills in a realistic environment, i.e. at a business negotiation – while mutually learning from each other – where the goal was to approach each other's interests mutually rather than to enforce their opinions, as a result of which they could reach an agreement, which was favourable for both of the parties and which they would comply with automatically later on. The participants of the competition were asked to resolve two disputes taken from the practice of international law firms. Besides their knowledge of civil and commercial law, they also had to use alternative dispute resolution methods, including the negotiation method regarded as the first step of dispute resolution. Their work was evaluated by a professional jury consisting of five members.

The final result of the competition was as follows:

1st place: Dániel Furkó – Bence Spisák

2nd place: Anna Hetyési – Viktória Zsuzsanna Vad

3rd place: Melitta Lévay – Imre Gergely Pavelkó

The winners could use the internship opportunities offered by the Hungarian National Notarial Chamber, the Financial Arbitration Board, Szecskay Attorneys at Law and Wolters Kluwer Kft.

SZÁSZ PÁL SUMMER UNIVERSITY

Bethlen Gábor Alapkezelő Zrt., in cooperation with the State Secretariat for National Policy of the Prime Minister's Office, announced the Dr. Szász Pál scholarship programme for the fifth time in 2018, the purpose of which was to enhance the education of trans-border Hungarian economic lawyers. Szász Pál Summer University was also organised as part of the programme, with the participation of 27 law students from abroad: from Transylvania, Serbia, Slovakia, the Ukraine and Slovenia. The event was organised by the Budapest Bar Association, with the professional support of the Magyar Nemzeti Bank.

The participants of the Summer University participated in internships for several weeks at different law firms, and during their internship they had three days when they listened to different lectures on Hungary, Hungarian law, highlights and novelties of the legal world, in order to have a better picture of conditions in Hungary. On 17 July 2018 they visited the central building of the Magyar Nemzeti Bank in Szabadság tér, where they participated in a guided tour and then they listened to four lectures. In the first lecture dr. Erika Kovács, Chair of the Financial Arbitration Board presented the short history of the MNB, and then Lajos Bartha, managing director described the MNB's payment activity, the rules relating to its regulation, supervision and oversight, and the novel features in payment activities. Dr. Gabriella Cs. Tóth talked to the students about the MNB's education activity and its relationships with national and foreign universities. Dr. Ildikó Szabó, head of office, talked about the Hungarian Financial Arbitration Board and explained the process of financial alternative dispute resolution.

ELSA FINANCIAL CASES COMPETITION

The second Financial Cases Competition was organised by the European Law Students' Association Hungary (ELSA Hungary) on 23 November 2018 in Ybl Palace, as a result of supportive cooperation between the Financial Arbitration Board, UniCredit Bank Hungary Zrt., Ormai and Partners CMS Cameron McKenna Nabarro Olswang LLP Hungary, Dentons Réczicza Law Firm, Duda and Csákó Attorneys at Law, Magyar Nemzeti Bank Education Club, and Wolters Kluwer Hungary Kft. The trials for the competition involved a financial quiz consisting of 27 questions, after which 15 teams having 2 members each, i.e. 30 law students got into the finals. The task to be solved during the finals was a case, which actually happened and was dealt with by the supporting organisations, within the topic of financing investment funds.

Nearly 80 students from all law faculties in Hungary applied to participate in the competition organised on the second occasion with the aim of making it a tradition. In the finals the best fifteen doubles had the opportunity to match their case-resolving and presentation skills. The competing doubles received the description of the case in advance, they were allowed to use aids for preparing their solution, and on 23 November they arrived at the finals with ready-to-use

presentations. They had thirty minutes to present their legal solution to the problem and support it with arguments in front of a jury consisting of 6 members. In addition to the content, the jury also assessed the presentations, the interpretation, and the correctness of the use of legal terminology and concepts. At this competition the awards included internship opportunities and material awards.

Winners of the ELSA Financial Cases Competition:

1. Krisztina Antal, Annamária Szomolányi

2. Michaela Kiripolszky, Kristóf Péntek

3. Nóra Nebl, Lilla Szabó

Special award winners:

• Renáta Guj, Dóra Rákos

• Blanka Juhász, Botond Kiss

From the award winning teams, the members of the team that came third, Nóra Nebl and Lilla Szabó chose to use the internship opportunity offered by the Board.

2 Professional activity of the Board in 2018

2018 was the fourth year in the history of the Board when it performed its activity in accordance with two types of procedural rules. Basically, it performed its activity pursuant to the provisions of the MNB Act relating to conciliation procedures, and in particular, it conducted an increasing number of procedures in equity cases, and it continued to deal with other tasks arising from the Act on Settlement, containing special provisions.

2.1 CONCILIATION ACTIVITY IN FIGURES

On 1 January 2018 there were 601 pending cases, which had been initiated in 2017. In addition, 3,382 new petitions were received, thus the total number of cases handled during the year was 3,983. The Board closed 3,402 cases, and 581 cases were continued in 2019.

Aggregate statistics of conciliation cases			
	Domestic cases	Cross-border cases	Total
Previous cases pending on 1 January 2018	593	8	601
New cases submitted in 2018	3340	42	3382
Cases closed until 31 December 2018	3371	31	3402
Cases pending on 1 January 2019	562	19	581

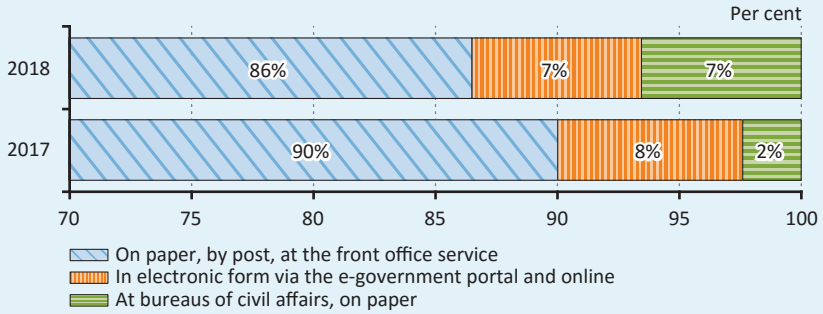
2.1.1 Received petitions

THE METHOD OF SUBMITTING PETITIONS

The majority of the petitioners continued to use paper-based forms, which they primarily sent to the Board by post, or a smaller proportion of them submitted the forms in person at the MNB's Front Office Service. 232 cases were submitted through bureaus of civil affairs, of which in 34 cases the petitioners requested help in filling out and forwarding their petitions from the Network of Financial Navigator Advisory Offices operated by the MNB. In an additional 186 cases the submission of the petitions was preceded by consultation with the advisory offices, and these petitions were sent to the Board by post, on paper. 200 petitioners used the possibility of submission via the government customer portal, and authorised lawyers initiated 19 cases via the the government customer portal. Clients who had concluded online contracts aimed at financial services used the European Commission's Online Dispute Resolution Platform in 5 cases.

As compared to 2017, the proportion of petitions submitted by post decreased by 4 percentage points. The proportion of petitions submitted via electronic means reduced by 1 percentage point, but a significant increase could be observed in respect of the use of bureaus of civil affairs.

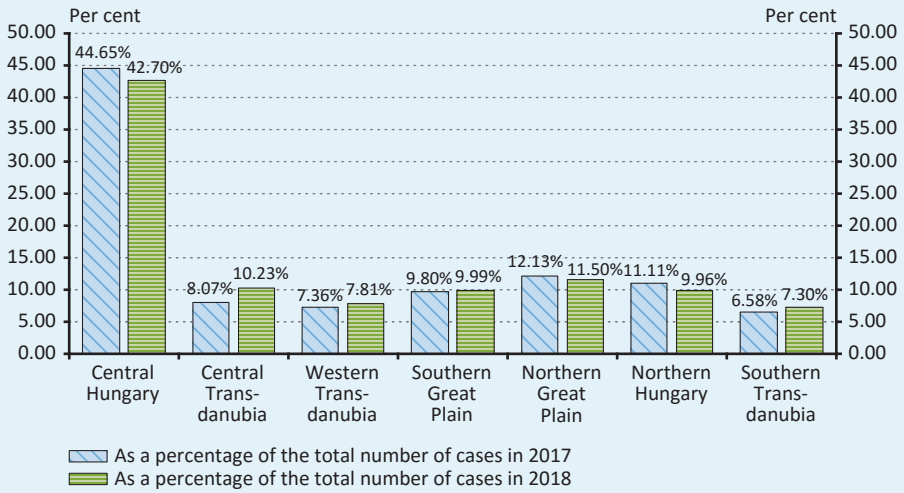
Method of submitting petitions



BREAKDOWN OF PETITIONERS BY PLACE OF RESIDENCE

The residents of Budapest and Pest County still represented the highest proportion of petitioners who turned to the Board for the resolution of their financial consumer disputes, although their proportion slightly decreased as compared to 2017. Their proportion among all petitioners reached 42.70 percent. Compared to the previous year, the ratio of the petitioners residing in the West Transdanubian and Southern Great Plain region also rose.

Distribution ratio of the petitions submitted, broken down by region of the petitioners' residence



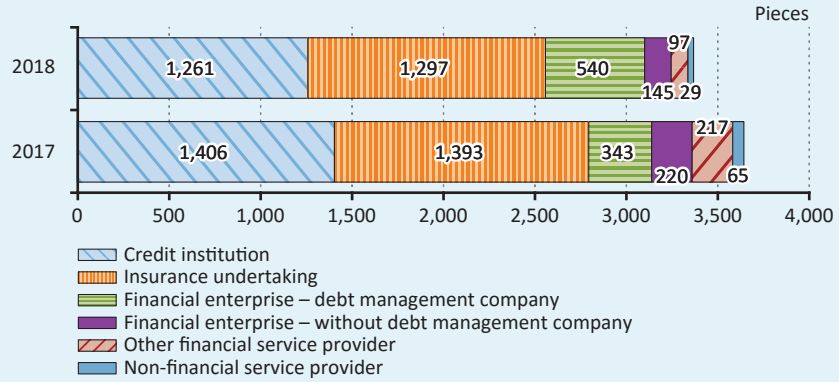
The ratio of the submissions by petitioners residing in Budapest and Pest County exceeded the total population ratios calculated by the CSO annually since the Board had been established. In 2018, the same could be observed among the population of Baranya County.

Received petitions by the petitioner's place of residence	Number of cases	As a percentage of the total number of cases	As a percentage of the total population
Bács-Kiskun	121	3,58%	5,27%
Békés	97	2,87%	3,93%
Baranya	**130**	**3,84%**	**3,66%**
Borsod-Abaúj-Zemplén	178	5,26%	6,91%
Budapest	**919**	**27,17%**	**17,28%**
Csongrád	120	3,55%	4,22%
Fejér	142	4,20%	4,26%
Győr-Moson-Sopron	106	3,13%	4,47%
Hajdú-Bihar	168	4,97%	5,40%
Heves	96	2,84%	3,11%
Jász-Nagykun-Szolnok	76	2,25%	3,90%
Komárom-Esztergom	101	2,99%	3,12%
Nógrád	63	1,86%	2,04%
Pest	**525**	**15,52%**	**12,26%**
Somogy	65	1,92%	3,20%
Szabolcs-Szatmár-Bereg	145	4,29%	5,59%
Tolna	52	1,54%	2,33%
Vas	63	1,86%	2,59%
Veszprém	103	3,05%	3,58%
Zala	95	2,81%	2,88%
Non-resident	17	0,50%	
Total number of cases	**3 382**	**100,00%**	**100,00%**

SERVICE PROVIDERS INVOLVED IN CONSUMER DISPUTES

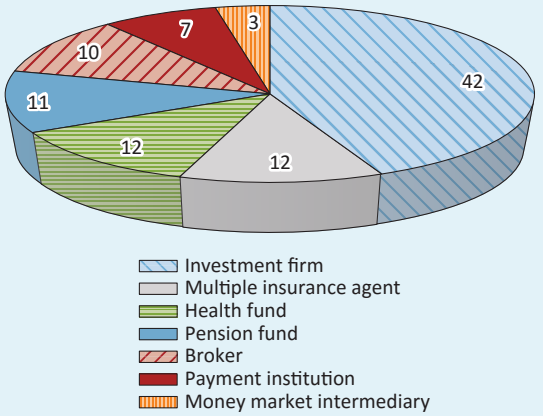
Among the 3,382 petitions received in 2018, legal disputes with credit institutions (banks, specialised and cooperative credit institutions), insurance undertakings, debt management companies and financial enterprises other than debt management companies were taken to the Board in 1,261, 1,297, 540 and 145 cases, respectively. In terms of their ratio to the total number of cases this amounted to 96.3 per cent, representing an increase by 4 percentage point. In 97 cases petitioners turned to the Board with complaints against other financial service providers.

Types of financial service providers included in the petitions (pcs)



In the category of other financial service providers, the cases of insurance associations, investment service providers, multiple insurance agents, brokers, pension funds, health funds, financial market intermediaries and payment institutions were taken into account. In respect of the cases, their proportions are shown in the following figure.

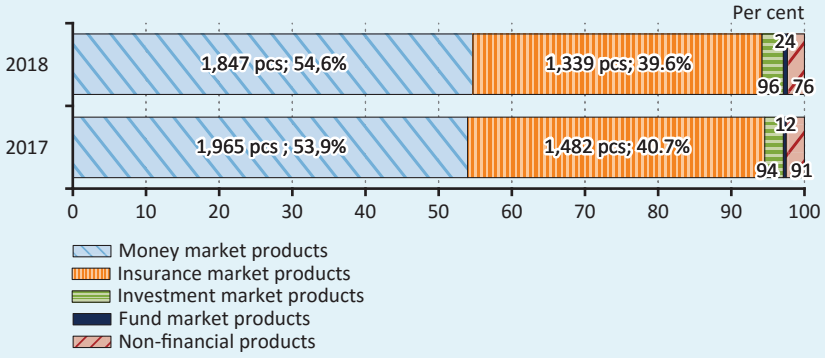
Types of other financial service providers included in the petitions (pcs)



PETITIONED PRODUCTS

54.6 percent of the petitions submitted – 1,847 cases – were concerned with products of the money market, representing a slight increase compared to the previous year. The 39.6 percent ratio of insurance market products and services – with 1,339 petitions – remains below last year's ratio by about 1 percentage point. The proportion of legal disputes concerning investment cases and fund market products increased.

Types of other financial service providers included in the petitions (pcs)

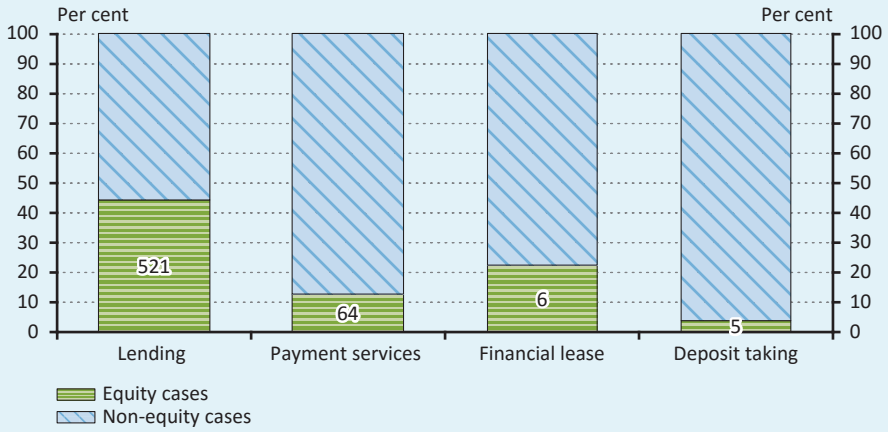


EQUITY CASES SUBMITTED

In 2018, 18.6 percent of the cases received were submitted to the Board as equity petitions. In these cases the petitioners, with regard to their personal or financial situation, asked the financial service provider to allow a more favourable possibility for performance than what was originally determined in the contract, such as, in particular, the reduction or cancellation of their payment obligation, the amendment or closure of their contract, or the possibility of accomplishing payment under conditions other than the ones determined in the contract. After the service providers had rejected their equity petition, they turned to the Board.

In 94.9 percent of the 628 equity petitions submitted, petitioners turned to the Board with cases concerning money market products. In the case of insurance market products, the proportion of equity petitions is negligible.

Equity petitions concerning money market affairs

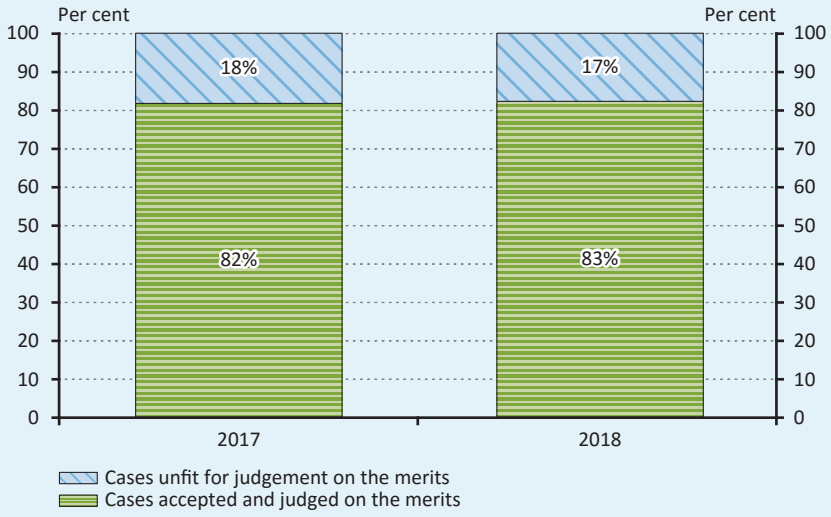


2.1.2 Closed cases

ACCEPTANCE RATIO

The number of closed cases was 3,402, and 83 percent of these (2,807 cases) were suitable for acceptance and – consequently – for judgement on the merits. This is a 1 percentage point increase compared to the figures of the previous year.

Acceptance ratio in 2017–2018



PETITIONS UNFIT FOR JUDGEMENT ON THE MERITS

Rejection without a hearing took place in 17 percent of the cases, i.e. in 595 cases, due to the following reasons:

Cases closed without judgement on the merits, by reasons for closing		Number of cases	Ratio
1.	**Closed due to procedural obstacles, of which:**	**73**	**12,27%**
1.1	prior to submitting the petition the consumer failed to try to settle the dispute or did not submit a petition of equity without success (Section 102(1))	19	3,19%
1.2	the parties commenced, for the same right arising from the same factual base		
1.2.1	a) proceedings at the Financial Arbitration Board (Section 107 point aa)), or	18	3,03%
1.2.2	b) a mediation procedure (Section 107 point ab)), or	0	0,00%
1.2.3	c) there is litigation in progress or a final judgement has already been passed on the subject thereof (Section 107 point ac))	14	2,35%
1.3	in respect of a case between the parties arising from the same factual base being conducted for the same right a warrant for payment has been issued (Section 107 point b))	19	3,19%
1.4	the dispute is frivolous or vexatious (Section 107 point c))	0	0%
1.5	in a cross-border financial consumer dispute, the service provider did not submit itself to the Board's procedure (Section 126(1))	3	0,50%
2.	the case does not qualify as a consumer dispute, or the Financial Arbitration Board has no competence to judge the dispute due to other reasons (Section 107 point d))	**202**	**33,95%**
3.	the petitioner failed to comply with the call for supplementation as specified in (Section 104(5), within the deadline (Section 107 point e))	**320**	**53,78%**
	Total	**595**	**100,00%**

CASES CLOSED FOLLOWING JUDGEMENT ON THE MERITS

29.8 percent (813 cases) of the 2,726 cases judged on the merits ended with a settlement agreement concluded between the parties and approved by the Board. 60 percent of the settlement agreements were reached in money market cases, amounting to 489 settlement agreements. In insurance, capital market and funds cases, the acting Board members approved 305 (37.5%), 15 and 4 settlement agreements, respectively.

Outcome of cases closed after acceptance		
Outcome of closed cases	**Number of cases (pcs)**	**Ratio**
Settlement agreement	813	**28,82%**
Binding resolution	4	**0,20%**
Recommendation	1	**0,23%**
Resolution to terminate	1 989	**70,75%**
Total	**2 807**	**100,00%**

The statutory regulation relating to disclosure entered into force on 1 July 2016, according to which the annual report on activity must contain the data relating to the fulfilment of recommendations, binding resolutions and resolutions approving settlement agreements, if known. Accordingly, during 2016 the Board prepared its case registration system for the collection of such data and developed a system for the monitoring of the fulfilment of the resolutions. Section 120 (3) of the Act on the MNB has contained the provision since 7 July 2015, stating that both the petitioner and the financial service provider must notify the Board in writing on the fulfilment of the settlement agreement approved by resolution and the binding resolution, or the lack of it, as well as on complying or on the failure to comply with the actions included in the recommendation within sixty days. Most financial service providers complied with this obligation, which was also stipulated in the relating resolution. The acting panels or Board members had to call upon them to confirm fulfilment after the expiry of the deadline only in 17 percent of the cases.

SETTLEMENT AGREEMENTS

Of the 813 settlement agreements issued in 2018, the 60-day deadline for the confirmation of fulfilment expired in 704 cases, while in the remaining 109 cases the deadline will expire in 2019. Most financial service providers complied with their obligation to provide information to the Board. The acting panels or Board members had to call upon them to confirm fulfilment after the expiry of the deadline only in 17 percent of the cases.

In respect of only 5 resolutions approving settlement agreements did the financial service providers declare that they were unable to fulfil the obligations undertaken in the resolution. In each case it was due to the fact that the petitioner failed to fulfil its payment obligation.

On the whole, in the case of the settlement agreements – apart from the pending cases – 639 of the 704 cases were fulfilled, representing a ratio of **99.3 percent**.

RECOMMENDATIONS AND BINDING RESOLUTIONS

During the year, the Board made 4 binding resolutions and 1 recommendation, of which 2 binding resolutions and the recommendation concerned the insurance sector. One binding resolution was issued in a fund case and one in a money market case.

The financial service providers fulfilled the obligations included in the resolutions, and they did not lodge an appeal against the resolutions.

In one of the cases ended with a binding resolution, the petitioner turned to the Board in connection with a legal dispute relating to supplementary life and health insurance linked to the petitioner's home insurance. The petitioner complained that at the time of concluding the contract the petitioner was over 66 years old, but the supplementary health insurance provides cover only until the insured person turns 65, and on the basis of the life insurance only 30% of the insured amount can be paid at this age, if the insured person dies. The insurance undertaking claimed that in respect of supplementary insurance policies the person named in the policy as the insured person and his/her spouse living together with him/her at the location of risk bearing or his/her close relative living in the common household is regarded as an insured person. Based on this, although the petitioner lived alone in the property, if a close relative had moved into the insured property, the given person would have become an insured person, which results in the insurance undertaking's risk-bearing and serves as a basis for its claim for insurance premium.

On the basis of the procedure conducted, the Board pointed out that if the insurance is concluded with an empty set of risks, without an insured person and without the occurrence of the insurance undertaking's risk-bearing, then the insurance – or the relevant part of it – does not take effect upon conclusion, but only upon the occurrence of the event that triggers the insurance undertaking's actual risk-bearing. As in respect of the given petitioner the occurrence of the insured event was already impossible upon conclusion (given that because of his/her age the insurance cover was not granted to him/her according to the conditions of insurance), and during the existence of the insurance no other close relative moved to the location of risk-bearing, the supplementary health insurance did not take effect. On the basis of the above the parties were exempted from their obligations resulting from their position, the insurance undertaking did not and does not bear the obligation to assume liability, and the petitioner – as contracting party – does not need to pay insurance premium, and any insurance premium already paid shall be paid back to the petitioner.

In respect of the supplementary life insurance the Board found that the insurance undertaking was bearing risk all along in respect of the petitioner being the insured person named in the policy. The circumstance, that according to the conditions of insurance, the extent of the insurance service depends on age does not influence the fact that the insurance undertaking actually bore risk during the entire term of the supplementary life insurance, consequently on the basis of which it was entitled to charge a fee for this. Consequently, in this respect the Board considered the petition unfounded. The Board obliged the insurance undertaking to pay back the premium paid in respect of the supplementary health insurance. The insurance undertaking fulfilled the requirements included in the binding resolution.

In respect of the insurance market, the Board made a binding resolution based on statutory submission in a damage case instituted on the basis of supplementary liability insurance linked to retail non-life insurance, where a vehicle owned by a legal person was damaged in a loss event affecting the insured property. The proceedings were instituted by the contracting party. The subject of the legal dispute between the parties was whether instead of the legal person it was possible to consider the one-person owner of the legal person – who was also the contracting party's spouse – as the injured party. The legal opinion expressed by the insurance undertaking was that the damage did not occur to the legal person's separate property, but to the property of the legal person's one-person owner, the contracting party's spouse, so the insurance undertaking, referring to exemption, rejected the injured party's claim for damages and then also the petitioner's claim for insurance benefits. The Board did not share the financial service provider's legal opinion, and found that on the basis of the terms of the contract concluded between the parties and the available documents, none of the grounds for exclusion referred to by the financial service provider existed, consequently the financial service provider's obligation to provide service arose on the basis of the terms of the contract concluded between the parties. There was no dispute between the parties regarding amounts. Consequently, the Board obliged the financial service provider to pay damages as determined in the petition to the legal person injured party. The financial service provider fulfilled the requirements included in the binding resolution.

Another legal dispute initiated against a health fund also ended with a binding resolution. In this case the petitioner had been a member of the health fund since 2011. In 2017 the petitioner registered his sibling as a party entitled to services. In 2018 the petitioner applied for childbirth grant with regard to the fact that his sibling's child was born, but the application was rejected. Then the petitioner instituted proceedings in front of the Board, and in his petition he requested that the childbirth grant be paid. During the procedure the financial service provider was on the opinion that the petitioner's sibling's child was not the petitioner's close relative, so it considered that the petitioner's claim for childbirth grant was unfounded. The Board found that according to the service regulations such benefit could be claimed in the case a child was born, which, however, did not mean that the user / recipient of the benefit was the child itself. One of the conditions of using the benefit was that the parent should be a close relative of the member of the fund. The user of the service is not the child, but the parent raising the child. The service is not provided for the child, but for the parent raising the child, the parent is the recipient of the service, so from the aspect of determining eligibility it is not child's but the service recipient's (i.e. the petitioner's sibling's) affiliation that is the decisive factor. With regard to the above, the Board – based on statutory submission – obliged the health fund to make the payment of the requested amount from the petitioner's individual account. The fund fulfilled the requirements included in the binding resolution.

The Board also issued a binding resolution in a legal dispute concerning settlement, instituted against a debt management company. In this case, the financial service provider terminated the current-account credit facility contract concluded with the petitioner, and then concluded an agreement with the petitioner relating to the settlement of the overdue debt. In the instalment agreement, the financial service provider cancelled the debt consisting of default interest and unpaid charges, while it provided the petitioner with an interest free instalment scheme for a term of 24 months. In the following the financial service provider assigned the debt. It determined the amount of the debt calculated for the value date disregarding the conditions stipulated in the instalment agreement. The debt management company called upon the petitioner to pay the amount of the assigned debt and the default interest calculated in accordance with the original contract. The petitioner disputed the amount of debt determined in the demand for payment. The petitioner claimed that the legal predecessor had cancelled a part of the debt and that it had provided the petitioner with an instalment scheme.

During the proceedings the financial service provider acknowledged that it had approved the petitioner's application aimed at cancelling a part of the debt and that it had allowed instalment payment for 24 months concerning the overdue principal debt payable on the basis of the agreement. It also acknowledged that the petitioner had fulfilled the obligations determined in the instalment payment agreement within the deadline, he was not in default of the instalments and it did not terminate the agreement concluded in respect of the settlement of the debt. In its declaration the debt management company was on the opinion that upon the assignment the instalment payment agreement had not been in force any more, and it tried to demonstrate this with the fact of the assignment and the assigned amount. It also contended that the provisions included in the assignment contract should be regarded as governing, and that according to the contract, from the day of the termination of the contract the overdue debt was subject to interest until payment in full, at the interest rate determined in the announcement valid on the day of termination. In the petition the petitioner claimed that the debt management company should recognise the instalment payment agreement concluded between the petitioner

and the financial service provider, it should take into consideration the petitioner's payments up to that point and close the case. *In its resolution the Board determined the amount of the debt for the value date of the assignment. It obliged the debt management company to determine the current amount of the debt based on the payments made by the petitioner before the assignment, so that default interest could be charged on the amount of the debt exclusively in respect of the default on the instalments due according to the contract, to the extent laid down in the Civil Code.* In its reasoning the Board pointed out, in particular, that the instalment agreement concluded between the petitioner and the financial service provider had not been terminated, and in the agreement the financial service provider had not made the cancellation of the debt subject to any condition. It also determined that the instalment agreement applies to the debt management company, and that during the enforcement of the claim the debt management company should have proceeded in accordance with the agreement concluded between the legal predecessor financial service provider and the petitioner. The Board emphasised that the content of the agreements between the assignor and the assignee – and accordingly the potential content errors or deficiencies in the assignment notification – did not and could not affect the original obligation, and it did not and could not have the effect of creating or enhancing obligations. The financial service provider fulfilled the requirements included in the binding resolution.

The case, in which the petitioner turned to the Board in connection with a legal dispute concerning motor third-party liability insurance, was closed by a recommendation. The subject of the legal dispute between the parties was on what day the excess premium deriving from the change in the bonus-malus classification became due, and on what day the non-payment of this fee resulted in the termination of the contract. In this particular case the financial service provider stipulated that the payment of the excess premium was due on the same day as the first insurance premium instalment was paid. The contract was terminated after the 60th day after missing the payment deadline determined with regard to the excess premium. Despite the termination of the contract, upon issuing the notification of cancellation, the financial service provider called upon the petitioner to pay the next insurance premium instalment due, as well as the excess premium deriving from the change in the bonus-malus classification, which the petitioner complied with. The financial service provider returned the premium instalment and the excess premium to the petitioner on the grounds that the contract had been terminated because of failure of premium payment. The Board found that the financial service provider had acted against the provisions included in Section 21(1a) of the Act on Motor Third-Party Liability Insurance, which provides that if the premium is modified in accordance with the change determined in Section 23(2), or if – as the result of a legislative amendment – the premium already paid by the contracting party needs to be settled against a different debt, the operator is obliged to pay the difference in premium – unless otherwise agreed upon by the parties – together with the next insurance premium instalment due, within a deadline of 30 days in the case of full payment of the premium due for the period of insurance. For this reason, the Financial Arbitration Board recommended that the financial service provider should restore the contract and settle accounts with the petitioner regarding payments made after the cancellation of the contract. The financial service provider fulfilled the recommendation.

RESOLUTION TERMINATING THE PROCEDURE

The termination of procedures can be explained by several reasons. Among these, in 386 cases the resolutions were favourable for the petitioners, for example when after obtaining knowledge of instituting the procedure, a settlement agreement could be reached with the service provider, so it became unnecessary for the Board to conduct a procedure.

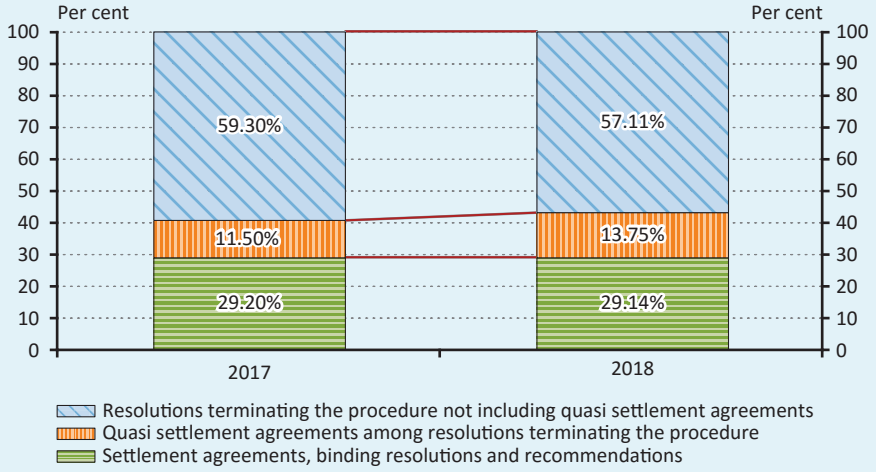
Reasons for terminating the procedure:	pcs	%
A) Section 112(3)a) of the MNB Act – the petitioner withdrew his petition, of which…	461	23,18%
... the reason for withdrawing the petition was unknown	*22*	*1,11%*
... the petition was withdrawn, because the parties reached an agreement or the financial service provider made a commitment in the minutes (quasi settlement agreement)	*184*	*9,25%*
... the petition was withdrawn because the service provider's position was accepted, or with a view to further discussions	*255*	*12,82%*
B) Section 112(3)b) of the MNB Act – the parties agreed to terminate the procedure, of which…	108	5,43%
... the reason for the joint request to terminate the procedure was unknown	*1*	*0,05%*
... The parties requested the termination of the procedure, because they reached an agreement, or the service provider made a commitment in the minutes, or they agreed to continue discussions (quasi settlement agreement)	*89*	*4,47%*
... The parties requested the termination of the procedure, because the petitioner accepted the service provider's position	*18*	*0,90%*
C) Section 112(3)c) of the MNB Act – it is impossible to continue the procedure	393	19,76%
D Section 112(3)d) of the MNB Act – the petition is unfounded, or it is not necessary to conduct the procedure, of which	1017	51,13%
... the petition is unfounded, or it is not necessary to conduct the procedure, and in an equity case the service provider did not make a proposal for settlement, or the petitioner did not accept the proposal for settlement	*904*	*45,45%*
... it is not necessary to conduct the procedure, because the parties reached an agreement or the service provider granted the petition(quasi settlement agreement),	*113*	*5,68%*
E) Section 112(2)e) of the MNB Act – existence of the circumstance specified in Section 107	10	0,50%
Total:	**1 989**	**100,00%**

OUTCOME OF THE ACCEPTED CASES

When comparing the years 2017 and 2018, it is clearly visible that in 2018 there were fewer cases when the procedure had to be terminated without an agreement between the petitioner and the financial service provider in the background. Furthermore, the proportion of cases increased, in which the actual reason for termination was the agreement (quasi settlement agreement) between the parties.

Altogether, 42.89 percent of the cases judged on the merits were closed with a result favourable for the petitioners, which represents a 2.19 percent increase as compared to the previous year.

Outcome of the accepted cases



NUMBER OF HEARINGS

During the year, 3,153 hearings were held, of which there were 388 continued hearings, i.e. cases, when the parties met each other on more than one occasion during the Board's procedure. The acting councils and Board members used this tool more frequently, first of all in equity cases, to further clarify the facts.

Number of hearings held in 2018 in conciliation cases

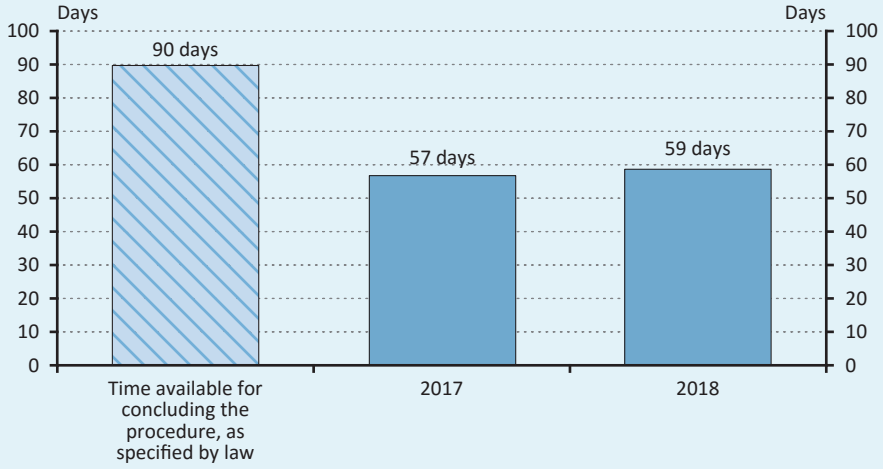
Month	number of hearings	number of continued hearings	Total
January 2018	292	26	318
February 2018	202	26	228
March 2018	241	41	282
April 2018	251	31	282
May 2018	267	37	304
June 2018	240	56	296
July 2018	191	22	213
August 2018	166	21	187
September 2018	258	25	283
October 2018	301	38	339
November 2018	263	44	307
December 2018	93	21	114
Total	**2 765**	**388**	**3 153**

AVERAGE LENGTH OF PROCEDURE

Section 112 of the MNB Act orders that the procedure must be concluded within ninety days from the launch thereof. The Chair of the Board may prolong this deadline by no more than thirty days.

In 2018 the closing of financial consumer disputes brought to the Board took 59 days on average, which was 2 days longer compared to the processing time in the previous year. The most typical reason for this was that in order to clarify the facts and facilitate a settlement agreement, the proceeding Board members scheduled continued hearings more frequently, or after the hearing they changed over to written proceedings in order for the settlement offer to be modified and accepted.

Average processing time

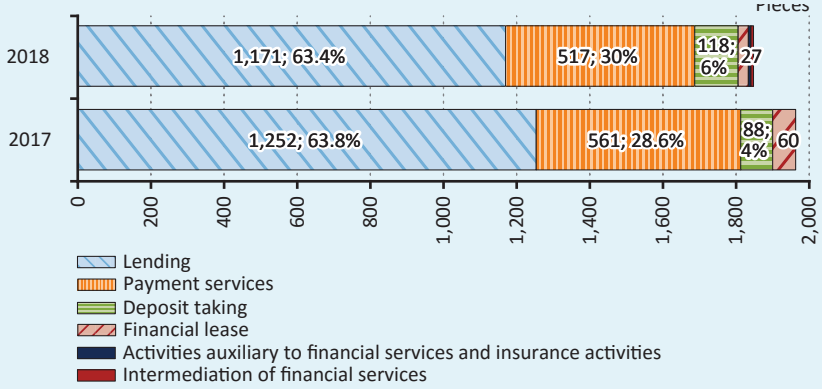


2.2 ANALYSIS, RECOMMENDATIONS AND WARNINGS BY SECTOR, WITH A VIEW TO PREVENTING OR RESOLVING FUTURE PROBLEMS

2.2.1 Disputes related to money market services

Among all cases submitted, the proportion of legal disputes relating to money market services was 55 percent. In 2018, there were 1,847 money market petitions, which represented a 6 percent reduction as compared to the previous year's data. Among money market cases, the proportion of product groups concerned by the individual petitions was similar to that in the previous year.

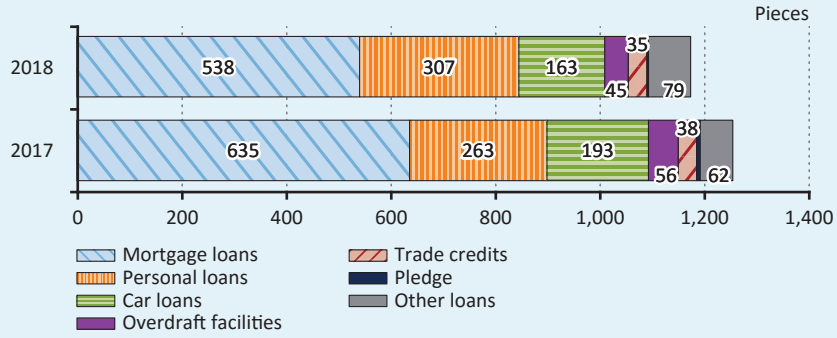
Number of money market cases submitted (pcs)



2.2.1.1 LENDING

Nearly two-thirds of the petitions concerning the money market sector were represented by lending facilities. 46 percent of the cases arose from mortgage contracts. Mortgages were followed by disputed cases relating to personal loans, representing a proportion of 26 percent. The 14 percent proportion of petitions relating to car loans can also be regarded significant. Legal disputes relating to overdraft facilities and trade credits represented a smaller proportion. Over 90 percent of equity petitions concerned the money market sector, and 80 percent of these were petitions aimed at the settlement of debts owed under the loan agreement on terms more favourable than the contract terms.

Number of lending cases submitted (pcs)



In 2018 the Board members judged 1,189 lending cases. The proportion of settlement agreements approved in a resolution was 29 percent, and a binding resolution was issued in one case. In 166 cases the procedure was terminated, because the parties reached an agreement outside the procedure. On the whole, the proportion of cases with a positive ending for petitioners rose to 43 percent, compared to the 42 percent in 2017.

MORTGAGE LOANS

In mortgage cases, most often the petitioners disputed the amount of debt, the fees charged, the default interest and the nominal interest rate, the repayment of savings deriving from real estate savings agreements, or the legality of assignment. In several cases the petitioners found that the termination was unlawful and requested the elimination of its adverse consequences.

Complaints relating to prepayment and final repayment (prepayment in part or in full) were subjects of several financial consumer disputes. In these cases, the petitioners objected to the rate and amount of the prepayment or final repayment fee, and there were petitions in which complaints were submitted concerning the failure of prepayment or final repayment because of the financial service provider's default. Regarding some of the latter cases the procedure was terminated, because the Board established that the failure of the planned prepayment or final repayment was due to the lack of a written application or claim needed for prepayment / final repayment, or a failure to submit the requested debt certificate relating to the value date of prepayment, or the lack of the total cash collateral needed for completing the prepayment or final repayment, rather than to the default of the financial service provider.

In some cases, the petitioners wanted to assert a settlement claim against the financial service provider by pleading the invalidity of the loan agreement. Most often they complained that the financial service provider had not provided adequate information about the special features of foreign currency denominated loans before concluding the contract. Primarily they complained about the inadequate assessment and evaluation of market risks and clients' ability to pay.

Recurring legal disputes with banks concerned combined loans. In these cases, the consumers took out interest-only mortgages combined with life insurance, backed by real property, where the mortgage part of the transaction was denominated in foreign currency, and the life insurance taken out to cover the principal debt was denominated in Hungarian forints. A special feature of the product was that the amount to be paid out according to the life insurance contract served for the repayment of the principal amount of the loan taken out at a later point. As compared to traditional loans, petitioners paid only a monthly percentage rate of charge (interest, handling fees), while the principal part of the loan was accumulated in the life insurance contract by payment of insurance premiums. In the case of such contracts concluded in 2007–2008, due to the unfavourable development of the exchange rates the amount of the principal debt was increased to such an extent that the insurance policies denominated in Hungarian forints did not cover it any more. If the savings accumulated in the insurance contract do not provide full coverage for the payment of the debt arising from the loan, then the loan debtor is obliged to pay the remaining difference. In accordance with this, following repayment of the amount deriving from life insurance, consumers still face a high principal debt and – as a result of conversion into annuity loan – significantly higher monthly instalments. In these cases, the petitioners often complained that their debt did not decrease significantly despite their payments, so it was necessary to extend the maturity, and even then, they had to continue the payment of instalments for an unforeseeable period. In several cases petitioners requested that their payment obligation be reduced, citing reasons of equity. Some of the cases were closed with a settlement agreement.

In several petitions the petitioners complained that the maturity of the contract had expired or would expire within a few months, but despite this – although they had been paying the instalments regularly all along the maturity period – debt remained at the end of the maturity. There were cases when the instalments according to the contract were determined on the basis of a maturity period longer than what was included in the contract. As a result of this, although petitioners paid lower monthly instalments than what they would have had to on the basis of the maturity included in the contract, some debt still remained at the end of the maturity. In such cases the incorrectly determined instalment results not only in remaining debt, but also that the instalments already paid by the petitioner may contain contributions, i.e. interest and charges, in a proportion other than determined originally. In one of these legal disputes the settlement agreement reached by the parties also included that the service provider would reduce the debt falling due at the end of the maturity period with overpayment created in respect of interest and handling fees.

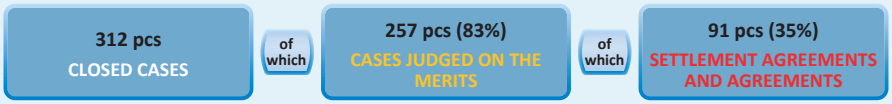
In respect of recently concluded contracts, proceedings were instituted in connection with claiming back the costs of concluding the contracts or the advantages granted upon concluding the contracts.

Claims related to state aid for housing and loans in the form of advances represented a special type of mortgage cases. Petitioners knowingly acted in these cases, they properly cited the relevant legal and contractual provisions, and they were aware of their possibilities. The majority of the procedures ended with a positive result for them, the parties reached a settlement agreement, or the procedure was terminated, because the financial service provider complied with the requirement included in the petition. There were only two petitions in which the petitioners complained that the financial service provider failed to decide the application for additional housing allowance, for a long time. In both cases the additional housing allowance was granted in the end.

In the context of participation in the NET programme, petitioners often complained that despite complying with the statutory conditions, their petitions were rejected with reference to business decisions. The law allows financial service providers to consider business aspects before granting their approval. Numerous petitions were submitted requesting the financial service providers to approve participation in the NET programme for reasons of equity.

In several cases petitioners also complained that following participation in the NET programme, the financial service provider kept debt on record against them. Customers failed to take into consideration that it was exclusively the part of loan debtors' debt deriving from the mortgage backed loan contract that could be cancelled, and other debts deriving from other contracts (e.g. personal loan) continued to exist, which they had to pay back.

Outcome of non-equity cases related to mortgage loans, closed in 2018, in figures



Equity cases related to mortgage loans

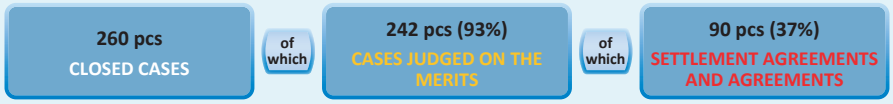
Banks continued tidying up their portfolios even in 2018, as a result of which claims deriving from a significant number of expired credit and loan agreements were assigned by the original financial service providers to debt management companies. This is the reason for the lower number of equity cases instituted against credit institutions. In equity cases, the Board mediates between the financial service provider and the petitioner in the interest of reaching a settlement agreement, but if no settlement agreement is reached, then the case has to be terminated. In equity cases the legal grounds of or the amount involved in the claim cannot be disputed.

In equity cases submitted in connection with mortgage loans, petitioners requested that their registered debt be cancelled in full or in part, or that an interest-free instalment scheme be applied. In some cases, the petitioners' motions for a decision were aimed at avoiding the legal consequences related to debts becoming payable in one sum, in particular, avoiding the institution of litigations or court enforcement proceedings, or suspending enforcement proceedings already in progress, or reaching an agreement relating to this. No settlement agreement was reached in cases when there was a major imbalance between the amount of the existing debt, the mortgage value of the property and the amount intended to be repaid by the petitioner, or when the petitioner wanted to undertake payment of such small monthly instalments, as a result of which only a disproportionately small part of the existing debt would have been recovered within a foreseeable, reasonable period. A settlement agreement was also reached in cases when enforcement proceedings had already been in progress against the debtor. In one case the real estate serving as collateral had already been sold during court enforcement proceedings, and because of the debtor's financial and social circumstances an agreement was reached concerning a claim involving HUF 50 million, according to which the remaining debt was cancelled and the petitioner had to pay HUF 5 million in a period of about 10 years, in the framework of an interest-free instalment agreement. In another case, in the settlement agreement the financial service provider undertook to cancel a debt of HUF 30 million provided that the detailed conditions to be fulfilled by the petitioner were complied with.

When petitioners fail to appear at the hearing, it may make it difficult to reach a settlement agreement, or it may even prevent such agreements. The Board's experience is that personal consultation between the parties facilitates solutions

that are acceptable by both parties, which may result in the conclusion of a settlement agreement. An increasingly higher proportion of petitioners found it possible to settle their debts in one sum, which they intended to realise from the price received after selling their real estate. When the purchase price that could be obtained from selling the real estate was lower than the actual debt, the petitioner requested the service provider to cancel the remaining difference. Financial service providers always consider business aspects when granting their approval to cancelling a debt. There was even a case in which the relevant service provider allowed that an interest-free instalment scheme be applied with regard to the debt remaining after the payment of a large amount.

Outcome of equity cases related to mortgage loans closed in 2018, in figures



PERSONAL LOAN

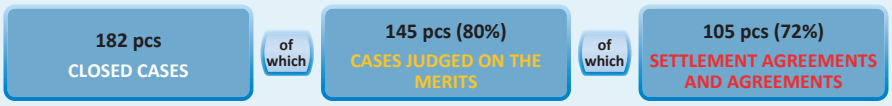
The majority of legal disputes relating to personal loans concerned contracts that the creditor had already terminated or even assigned, and thus a debt management company became the contract holder. In a few cases they contested the lawfulness of terminating the contract, and in a greater proportion of the cases they did not accept the existence of the debt or the amount claimed. Often the subject of the complaint was that financial service providers had commissioned collection agencies to enforce claims, or that the claims had been assigned. The multiple assignment of claims and the use of further collection agencies was the subject of numerous consumer disputes. Petitioners claimed that they had found it impossible to follow the process of debt management, or the amount of the remaining debt, or even the party that was the holder of the claim. In these cases, financial service providers prepared detailed statements on the development of the debt and on the amount of the interest charged.

In one case the petitioner disputed the existence of a debt deriving from a personal loan contract and already assigned by the creditor financial service provider to a debt management company, because two years after being notified about the termination of the debt, the debt management company had sent the petitioner a demand for payment concerning the same debt. The petitioner did not agree with this measure, as earlier he had been notified about having paid his debt back. In its answer, submitted during the procedure, the debt management company presented that it had reviewed the debts registered under the petitioner's name and regarded them closed, and that it had no further claims against the petitioner concerning the cases provided. In view of the debt management company's declaration, the petitioner withdrew its petition and the Board terminated the procedure. In several cases petitioners cited that the debt had been barred by limitation. It is gratifying that during the Board's proceedings financial service providers upheld justified pleas of statute of limitations, and in general they agreed to close the case besides explaining the legal nature of the statute of limitations.

The interest rate was disputed in a case, when an agreement was reached on reducing the debt by HUF 560 thousand, and on allowing the petitioner an extremely favourable interest-free instalment scheme by the financial service provider with regard to the payment of the remaining debt of HUF 1.8 million over a period of 120 months. Another petitioner also contested the amount of interest in the case, where the debt existing in connection with a loan taken out in 2009 was over HUF 1.4 million, because the petitioner irregularly made payments from 2011. Up until 2017, apart from the financial service provider that was party to the underlying transaction, several debt management companies had been involved, but the petitioner was not informed adequately about the involvement of the different financial service providers, and it was impossible for him to follow how much he owed and to whom. In the procedure conducted in front of the Board, the petitioner undertook to pay HUF 340 thousand plus interest. The financial service provider made an offer concerning the payment of HUF 550 thousand in instalments over a period of less than two years, which the petitioner accepted, but was unable to undertake the payment of the determined monthly instalments. The parties held further consultations during the procedure, and in the end, they agreed to apply a significantly more favourable interest-free instalment scheme than included in the original offer, over a period of four and a half years, which the petitioner was already able to undertake. Another procedure was instituted on the basis of an equity petition aimed at the cancellation of default interest and the application of an interest-free instalment scheme, where in the framework of a settlement agreement the financial

service provider allowed the petitioner in question an interest-free instalment scheme with regard to the payment of a debt of HUF 5.2 million over a period of 130 months.

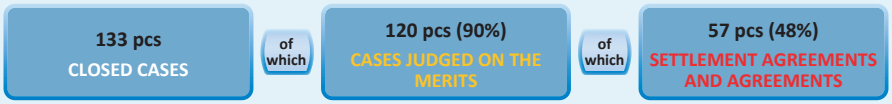
Outcome of non-equity cases related to personal loans closed in 2018, in figures



Equity cases related to personal loans

In the majority of the procedures concerning personal loans, petitioners intended to reach an agreement on the settlement of their debts. Some of the petitions were clearly equity petitions aimed at preferential payment terms. In many cases the parties were able to find a solution jointly to settle the legal dispute between them. Financial service providers were cooperative, large number of the cases were ended with a settlement agreement, and agreements were reached on the application of interest-free instalment schemes.

Outcome of equity cases related to personal loans closed in 2018, in figures



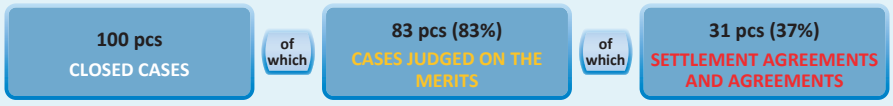
CAR LOANS

A significant number of petitions were submitted in connection with car loans. The large majority of legal disputes arose from earlier contracts denominated in foreign currency. Primarily, petitioners contested the amount of the existing debts and/or requested that the vehicle registration certificate be handed over to them. In the context of contesting the amount owed, even after the statutory settlement and conversion to Hungarian forints, in several cases they claimed that the contract was invalid, and on these grounds, they demanded a more favourable settlement than the conditions stipulated in the contract.

In numerous cases consumers found that the amount of their debt owed was still high, while the market value of their vehicle financed from the loan and serving as coverage for the debt was significantly lower than the value of the loan when it was taken out, i.e. the value of the vehicle upon purchase. There were several cases when the debtor did not own the vehicle any longer and its purchase price had been paid towards the debt, but despite this the service provider had claims. In some of these cases the petitioner claimed that the vehicle had been sold and the purchase price had been paid towards the debt, consequently the financial service provider could not lawfully assert further claims. The Board's experience was that some of the petitioners were not aware of the fact that the amount to be paid back on the basis of the contract relating to the loan taken out for financing the purchase of the vehicle was not determined by the current value and not even by the purchase price of the vehicle, but it can and must be determined on the basis of the provisions of the contract.

Most legal disputes arose from contracts involving a nominal amount of own contribution paid and thus a high loan amount taken out, and these contracts usually stipulated varying maturity periods and fixed instalment amounts, or later on the parties transformed the contracts to such schemes by mutual consent. During the maturity period the interest and exchange rate differences deriving from exchange rate changes were not paid monthly or at longer periods determined (quarterly), and they continuously accumulated as debt. As a result of the conversion into Hungarian forints stipulated by law, the consumers' principal debt determined in Hungarian forints was increased by the amount of the accumulated interest and exchange rate differences, as a result of which the consumers encountered a significant increase in the principal debt in their contracts. In these procedures they finally concluded agreements aimed at the settlement of the debts, and so consumers were in a more favourable situation as compared to the former conditions.

Outcome of non-equity cases related to car loans closed in 2018, in figures

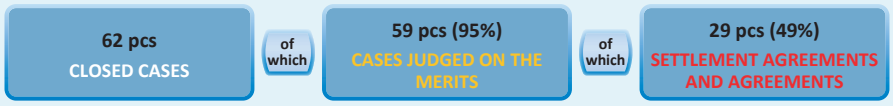


Equity cases related to car loans:

A large group of petitionersfind it difficult to pay the increased amount of debt back in higher instalments, who requested that their debts be settled on grounds of equity. Generally, they intended to settle their debts owed while keeping their car, applying a more favourable instalment scheme and reducing the amount owed. They wanted to sell their vehicles only in extraordinary cases. When the sale of the vehicle was raised, the financial service provider's representative often suggested that in the interest of minimising the costs borne by the petitioner in accordance with the contract, the petitioner himself should try to sell the vehicle, with the financial service provider's cooperation.

Several equity petitions were submitted in respect of this case type too, concerning the cancellation of debts, or the payment of instalments at reduced interest rates or free of interest. Service providers showed willingness to cancel debts, if the petitioner made a larger amount of one sum payment. They tried to take the petitioners' possibilities and understandable circumstances into account, and they cooperated with them constructively in the interest of settling their debts. In a few cases petitioners withdrew their petitions in order to be able to consult further with the financial service providers.

Outcome of equity cases related to car loans closed in 2018, in figures

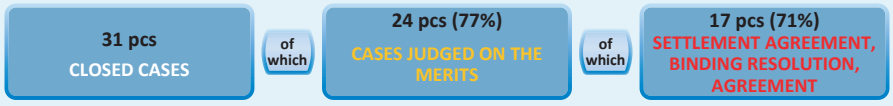


In the context of credit and loan transactions, the Board recommends consumers that before concluding contracts they should obtain good knowledge of the products offered by market participants and study the detailed conditions of the particular scheme selected.
It is important to know that the amount to be paid back on the basis of the contract relating to a loan involving real estate collateral or vehicle collateral in the case of financing the purchase of a vehicle, is determined on the basis of the provisions of the contract rather than on the basis of the actual value or purchase price of the real estate or vehicle collateral!
Financial service providers must endeavour to word contracts in plain language, and to assess consumer demands accurately when selling a specific product, and describe the relevant service provided as well as the characteristics of the product. They must inform their customers about all details of the debt owed by providing transparent and comprehensive statements even during the term of the contracts.

OVERDRAFT FACILITY

Financial service providers offer overdraft facilities on the basis of credit facility contracts linked to payment accounts, by making available an amount exceeding the balance of the consumer's payment account. This loan is a revolving loan, it can be used repeatedly within the credit limit, it is temporary, and it can be especially suitable for overcoming a few days of underfunding. Legal disputes relating to overdraft facilities mainly arose when petitioners wanted to settle their debts deriving from overdraft facilities but could not do so because of debts deriving from another credit or loan contract concluded with the financial service provider. This could happen, because, with reference to the contract and the operating rules forming a part of it, financial service providers – lawfully – credited the amounts paid onto the payment account towards the repayment of other loan debts or the payment of account debts.

Outcome of non-equity cases related to overdraft facilities closed in 2018, in figures

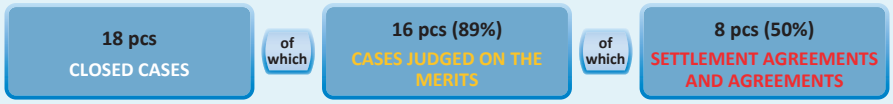


Equity cases related to overdraft facilities:

Cases related to overdraft facilities were often submitted as equity petitions. In cases when debts had been assigned, generally the assignee made a settlement offer. There were also examples of the petitioner rejecting the financial provider's offer.

There were several cases, when debts deriving from overdraft facilities were borne by the heir after the owner of the payment account died. The petitioner who acquired the inheritance contested the amount owed and complained about fees charged in connection with account-keeping and debt-handling. In several cases they presented that they would have paid back the debt, if the financial service provider had informed them about the amount to be paid and the account number to which they could have made the transfer. In these cases the financial services providers – in accordance with their regulations – claimed that bank account contracts did not terminate upon the account-holder's death, and in the lack of a final title to the estate the heir was unknown, so they could not provide information for the petitioners about the account.

Outcome of equity cases related to overdraft facilities closed in 2018, in figures

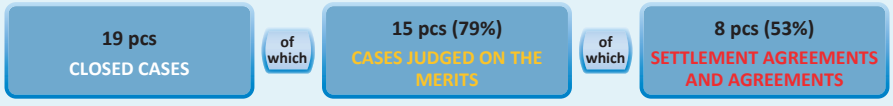


TRADE CREDITS

In legal disputes arising from trade credits provided for purchasing equipment used in everyday life and consumer products, and for using services, petitioners generally contested the amount owed. In several cases they raised the issue of statute of limitations. In one case the petitioner claimed that he did not have any debt arising from a contract concluded with the financial service provider 16 years ago. He claimed that he had already fulfilled his payment obligation earlier. In the procedure, the party extending the loan claimed that it had assigned its claim, consequently it was not in the position to make a settlement offer. The holder of the claim, the assignee debt management company was also involved in the procedure and presented proof of the amount owed. A payment order procedure was in process in the interest of asserting the claim, and a final decision was made in which the petitioner was obliged to make payment. With regard to this, the debt management company did not show willingness to cancel any of the debt, but cooperated in the interest of settling the debt, and, acknowledging the petitioner's circumstances, it allowed the application of an interest-free instalment scheme. In a settlement agreement they recorded the exact amount of the debt to be paid.

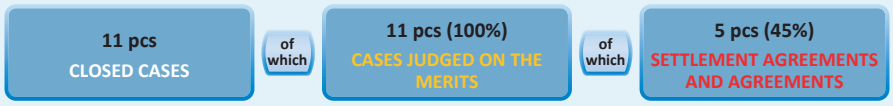
In the case relating to a loan contract concerning the purchase of goods, where the petitioner requested that the contract be terminated without further payment, it was established that the petition was unfounded. The petitioner claimed that he had informed the trader about his intention to withdraw from the sales contract by returning the goods to the trader. The financial service provider refused to fulfil the request, because the trader notified it about rejecting the consumer's declaration of withdrawal. The petitioner did not argue that the trader had not granted his application for withdrawal and had not accepted his declaration.

Outcome of non-equity cases related to trade credits closed in 2018, in figures



The subject-matters of equity petitions concerning trade credits included disputing the existence of the entire debt, disputing the amount owed, waiver of interests, and requests for payment in instalments.

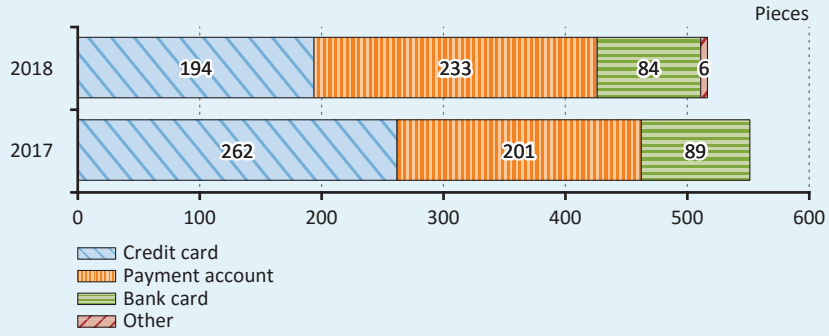
Outcome of equity cases related to trade credits closed in 2018, in figures



2.2.1.2 PAYMENT SERVICES

Within the cases related to the money markets, the highest number of petitions (517), after credit transactions, were received in respect of payment services, but their number was nearly 8 percent lower than in 2017. In 2017, credit card cases represented the greatest proportion of payment services. In 2018, 45 percent of the cases were represented by payment account cases.

Number of payment service cases submitted (pcs)



The Board closed 527 cases relating to payment services. Among the 455 cases judged on the merits, there were 160 settlement agreements approved in a resolution (35%), and in a further 56 cases, although the procedure was terminated, the parties reached an agreement outside the procedure. The proportion of cases closed with a favourable result for the petitioner was 47 percent.

CREDIT CARDS

As compared to previous years, the number of legal disputes relating to credit card agreements did not change significantly, but its tendency reduced. In a significant number of the cases, the problem was still caused by that for some reason the petitioners were not fully aware of the functioning of the credit card product. In many cases, petitioners claimed that it was because of the inadequate and deficient information provided by the financial service provider's administrator. In several cases they reported that they had not bothered to read the relating contract terms. In other cases, although petitioners read the contract terms, they themselves reported that despite the fact that they did not clearly understand all of the contract terms, they did not consult the financial service providers on them.

Credit cards have a credit line, and when using the card, card holders do not spend their own money, but the amount of the credit line registered on the credit account. Interest has to be paid on the amount used, just like on all loans extended on a commercial basis. The credit card is a product, which makes it possible for its holder to use the amount of money made available for the holder by the financial service provider, free of interest. However, the interest-free period can only be linked to purchases done with the credit card, provided that the relating conditions are fully complied with. Exemption of interest does not apply to cash withdrawal.

Credit card products are typically very complex, so the Board suggests that users should carefully study the conditions and preliminarily discuss their questions with their financial service providers.
It is important to know that besides making purchases, credit cards are also suitable for cash withdrawal through ATMs. However, given the terms relating to high interest rates, users should be very careful in order to avoid unexpected fees and costs.

In several cases clients contested the interest charged on the amount used via their credit cards. They claimed that purchases made with credit cards were interest-free, and they had paid the necessary minimum amount to be paid. In these cases, they were not aware of the fact that accomplishment of the minimum payable amount does not mean that the financial service provider does not or could not charge interest on the part of the credit line used but not paid back. The condition of exemption of interest is that by the end of the interest-free period specified in the contract, consumers must pay back the amount spent from the credit line in full. When planning repayment of the amount used from the credit line it should be taken into consideration that by paying only the minimum amount, it will probably take years to settle the debt owed, and a large amount of credit interest will be charged over the years, even if the user stops using the credit card.

Certain financial service providers regularly review the credit line allocated to the credit card, and even raise it as a result of their review, of which they notify their customers in the credit account statement. If the customer does not object to the raised credit line, then it becomes governing, and the raised credit line will be used when using the credit card. In such cases petitioners often claimed that they had not requested that the credit line be raised, so they did not want to pay the costs of the extra use resulting from the raised credit line. In some cases, they did not deny having used the additional credit line, but they claimed that they had not realised that the credit line had been raised, they had not been aware of using the raised credit line, and it had caused significant damage for them. There were also recurring petitions, according to which petitioners used trade credits with which they also received a credit card without requesting it, which they started to use.

It was a problem in several cases that card holders used their credit cards abroad, and the exchange rate indicated in the text message received after each use was not the same as the exchange rate applied when declaring the debited amount on the statement of account. In these cases, the financial service providers claimed that the data sent in the text message was only for information purposes, and the relevant exchange rate was determined by the card company, and the debiting took place at the exchange rate determined by the financial service provider.

Occasionally, in order to promote credit cards, financial service providers offer refunds on purchases, the conditions of which are specified in detail. Legal disputes also arose from how the financial service provider determined the amount refunded in the scope of the promotion. During hearings held in the course of the procedure, they successfully clarified the facts (for example refunds are made on the basis of the chronological order of the purchases made, or no refunds are due on purchases made from the overpaid amount of credit cards), which petitioners failed to take into consideration. In one case the petitioner complained that in respect of several quarters it had not received refunds pursuant to the refund scheme linked to his credit card. In its defence, the financial service provider provided a detailed description of the rules of the refund scheme linked to the credit card, according to which in respect of the quarters disputed, the petitioner did not comply with the cumulative conditions specified in the scheme. The petitioner understood and accepted the information provided, and the petition proved to be unfounded.

In another case the petitioner's credit card was stolen. In his petition he claimed that he was not obliged to pay back the amount spent by the unauthorised card user. During the procedure it was established that the contested cash withdrawals were made from an ATM, with the use of the PIN code, and even the petitioner acknowledged that he was not careful enough and kept the PIN code next to the credit card. Although the financial service provider refused to cancel the debt in full, on grounds of equity it waived the interest and the fees charged and allowed the petitioner the use of interest-free instalment payment with regard to paying the given amount.

It is necessary to raise awareness among consumers in order to enable them to act with due care when storing and keeping their PIN codes.

In the majority of legal disputes relating to credit cards, the experience was that petitioners found it difficult to understand the rules of card use. A settlement agreement was reached in a legal dispute where the petitioner complained that default interest was charged despite the fact that he had paid the credit line used within the payment deadline back in full. The service provider presented that amounts refunded by traders or service providers could not be regarded as repayment. The parties consulted each other and then reached a settlement agreement on crediting the default interest charged.

In some cases, petitioners claimed that unknown persons were continuously spending their credit line without their approval. Successful purchase transactions were made at the same trader using the given credit card, of which the service provider kept sending text messages to the petitioner, who failed to report the unapproved payment transactions immediately. The petitioner claimed that he had acted with due care, he did not disclose his data to other persons, and the card was always in his possession.

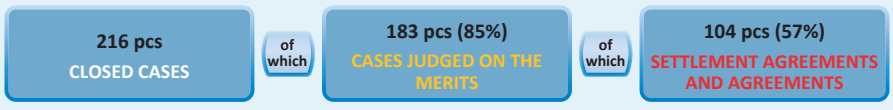
The Board recommends that consumers should pay special attention every time when they receive text messages about transactions not initiated by them. Every time they receive a message about a suspicious transaction, they should immediately contact the financial service provider and inquire about account transaction details too.

In several legal disputes relating to credit cards, petitioners contested the amount of interest charged. In one legal dispute the petitioner claimed that on the effective date he had paid his debt owed less HUF 122 back, but the financial service provider charged interest on the total amount used. The parties reached a settlement agreement, in which the service provider undertook to credit the charged interest in order to maintain a good relationship with the customer.

Petitioners report further difficulties in understanding the functioning of credit cards combined with trade credits, in the case of which the loan for purchasing goods is disbursed from the credit line linked to the credit card. Clients find it difficult to follow when they use the credit exclusively for paying the purchase price instalment, and when they use the revolving loan, or when they have to pay the purchase price instalment and the minimum amount due on the basis of the revolving credit line together (at the same time). In respect of legal disputes relating to credit card debts the financial service providers were cooperative, they made effort to find a solution, which was acceptable by both parties, and a significant number of these legal disputes ended with a settlement agreement.

The complex nature of credit cards and their uninformed use may generate high interests and costs for consumers. Consumers are expected to act carefully when applying for and using credit cards and obtain a good knowledge of the contract terms, as well as the term sheet.
Financial service providers are expected to word contracts in a transparent and comprehensible manner for their customers, including the documents containing the general terms and conditions forming a part of the contracts, and to make sure that their administrators provide full and accurate information when contacted in person or on the telephone.

Outcome of credit card cases closed in 2018, in figures



PAYMENT ACCOUNTS

The number of cases related to payment accounts increased as compared to 2017. The number of petitions submitted to the Board in connection with opening accounts was insignificant, but several legal disputes arose from the termination of payment accounts.

In several cases, payment accounts were not successfully terminated, because petitioners requested that their bank account be terminated in person at the bank's branch, but they failed to confirm this in writing. Termination in writing is

determined among the financial service provider's contract terms. There was a misunderstanding or mistake during the fulfilment of the oral instructions, which could not be subsequently reconstructed. The payment account continued to exist in the financial service provider's system, and it continued to charge fees related to account keeping. After a while amounts owed were accumulated on the payment accounts, but it may have taken years until petitioners were notified about it. Petitioners objected to the service provider's delay, and did not accept the claims asserted against them. In several cases, petitioners did not argue that they had forgotten about their payment accounts and failed to check subsequently whether the termination had actually taken place, and they could not recall whether they had received written notification about the termination of their payment accounts. They realised their failure only after they had received a notice from the financial service provider demanding payment of their debts of a larger amount, or they were informed while arranging their affairs in person that their account had not been terminated. The financial service provider – with regard to the petitioners' failure to present documents to certify termination of the payment account – rejected the reference to the earlier intention to terminate the payment account but cooperated with the petitioners in the interest of the settlement of the accumulated costs. In similar cases, on several occasions, parties concluded agreements in front of the Board relating to instalment payment, or, in cases deserving special consideration, interest-free instalment payment.

It was the topic of several petitions when one of the holders of a jointly held payment account, who received the account statements, did not communicate with the other account holder and did not even know his whereabouts. The account holder could not initiate termination of the payment account on his own, and on the basis of the letter of formal notice sent to him, he contacted the financial service provider. According to the service provider's General Terms and Conditions, jointly held payment accounts can only be terminated at the account holders' joint request. A solution in such cases may be that if the payment account shows amounts owed for a longer period, then the financial service provider should terminate it with ordinary notice, allowing a notice period of 60 days.

A problem relating to the performance of direct debits was that because of an administrative error or failure, in their computer system the financial service providers did not record the authorisation granted by the petitioner, needed for the execution of the order. The petitioners did not realise in time that the order had not been executed, or did not check it at all, and after 1 or 2 years – with reference to the failure to execute the order – they submitted a claim for damages.

Legal disputes could be partly avoided, if consumers were sent a written confirmation each time they make a legal statement in a bank branch or issue an order in person, or every time their order is executed, as it can be expected from financial service providers.
The Board recommends that consumers should insist that the transactions made be always recorded in writing.

Legal disputes relating to foreign currency transfer orders arose from the incorrect interpretation of certain boxes of the forms. No certificates of foreign currency transfer have been introduced or regulated at statutory level, and most service providers did not prepare documents or explanatory notes to help customers in filling out foreign currency transfer order forms. In connection with the execution of foreign currency transfer orders, in the majority of the cases petitioners contested the legal title, the extent and the amount of the costs charged. In these cases, on several occasions financial service providers were fair and willing to reduce the costs incurred at them. However, if a foreign correspondent bank was also involved in the transaction, they refused to reduce the costs charged by that bank.

In connection with cash withdrawals of larger amounts from payment accounts via cash-desks in bank branches, legal disputes arose when petitioners claimed that they suffered significant damage, because the bank clerk performing the transaction did not provide appropriate information on the amount and extent of the fee to be charged.

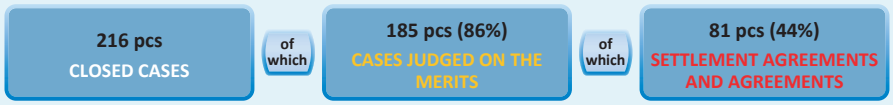
The act on payment services provides that service providers are obliged to inform customers about the charges and costs related to transactions, in the case of all transactions linked to payment accounts, before orders are issued. This also applies to cash withdrawal transactions. Consumers must insist that this rule be observed so that they can plan the incurred charges and make informed decisions on choosing the appropriate payment method.

Several disputes arose when in the payment account contract petitioners requested electronic information instead of information on paper, but later on they forgot to check their e-mail account regularly. As a result of this, they did not find out in due time or at all about important information concerning their bank account. For example, they did not realise

the costs accumulated due to lack of funds, which resulted in a significant amount of debts, or even in the termination of the payment account contract by the financial service provider.

It is important to check the statement of account sent by the financial service provider also because it may contain information about the financial service provider's expected measures, for example the changing of certain terms.

Outcome of payment account cases closed in 2018, in figures



BANK CARDS

The use of bank cards, particularly the number of bank card payments, showed an upward trend, while the number of disputes relating to the use of bank cards did not increase. Domestic payment activities performed by legitimate bank card holders with the use of bank cards has been progressing smoothly. Legal disputes arising from card use are generally related to unsuccessful cash withdrawal transactions initiated by the card holder via automated teller machines (ATMs). These legal disputes arose when the ATM did not dispense the amount entered by the card holder using the machine's keyboard, but a lower amount, or it did not dispense banknotes at all, and no error message appeared on the display, but the amount was debited to the payment account belonging to the card. Petitioners requested that the missing amounts be credited by the financial service providers. In some cases, petitioners claimed that the video cameras installed in the environment of the ATMs could verify their claims and requested that the video recordings be viewed. In these cases, the financial service providers always noted that the recordings made by the video cameras were not suitable for verifying the petitioners' claims. Generally, service providers refused to grant such requests. They claimed that based on the available data, the transactions were realised successfully. They attached documents (journal roll, stock-taking records, ATM error log) to demonstrate their statements. There was also an example of the financial service provider crediting the amount in question to the petitioner's payment account, with regard to good customer relations.

Financial service providers are making an increasing number of ATMs available for consumers, which also have a cash deposit function. There were legal disputes, when petitioners claimed that the ATM confirmed a lower deposited amount than what they actually deposited. Financial service providers rejected these petitioners' claims.

Several legal disputes arose when it was not the petitioner who initiated transactions with the bank card, and the petitioner claimed that such transactions should not have been approved. In the case of unauthorised bank card transactions made by unauthorised third persons, such persons mislead consumers and obtained their bank card data in a fraudulent manner. In some cases, such third persons sent an e-mail to the consumer on behalf of the service provider, calling upon the consumer to settle their accounts immediately, but in the e-mail, they included a false link to be used for payment. In other cases, fraudsters sent phishing e-mails to customers on behalf of their account keeping bank, suggesting that data reconciliation was required for which customers were to provide their bank card data (PIN code, CVR code) by e-mail. Service providers regularly, repeatedly and very strongly emphasise and publish in their announcements and on their websites that they never request their customers to provide data in this way.

It is recommended and appropriate to check text messages concerning bank account balances or internet bank accounts on a daily basis, and report any suspicious transactions to the account keeping financial service provider as soon as such transactions are detected for the first time, and it is especially important and recommended to block bank cards or credit cards in the case of suspected abuse.

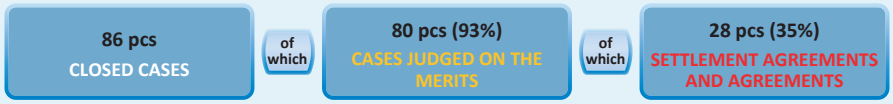
Parties reached a settlement agreement in a case when the petitioner claimed that an unauthorised person made a purchase using his bank card, but the financial service provider did not credit the amount charged in connection with the purchase to his payment account. The service provider maintained its legal position that its liability could

not be established, but exclusively on grounds of equity it offered the petitioner to reimburse damage in excess of HUF 45 thousand. The petitioner accepted the offer and the parties concluded a settlement agreement.

Several petitions were submitted in which petitioners claimed that without their knowledge and approval transfers of large amounts had been approved using mobile applications. In each case the transaction took place with the use of a mobile application subject to registration, and approval was granted via a QR code. At the time when the contested transactions took place, the financial service provider's IT system was not subject to attack, and in several cases the transactions were preceded by phishing attempts. Financial service providers have different procedures in respect of cases related to phishing. Some service providers refuse to grant requests for crediting, while others don't. In such cases the majority of the petitioners suffered significant damage, the sums wrongly obtained from payment accounts amounted to millions.

Do not provide data in e-mail! Be careful not to disclose your identification codes! Use several devices – computer, mobile phone – simultaneously during electronic banking, and be very careful not to disclose your contact data even to your immediate family members.

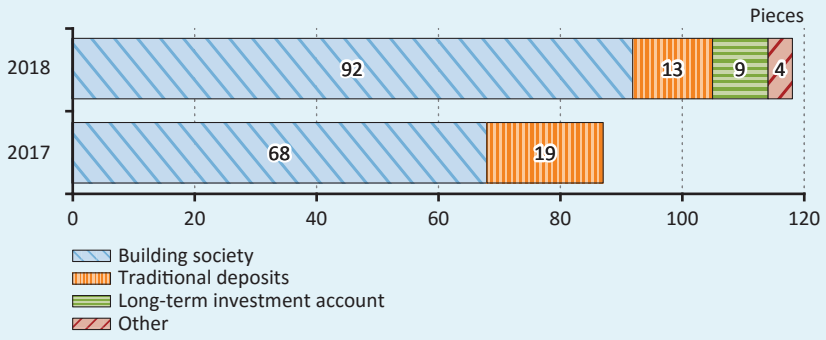
Outcome of bankcard cases closed in 2018, in figures



2.2.1.3 DEPOSITS

Among money market cases, cases relating to taking deposits represented a proportion of 6%, 78% of which were linked to housing savings. This product group is followed by normal or ordinary deposits representing a proportion of 11%. Legal disputes arising in connection with long-term investment accounts come last among disputed cases concerning financial products within the category of taking deposits.

Number of deposit taking cases submitted (pcs)



In 2018 the Board closed 105 cases related to taking deposits. Of the 94 cases judged on the merits, a settlement agreement was approved in 39 cases (47%) and further 9 cases were terminated because the parties reached an agreement. On the whole, the proportion of cases with a positive ending for petitioners amounted to 51 percent.

BUILDING SOCIETIES

Housing savings deposits are special deposits linked to use for housing purposes, and this scheme became popular among consumers first of all because state support could be requested when making deposits. In respect of housing savings deposits, legal disputes arose in connection with determining the amount of eligibility for state aid, crediting state aid,

calculating deposit rates, contesting the fees charged by financial service providers, accounting for the building society deposits paid, late disbursements, certifying and accepting use for housing purposes, the person of the beneficiary and modifying the person of the beneficiary, heirs entering the contract, the payment of deposits forming part of the estate, and the provision of insufficient information.

The factual circumstances recurring in several cases were that legal disputes were generated by the situation when deposit contracts were concluded with a view to taking out an instant bridging loan, but the financial service provider rejected the loan application. In these cases, interests were harmed because of losing the fee for opening the account, which the service provider did not pay back.

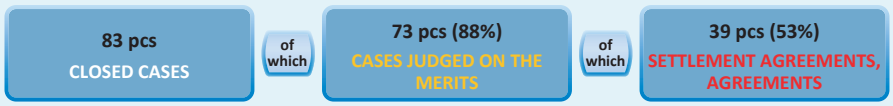
Before concluding housing savings contracts and determining the contract amount it is essential to be aware of that the fee for opening an account is adjusted to the contract amount, it is determined as a percentage of the contract amount, and it is not reimbursed if the contract is terminated.

Legal disputes also arose when the petitioner was advised by the financial service provider to enter into a housing savings contract, and years later the petitioner found that it had suffered damage as a consequence of concluding the contract, because the amount of the state aid available remained below the amount of the interests paid by the petitioner on the bridging loan. The certification of use for housing purposes was also the subject of some legal disputes, in the case of loans refinanced on multiple occasions. In these cases, although use for housing purposes did take place, previously the loan had been refinanced on several occasions. Loan refinancing can be regarded as use for housing purposes in a limited scope, and multiple refinancing is not included in this scope, so no state aid can be used for it. Financial service providers have no discretionary power. In other cases, petitioners claimed that in excess of their regular monthly savings they transferred further amounts onto the account in the given month stating the intended use of such amounts, but the financial service provider was willing to take over these amounts to another payment period only in return of a separate fee. According to the service provider, if holders of housing savings accounts do not deposit the amounts of savings as regularly and in the instalments as determined in the relevant scheme, then in the given period they can apply only for 25% state aid instead of 30%. Overpayment can be settled in return of a fee.

According to experience obtained from the individual procedures, consumers are not aware of the fact that the general terms and conditions of a market leader financial service provider allow it to terminate the bridging loan and housing loan contract with immediate effect, if the debtor's loan contract with another credit institution is terminated. Furthermore, if in respect of any loan contract concluded with the service provider the debtor or the co-debtor is over two months late in paying the instalments, the service provider, at its choice, is entitled to terminate all loan contracts concluded with the debtor or co-debtor, and all of the service provider's claims become due in one sum. In the latter case the service provider is entitled to terminate all its housing savings contracts concluded with the debtor or co-debtors, as a result of which the given deposit contract expires and becomes due, and the amount owed will be reduced by the amount deposited on the basis of the deposit contract.

In general, it can be stated, that in the majority of the cases financial service providers demonstrated a constructive approach to the solution of the problems contested by the petitioners, and they were open to concluding a settlement agreement.

Outcome of building society cases closed in 2018, in figures



TRADITIONAL DEPOSITS

The number of cases affecting traditional deposit and long-term investment account products was not significant. In petitions submitted concerning traditional deposits, petitioners mainly contested the rate of interest applied on the

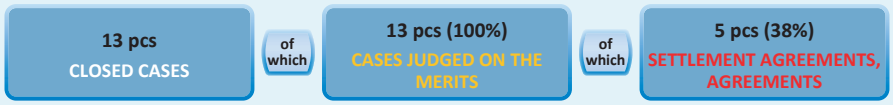
deposits, or they requested the payment of amounts deposited on savings accounts with restricted access opened by order of the Social Services, or payment of the deposited amount pursuant to a provision in the event of death, or they complained about the registration of car sweepstakes or about being refused to be provided with relating information.

Traditional deposits are among the products that consumers are the most familiar with, but when fixing deposits, the terms and conditions relating to the specific scheme selected need to be examined carefully, with special respect to the terms and conditions marketed in the framework of a promotion campaign.

As evidenced by the facts of one of the cases, a long-term investment account contract was concluded between the testator – being the account holder – and the financial service provider. The account holder died before the maturity of the deposited amount, which the heir reported to the financial service provider presenting the final title to the estate. The financial service provider credited the amount of interest due over the whole maturity to the payment account, and then it debited the amount of the preferential interest linked to the long-term investment account to the account. The framework contract was terminated at the petitioner heir's request, who demanded the payment of the reversed interest in his petition. The subject of the dispute between the parties concerned the date of termination. During the procedure the parties held in-depth consultations, as a result of which they reached a settlement agreement.

A further subject of the legal disputes arising in connection with long-term investment accounts concerned determining the amount of fixed deposits, loss of the possibility of claiming tax refunds, compensation for damages caused by not providing proper information, the occurrence of the obligation to pay fiscal charges on interest, account charges, complaints about late payment in connection with the termination of accounts, and preferential interest credited to the account being charged subsequently because of the account holder's death.

Traditional deposit cases closed in 2018, in figures



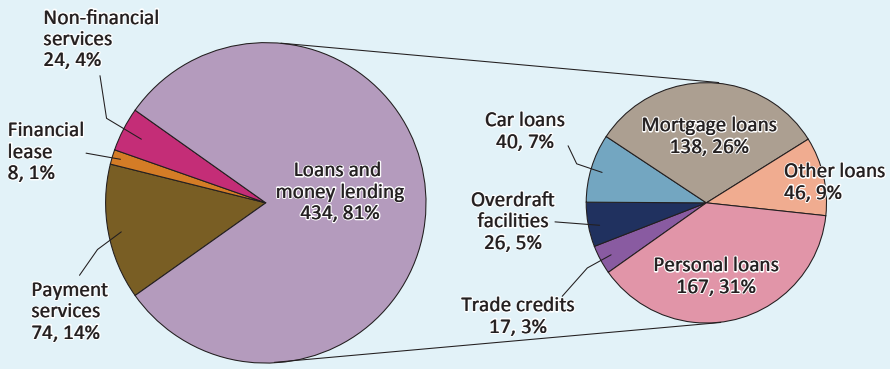
2.2.2 Cases of debt management companies

The Board is authorised to deal with the problematic cases between consumers and debt management companies, in which the initial legal relationship giving the subject-matter of the case was previously established between a financial service provider supervised by the Magyar Nemzeti Bank and a consumer. On behalf of credit institutions and financial enterprises they can contact their principal's customers in order to recover debt, acting as agents. In these cases, they act on the basis of contracts still in force – i.e. contracts that have not been terminated –, in the interest of maintaining contracts in force and avoiding termination, and they are entitled and obliged to execute the measures specified in their mandate. For example, they contact customers in person or on the telephone, and there may be cases when the aim is to reach an agreement concerning debts deriving from terminated contracts. In the case of a mandate, the debt management company acts on behalf of the principal, it does not become holder of the claim, consequently in connection with complaints or disputes arising from such cases, consumers concerned must institute proceedings against the mandating credit institution or financial enterprise.

Proceedings in front of the Board can be instituted against a debt management company, if it is the holder of the claim concerned by the petition, i.e. it has obtained the claim via assignment. The results of banks tidying up their portfolios could be observed in the development of the number of procedures instituted against debt management companies.

In 2018, 540 petitions were submitted against financial service providers dealing with debt management, 286 of which were equity petitions. Issues underlying these cases primarily included debts related to personal loans, home equity loans, overdraft facilities or credit cards.

Cases of debt management companies concerning money market products (pcs)



In some cases, petitioners contested the lawfulness of the assignment on the grounds that they had not approved to it. These grounds were unfounded, because the debtor's approval is not required for assignment, but obviously the debtors concerned must be appropriately notified about the assignment.

In many cases, the complaints submitted during the procedures conducted against debt management companies also covered the period before the debts were assigned. In their petitions, consumers often contested the financial service providers' proceedings, the manner, in which their earlier payments were accounted for, the terms and conditions applied, the amount the debt management company wanted to recover, or sometimes the validity of the contract. In their petitions sometimes they also involved the legal predecessor financial service provider in the pending procedure, i.e. they requested that proceedings be also instituted against the legal predecessor financial service provider. Following assignment, with a view to debt settlement, petitioners can only conclude an agreement with the holder of the claim, i.e. the debt management company, so the debt management company's involvement in the procedure was justified both in general and in equity procedures. Petitioners contested the amount of the debt in particular, the interests and costs charged. The legal basis for the claims was contested only in exceptional cases. If a claim is contested, its existence and amount must be supported by evidence by the holder of the claim.

Consumers are right to expect the financial service provider to justify without doubt the validity of the claim asserted by it. They should draw up a statement of claims asserted on different legal grounds, which is also clear for the petitioners, indicating – where appropriate – the legal basis of the claims too.

In several cases petitioners claimed that they did not remember the debts claimed by the debt management company, or they believed that the debt had been settled and their case had been closed. They also claimed that if they had known about the debt, they would have tried to find a solution to settle it during the long period that had passed, even if they had encountered difficulties in doing so. They complained that the debt management company or its legal predecessor failed to notify them for as long as 6-8-10 years about the debts registered by it on their accounts. It never sent a demand for payment or was unable to verify it. In many cases they submitted pleas of statute of limitations. A large majority of debt management companies, if they were unable to present proof of the interruption of the statute of limitations, closed the case and expressly stated that they would not assert further claims deriving from it under any legal grounds, and they would not institute proceedings aimed at asserting such claims. There was a small number of cases, when the financial service provider acknowledged the statute of limitations, and undertook not to institute legal proceedings in order to assert the claim, while at the same time it did not promise that it would close the case and remove it from its records.

Some customers claimed that the debt management company was not entitled to charge default interest on the assigned claim, and it was only entitled to the debts assigned by the legal predecessor, i.e. registered by the assignor. It is within the debt management company's decision-making and discretionary power to waive charging default interest. In a significant

number of cases instituted against debt management companies, consumers requested that the possibility of performance under conditions more favourable than the ones stipulated in the contract be ensured and fairness be exercised.

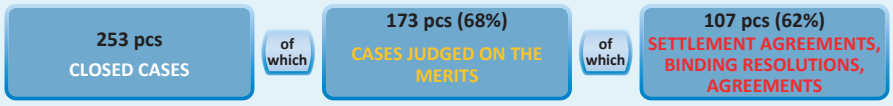
In equity cases, the Board mediates between the financial service provider and the petitioner in the interest of reaching a settlement agreement, but if no settlement agreement is reached, then the case has to be terminated. In equity proceedings, the legal grounds of or the amount involved in the claim cannot be disputed. In equity petitions, consumers generally request that lower instalments adjusted to their ability to pay be determined, or an instalment payment scheme with preferential interest rates or free of interest be applied, or sometimes, besides the facilitation of payment, they also request that a part of their existing debts be waived, and some petitioners even request that their entire debts registered be cancelled and the case be closed.

In most cases, debt management companies demonstrated a cooperative behaviour. The facilitation of payment mainly took the form of reducing or waiving the interests owed. Principal debts were rarely waived. This case type is characterised by that the service provider agreed to the waiver of a large amount, if the petitioner undertook to accomplish payment of a large amount in one sum. In several cases the procedure was terminated, because the debt management company had complied with the petition or made a commitment, which was recorded in the minutes of the hearing.

Generally, there is a greater chance to reach an agreement, if the debt management company sees the petitioner's intention to pay, for example, if the petitioner seeks agreement, accomplishes payments as it can do so, or maybe undertakes to pay higher monthly instalments than requested, or one larger amount. Debt management companies are less willing to reach an agreement, if they offer the petitioner different preferential settlement options on several occasions, but the petitioner rejects them all or fails to comply with the agreement concluded.

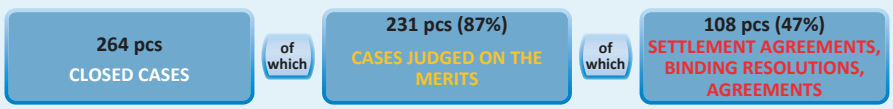
In some cases, it was also a problem that even though the person who attended the hearing on behalf of the debt management company was authorised to conclude a settlement agreement in the case that the debt management company's offer was accepted but could not make a final decision on the settlement offer newly proposed by the petitioner. In these cases, in accordance with the parties' statements, generally a continued hearing was scheduled, or the procedure was continued in writing, and there was even a case when the petitioner withdrew his petition with a view to further consultations.

Outcome of non-equity cases related to debt management companies, closed in 2018, in figures



In respect of claims due in one sum, asserted by debt management companies and deriving from terminated contracts, it is especially important – because of the increased interest burden and the costs and charges incurred in connection with instituting legal proceedings – that the parties should cooperate with each other in the interest of debt settlement.
It also serves the financial service provider's business interests, if it provides support and assistance for its customers in finding a solution to the situation, which is satisfactory for both parties.

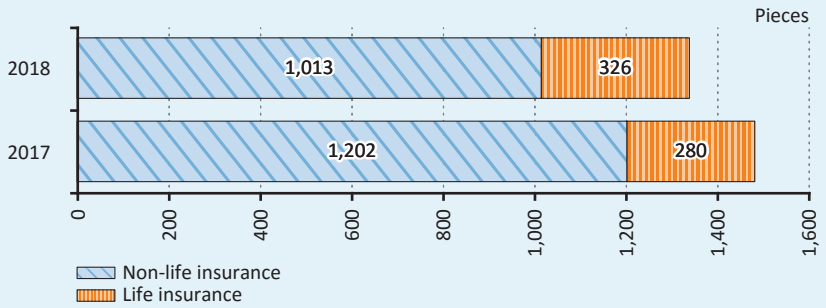
Outcome of equity cases related to debt management companies, closed in 2018, in figures



2.2.3 Disputes related to insurance

In 2018, 1,339 petitions were submitted against the participants of the insurance market. Nearly 40 percent of the cases were legal disputes arising from insurance relationships with insurance market participants, and this proportion corresponds to that observed in previous years. A shift towards legal disputes relating to life insurance could be observed in the distribution of petitions among insurance branches and insurance sectors. While in 2017 cases related to life insurance represented 19 percent of all insurance cases, in 2018 this proportion was 24 percent. This change was caused by the increase in the number of legal disputes relating to unit-linked life insurance. Nevertheless, legal disputes arising from insurance contracts within the non-life-insurance business represented the major proportion of the cases.

Number of insurance cases submitted (pcs)



97% of the petitions submitted were against insurance undertakings and insurance associations, while the number of proceedings launched against other participants of the insurance market, brokers, multiple agents, etc. was negligible.

The distribution of the cases among financial service providers reflects the market share of the individual financial service providers. Majority of the procedures were launched against the largest actors of the insurance market, i.e. composite insurers (insurance undertakings dealing with both life insurance and non-life insurance products). Over 60 percent of the petitions received were submitted against five service providers (Generali Biztosító Zrt., Groupama Biztosító Zrt., Allianz Hungária Biztosító Zrt., Aegon Magyarország Általános Biztosító Zrt. and UNION Vienna Insurance Group Biztosító Zrt.). On 1 April 2018, ERSTE Vienna Insurance Group Biztosító Zrt. and Vienna Life Vienna Insurance Group Biztosító Zrt. merged into UNION Vienna Insurance Group Biztosító Zrt., the effects of which could be observed on the annual number of customers of Union Insurance Company participating in the procedures as the legal successor.

The Board negotiated 1,149 cases on the merits, i.e. 86% of the cases submitted in connection with insurance, while it had to reject the petition without a hearing in 194 cases due to the lack of competence, procedural obstacle (absence of complaint procedure, final court ruling) or failure to comply with the request for supply of missing information . In 27 percent of the petitions submitted – 305 cases – the parties reached an enforceable settlement agreement in accordance with Section 120(1) of the MNB Act. 2 binding resolutions and 1 recommendation were issued in insurance cases. In a further number of 135 cases a settlement agreement was reached between the parties outside the procedure, or the financial service provider, having revised its former position, voluntarily granted the petitioner's request in full. In these cases, although the procedure was terminated at the parties' joint request or at the petitioner's one-sided request, the petitioner's demand was still satisfactorily settled. 39 percent of the petitions submitted concerning the insurance market ended with a positive result for the petitioners.

On 51 occasions preliminary issues arose, which made it impossible to conduct the proceedings efficiently, but as a result of the proceedings the parties agreed to continue to consult each other in the interest of resolving the legal dispute. In these cases, petitioners withdrew their petitions, or the parties jointly requested that the procedure be terminated. Although the procedure did not provide a final solution for the dispute between the parties, it still facilitated to overcome the impasse and to restart communication between the parties. This solution does not prevent consumers from initiating proceedings in front of the Board again. However, experience shows that only in a few cases of this type did consumers turn to the Board repeatedly, which – probably – meant that the parties' consultations were successful.

There was a tendency for service providers to initiate direct consultations with the consumers after the institution of the proceedings, as a result of which in numerous cases they voluntarily granted the petitions or recorded their agreement relating to the settlement of the legal dispute in a separate agreement.

Based on the settlement agreements reached in cases related to the insurance sector, the binding resolutions and recommendations issued by the Board, as well as the unilateral performance of the financial service providers, financial service providers paid almost HUF 112 million to consumers.

Among the cases related to insurance, the number of equity cases was negligible: in 2018, only 21 equity petitions were submitted in such matters.

General experience, problems

It is a general experience that the general terms and conditions (general and special policy conditions) applied in respect of insurance policies signed with consumers, the consumers concluding the contract do not study the contract carefully enough, they rely only on the oral – often deficient – information provided by the broker acting in concluding the contract, and they are not aware of the exact content of the contract. Because of this, only later, upon the occurrence of a loss event do they become aware of what risks are actually covered by the insurance policy signed by them and under what terms, or what events and circumstances are excluded from compensation under the given insurance policy. In these cases, if the handover of the insurance terms and conditions is properly documented, petitioners cannot claim that in fact they had not received or had not obtained knowledge of the conditions despite their written declaration in the proposal documentation.

This issue is especially significant in the case of contracts concluded via electronic means. Nearly all national insurance undertakings – irrespective of which insurance branch and sector – enable consumers to make their proposal for concluding an insurance contract via electronic means. The activity of the largest online brokers is explicitly built upon the intermediation of insurance policies taken out via electronically placed offers. When making insurance proposals via electronic means, the increasingly more sophisticated technical solutions almost always require that the relating insurance terms be opened or downloaded, and this, together with the acceptance of the terms and conditions by the consumer, is documented electronically. Despite this, very often consumers – notwithstanding their statement – do not actually read the downloaded document and are not aware of the provisions included in it. In this context, insurance undertakings often offer a discount to encourage electronic communication with the contracting parties, which, unless due care is exercised, may result in that consumers do not find out in due time about legal statements and notices having significant legal effects, sent by the insurance undertaking electronically (by e-mail or through the customer portal). These problems are especially common in the case of compulsory motor third-party liability insurance.

> Legal disputes relating to electronic communication could be avoided in many cases, if insurance undertakings verified by sending a confirmation e-mail whether the electronic contact data provided by customers upon making their proposal is genuine and actually used.

The subject-matter of typical legal disputes arising from certain loss events is whether the given loss event qualifies as an insured event, i.e. an event triggering the insurance undertaking's obligation to assume liability as determined in the conditions of insurance, or not. Disputes relating to the fact and circumstances of the occurrence of loss events are common. If damage assessment takes place at a later point, and the consumer starts to eliminate damage in the interest of preventing further damage, and changes the injury picture by doing so, it is essential that the damage situation be documented in detail. According to consistent and long-standing judicial practice, it is the insured who has to prove the fact that the insured event occurred, the causal relation between the insured event and the loss incurred, as well as the sum of the damage, but often, in the lack of appropriate documentation, they are unable to justify the soundness of their claims asserted against the insurance undertaking.

> Upon the occurrence of loss events, injured parties themselves should practically document the injury picture, as a result of which discrepancies between parties' different views could be clarified in many cases.

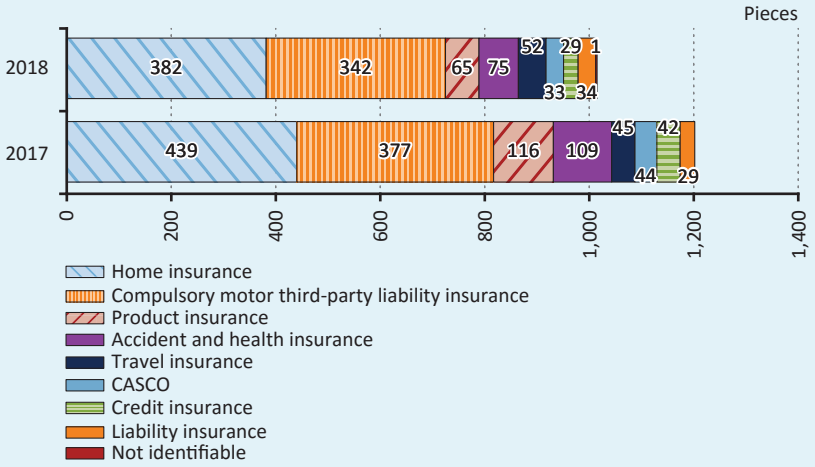
Very often essential issues arise, relevant for making a decision on the merits of the case, the assessment of which is within the competence of an expert (technical, price or medical expert). During the proceedings in front of the Board the secondment of an independent forensic expert or the taking of broad evidence is not possible, so in these cases the acting council was unable to make a decision on the merits and had to terminate the proceedings.

2.2.3.1 NON-LIFE INSURANCE CASES

91 percent of non-life-insurance petitions, i.e. 916 cases concerned fire and property damage, compulsory motor third-party liability insurance, goods insurance, accident and health insurance, and travel insurance.

The Board closed 1,027 cases, and in 86 percent of these cases (in 887 cases) a decision on the merits was made. A settlement agreement was approved in 246 cases (28%), in 1 case the acting council issued a binding resolution, and in 1 case it issued a recommendation. 113 of the terminated cases were closed by the parties' preliminary agreement, which on the whole raised the proportion of the cases with a positive ending for the petitioners in this category to 41 percent.

Number of non-life insurance cases submitted (pcs)



HOME INSURANCE

The largest proportion of the insurance cases submitted, similarly to previous years, originated from retail non-life-insurance contracts, and within that from disputes related to home insurance policies. These disputes relating to home insurance policies accounted for 38 percent of all insurance cases. The vast majority of the cases comprised storm, cloudburst and hail damage, damage caused by natural disaster, fire and explosion damage, and theft.

In cases related to home insurance, legal disputes may arise concerning numerous issues, due to the complexity of the cases. The most typical subject-matter of these legal disputes is whether the given event can be actually regarded as an insured event covered by the financial service provider's risk-taking, whether the injury picture on the site demonstrates the occurrence of the insured event reported, whether there are conditions excluding the financial service provider's performance, whether the damages are justified, whether the extent of the service to be provided in the scope of insurance services has been clarified.

In a significant number of cases the occurrence of the insured event was not disputed by the parties. In each case service providers examine the circumstances that influence their service provision and the amount involved. The terms and conditions determining and influencing the services provided by insurance undertakings are included in the general and additional conditions of insurance. The experience is that consumers still do not study the relating contract terms, and they are not aware of what events can be regarded as insured events and how the extent of the service is determined, and the loss events are not properly documented. It is especially important to know that events in the ordinary sense (e.g. storm) do not always correspond to the definition of insured events specified in the contract terms. In some cases,

the description or definition of the insured event itself raises questions. For example, according to the definition of piped running water damage included in certain insurance conditions, an insured event occurs, if the outflowing water causes damage to the insured movable assets, so according to this definition, the breaking of the pipe by itself does not qualify as an insured event. Such regulations may conflict with the obligations prescribed in the context of mitigation relating to the injured party, the infringement of which may result in the exemption of the insurance undertaking. In these cases, it is difficult to draw the line determining the limits of the insured party's generally expected behaviour.

In each case the Board makes effort to draw consumers' attention to conclude contracts with caution, and record and report loss events appropriately. When considering claims, both the Board and financial service providers require sufficiently detailed evidence in support of claims (e.g. price offer, invoice, obtaining expert opinion).

It is not always easy to judge legal disputes. The Board makes decision on the basis of the documentary evidence available and the statements made during the procedure, and it has no means of making onsite inspections or using other non-documentary evidence. In cases when the judgement of a case depends on technical issues and expert opinions are not available or they are in conflict or contradiction with each other regarding their content, it is impossible to continue the Board's proceedings. Special technical issues may include, for example, judging whether the injury picture documented with a photograph (roof damage, plaster coming off) is linked to storm damage or derives from a failure to fulfil maintenance obligations, whether the loss event occurred before the effective date of cover or during the insurance undertaking's risk-taking, whether the failure of an electric device occurred because of the secondary effect of lightening or a different event involving overvoltage or voltage fluctuations.

In many cases the subject-matter of legal disputes was the amount of the benefits provided. In respect of certain insured events some damage is not recovered, even if it would seem obvious, for example, when due to the secondary effect of damage caused by lightening an old type of gas boiler cannot be economically repaired, and the modified prescriptions provide that only a more modern gas boiler can be installed, for which further supplementary modernisation work is required. In this case the service provider considers individually the benefits (labour and material costs) with which the original conditions could be restored, and the limit above which costs would already constitute value increase from the aspect of the insured item.

Loss events involving total loss represented a special issue. In the case of more significant damage, when for example a real estate is completely destroyed, most commonly legal disputes arise from determining the market value of the real estate at the time of the damage, and from determining the sum insured. The services provided in the case of total loss are specified in the insurance undertakings' contract terms. Petitioners often believe that in such cases the insurance undertaking is obliged to pay the entire insured sum determined in the policy. However, the relating contract terms generally provide that if the petitioner does not intend to restore the building at the place of risk-taking, the insured company pays the market value of the building decreased by the residual value. Consequently, the basic problem is that it is not the value of the building, but the sum insured that is covered by the insurance. The sum insured determined upon concluding the contract – and generally recommended by the insurance undertaking – is modified annually by the degree of indexation. The insurance premium is adjusted in proportion with the changing of the sum insured. The sum insured does not equal the market value of the building, but the maximum restoration costs as determined in the contract. The payment of these costs is also regulated by the contract terms, according to which if the costs of restoring the building exceed the real estate's market value, and the insured party does not intend to restore the real estate at the place of risk-taking, then, with regard to the no-profit rule, the insurance undertaking reimburses the market value of the damaged real estate decreased by the residual value. The insurance undertaking is obliged to pay the difference between the market value reduced by the residual value and the actual restoration value (but maximum the insured sum) only if the insured party restores and rebuilds the real estate, supported by invoices.

Concerning the problem area outlined above, there is also a high number of cases when due to the incorrect determination of the sum insured applicable to real property or to the rejection of periodic (annual) index-linking, the insurance undertaking establishes that the property is underinsured. It caused a problem in several cases that certain premises inside the property were not shown appropriately in the proposal documents, and the proportion of residential areas to non-residential areas did not reflect the actual situation. Determining the individual movable assets insured may result in a similar problem. In addition to general household assets, certain movable assets (jewellery, collections items, etc.) must be stated separately, or otherwise they are not covered by the insurance. If the sum insured is lower than the value

of the insured interest, the insurance undertaking reimburses the loss as a proportion of the sum insured relative to the value of the property item.

It would be desirable to include in the conditions of insurance an explanation of the principles underlying the determination of the sum insured and the legal consequences of underinsurance, which is clear and suitable for raising awareness, also taking into consideration the characteristics of the individual property groups. It is also necessary to stress that the correct designation of the sum insured, the application of value adjustment and the reporting of changes in value is in the interest of the insured party.

In the case of theft damage arising from burglary, in addition to defining the value of the stolen assets and whether the individual assets had indeed been insured, the most frequently debated question is the protection level of the real estate. The vast majority of home insurance products provide reimbursement for stolen assets depending on the protection level of the property. Contracting parties are often unaware of the exact nature and quality of the protection to be installed in the insured property to ensure that the protection level satisfies the insurance terms and conditions. In home insurance policies the amount of cash stolen in a burglary is maximised, and special requirements are included for high-value assets (jewellery, works of graphic or plastic art, etc.). In many cases, the value of the cash and the assets actually stolen is not reimbursed on the basis of the insurance.

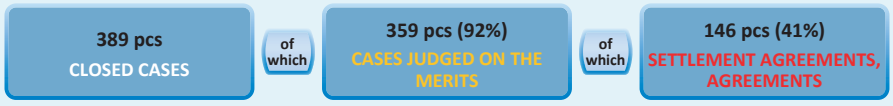
In the case of theft damage arising from burglary, the contracting parties or the insured parties must be aware of the fact that the insurance undertaking will not pay automatically the sum insured specified with regard to the given insured asset group, but they themselves as being the injured parties will have to prove – after the occurrence of the theft being the insured event – the existence and the value of the stolen assets, i.e. the occurrence and the amount of the damage. It is essential to document the insured assets, for example by keeping the invoices certifying acquisition of the assets, by making an appraisal, by taking photographs, or by making video recordings.

Modular insurance products are increasingly more common on the insurance market. These are combined, multi-coverage, complex insurance products, which consist of basic property insurance related to a building (and the movable property inside it) and the related optional supplementary insurance and additional cover freely selectable by the customer. It is beyond doubt that these insurance products provide contracting parties with substantial freedom to select the risks they want to cover; however, during the contracting process it often happens that the designation is not clear, and due to the misinterpretation of the fields in the proposal form, the actual cover does not satisfy the purpose intended by the contracting party and it does not cover the risks that the contracting party would have liked to insure.

Supplementary insurance can also be taken out with a number of home insurance products, but supplementary insurance is even more typical in the field of life insurance, health insurance, private persons' and property owners' liability insurance and pet insurance. Supplementary personal insurance policies (life and health insurance) extend the insurance cover to a group of insured parties that cannot be identified in advance by name. Conditions of becoming insured include residing at the place of risk-taking, being a relative or a close relative of the contracting party or belonging to a certain age group. In several cases legal disputes arose from that the age of the contracting party and the insured party identified by name exceeded the limit already at the time of concluding the contract, below which they would have been covered by the insurance. The insurance brokers sold the product without pointing out this circumstance. In one of these cases the Board issued a binding resolution, while in other cases the parties reached a settlement agreement, in the framework of which the insurance undertaking paid back the premium calculated with regard to the given risk to the contracting party.

The Board's experience is that in the individual procedures the financial service providers generally cooperate with the consumers and with the Board in the interest of the amicable settlement of the case. Reconciliation in respect of the comprehensive exploration of the facts related to the incurred claims ended with success in a large number of cases, as a result of which the insurance undertakings often modified their position formulated during the claim settlement procedure concerning the legal basis or the amount of the insurance benefit. The participation of a loss assessor at the hearing on the part of the financial service provider contributed greatly to reaching a settlement agreement. During the procedure loss assessors were entitled to review loss calculations carried out previously. A significant number of the cases were closed with a settlement agreement, while in other cases petitioners acknowledged that they needed to have a better knowledge of the insurance conditions in order to submit appropriate claims and successfully assert them.

Home insurance cases closed in 2018 in figures



MOTOR INSURANCE

In addition to home insurance, the largest number of disputes taken to the Board originate from motor insurance. Disputes originating from compulsory motor third-party liability insurance and CASCO insurance accounted for 26 percent and 2.5 percent of all insurance cases, respectively. The proportion of cases linked to motor insurance among all insurance cases was basically the same as in 2017.

Disputes arising from **motor third party liability insurance** still related to non-coverage premiums payable for the uncovered period stipulated in Act LXII of 2009 on Compulsory Motor Third Party Liability Insurance (*MTPL Act*), the bonus-malus classification of the insurance, the amount of the insurance premium specified for the contract, and the claims for indemnification submitted by the injured parties of accidents (loss) caused by motor vehicles.

In a significant number of the cases related to non-coverage premium, the reasons for the termination of contracts on the grounds of a failure to pay the premium included incomplete or incorrect contact data provided by consumers (e-mail address, address of correspondence) and lack of due diligence when using electronic communication. In many cases problems occurred because consumers failed to check the e-mail messages sent to them on a regular basis, or substantially contested that such messages had been actually sent to them. It was revealed again in a large number of conducted procedures that, in order to benefit from the discounted premium, even those consumers opted for online contracting or electronic communication, who did not even have their own computer or e-mail address. Cases where the e-mail address of the broker was indicated as the communication channel, and the registered keeper of the vehicle – the contracting party – did not receive the insurance undertaking's message in due course formed a separate group of problems. In several cases they found out from the competent government office's resolution on deregistering their vehicles that they did not have a valid compulsory motor third-party liability insurance contract. In this respect, government offices followed various practices: in some cases, deregistration took place after a few months, in other cases after over six months of uncovered period, which resulted in a significant amount of non-coverage premium. In several cases consumers complained that the service providers returned the premiums paid with regard to the contracts cancelled due to non-payment only with delays of several months, as a result of which they believed for a long time that everything was all right with their insurance.

A significant number of problems arising from incorrect or unused e-mail addresses could be eliminated, if during the proposal a confirmation message sent to the e-mail address specified by customers formed part of the contracting procedure, where by clicking on an authentication link, customers should confirm that the proposal was made by them and that they accept this form of communication as binding on them.

Cases related to bonus-malus classification are still linked to the changing of insurance undertakings, payment of damages, and transferring the classification to another vehicle in the case of selling the insured vehicle. In 2018, a specific case within this case group was the transfer of the contract portfolio of MKB Általános Biztosító Zrt. and then Pannónia Általános Biztosító Zrt. to AEGON Magyarország Általános Biztosító Zrt. During the transfer, deficiencies and problems in data recording occurred in several cases, as a result of which the bonus-malus classification of numerous consumers was entered incorrectly in the Central Claims Records System. In these cases, the service provider was especially cooperative during the procedure, and after data reconciliation and making the necessary modifications it recorded and appropriately modified customers' bonus-malus classification.

The previous trend continued, and an obviously lower number of cases relating to premium advertising and ***premium rates*** were taken to the Board. In respect of determining the fee relating to individual contracts, upon concluding the contract, the contracting parties concerned bear notification and cooperation obligation. With regard to each individual contract, insurance undertakings determine the premium based on the premium rate advertised, and during the given insurance period they can change it only in exceptional cases. In addition to the bonus-malus classification, the insurance

premium determined with regard to the individual contracts is also influenced by further facts, such as the surcharge charged on the party causing damage, place of residence, age. Practically, the proposal relating to concluding a contract and suiting the insurance undertaking's premium rate should be accurate and correct, which, unfortunately, could not be observed in each of the disputed cases.

In cases related to sending appropriate notification on the annual premium due following the reference year, the parties concluded a settlement agreement in several cases, where they agreed in the termination of the contract by mutual consent subject to pro rata settlement. This permitted petitioners, in view of the expiry of the contracts, to conclude new compulsory motor third party liability insurance with a different insurance undertaking, perhaps with better conditions.

The tendency observed in previous years continued in 2018, and an increasing proportion of legal disputes relating to compulsory motor third party liability insurance was represented by ***proceedings instituted by injured parties involved in accidents (losses)***, in the course of which, pursuant to Section 12 and Section 28 of the MTPL Act, injured parties submitted their claim for damages directly to the insurance undertaking of the operator of the vehicle causing the damage. This category of cases differs from other insurance cases in such respect that in these cases, the insurance undertaking becomes obliged, based on the substantiated obligation for claims arising from the loss caused by its insured party, to exempt the insured person causing the damage, in the manner and to the degree stipulated in the MTPL Act, from the reimbursement of the damage or the payment of grievance fees. In these disputes the insured perpetrator's liability for damages is a regular subject of dispute. In some cases, in the lack of inspecting the vehicle identified as the vehicle causing damage, it was not possible to identify the mechanism of the accident and the injuries, and the injured party's claim was rejected. In these cases, the vehicle identified as the vehicle causing damage could not be inspected, because the operator of the vehicle causing the damage did not cooperate with its liability insurer, did not make the inspection possible, and the insurance undertaking could not enforce cooperation either on the basis of statutory or contractual provisions.

In the case of road accidents, when no official scene investigation is performed by the police, it is essential to document the circumstances of the loss event on the scene, the position of the vehicles with respect to each other, and the damage caused. This can be appropriately done using an average smartphone. Later on, during the settlement of claims, these photographs bear considerable importance as evidence.

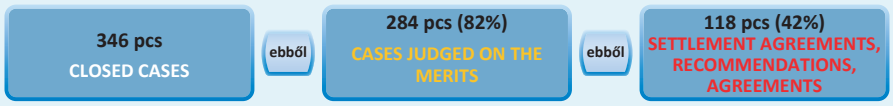
In many cases, the party identified as the party causing the damage acknowledged his liability in writing on the scene, but his insurance undertaking rejected the injured party's claim or applied loss distribution with reference to that the insured party was not responsible for the occurrence of the loss event. Pursuant to Section 12 of the MTPL Act, insurance undertakings are entitled to examine the issue of liability – even if liability has been acknowledged – and, where appropriate, reject the claim for damages or apply loss distribution. Regarding rejection, the insurance undertaking cited that based on the inspection of the mechanism of the accident it had found that its insured party had incorrectly assessed his civil liability, the insured party had withdrawn his declaration and the liability for infringement did not substantiate the simultaneous civil liability of the party causing the damage. In these cases, the Board's task was to make a decision concerning liability on the basis of the available documents and statements, which in fact meant the interpretation and application of statutory provisions relating to road traffic rules. In some cases, this can be done on the basis of the documents available, and in some cases the submitted claim cannot be judged without obtaining expert opinion or inspecting the scene. In numerous similar cases a settlement agreement could still be reached as a result of the insurance undertaking revising the evidence, while in other cases loss distribution was applied.

A specific case type was represented by cases involving the settlement of injured parties' claims arising from damage caused by vehicles not having a compulsory motor third-party liability insurance contract or by unknown vehicles. In these cases, the claim for damages must be submitted to the operator of the Compensation Fund. Pursuant to Section 3 Point 17 of the MTPL Act, an unknown vehicle is a vehicle that cannot be identified even subsequently, because it left the scene of the accident or does not have identification data or has false or not recognisable identification data. According to the provisions included in Section 35 of the MTPL Act, the Compensation Fund operator's obligation to pay compensation does not cover damage caused by an unknown vehicle in the injured vehicle, except if the accident caused by the unknown vehicle results in death or serious personal injury.

In the cases concerned, apart from the petitioner there were no other known non-participating witnesses to the accident, no witnesses were located during the infringement procedure, no trace material deriving from the vehicle causing the

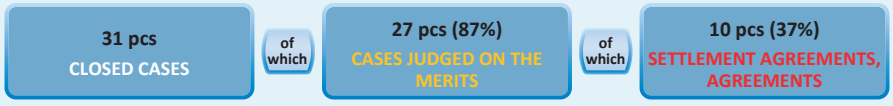
accident or other traces were found at the scene of the accident, and the police did not even make an attempt to inspect the vehicle designated as the vehicle that presumably caused the accident. Thus, the time when the injuries on the vehicle occurred or whether these injuries were compatible with the loss event could not be substantiated, and it could not be considered as established that the injuries on the damaged vehicle actually derived from the accident reported. With regard to that the vehicle causing the damage was not clearly identified by the investigating authority, on the basis of the available documents no circumstance was revealed on the grounds of which the perpetrator's civil liability could have been clearly established. In these cases, on the basis of the available evidence – which basically did not contain data relating to the vehicle designated as the vehicle causing damage – no causal link could be clearly established between the attributable harmful conduct of the infringing driver of the vehicle specified by the petitioner and the damage caused to the petitioner; for this reason too, the operator of the Compensation Fund had to reject the injured party's claim for damages. In these cases, the procedure conducted before the Board also failed to produce results.

Compulsory motor third-party liability insurance cases closed in 2018, in figures



In connection with ***CASCO*** insurance, a relatively low number of cases were taken to the Board by consumers. Damage due to own fault and car theft continued to be the two main problem areas. On a few occasions the subject of the dispute between the parties was the legal basis, but typically it was the amount of the assessed insurance benefits. In the disputes related to the legal basis, the insurance undertakings usually rejected the claim due to the fact that the mechanism of the accident stated in the claim description could not be matched with the place and nature of the damage in the vehicle. In disputes related to the amount of the insurance benefit, the passing of a resolution on the merits was hindered in several cases, as the quantification of the damage suffered by the vehicle or the value of the stolen vehicle at the time of the theft was an issue falling within the competence of a motor vehicle technical expert. Conciliation between the parties yielded a result in several cases, as they often reached an agreement with regard to standard equipment, extras, market value, EUROTAX category of the vehicle, and the amount of the costs incurred in relation to repair, confirmed by an invoice. A settlement agreement was also reached in a special legal dispute, in which on the basis of the inspection carried out, injury was recorded in a clause on the insurance policy, and the insurance undertaking rejected the insured party's claim with reference to that the injuries reported had already existed when the proposal was made. During the procedure, the insured petitioner presented an invoice as well as a certificate of settlement issued by the former insurance undertaking to demonstrate that the injury recorded in the clause was repaired at a later point. On the basis of this the insurance undertaking revised its former position and paid compensation for the damage.

Comprehensive insurance cases closed in 2018, in figures



ACCIDENT AND HEALTH INSURANCE

The slight reduction in the number of legal disputes relating to accident and health insurance resulted in only 75 cases in 2018. The Board did not encounter new case types not known before, the submitted cases all had the same characteristics as in previous years. These insurance policies provide financial compensation for insured parties or their legal successors primarily in the case of accidents and diseases affecting the insured party, as well as permanent health damage or death resulting from these. In the context of health insurance, through healthcare providers contracted to the insurance undertaking, several insurance products provide insured parties higher quality and faster treatment than healthcare available in the framework of social security financing. In these cases, the main subject of the disputes was again the extent of disability (decreased capacity to work) arising from an accident, or the existence or absence of the causal link between disability and pre-existing diseases. Making decision on these issues fall within the competence of medical experts, and the Board cannot take an official position.

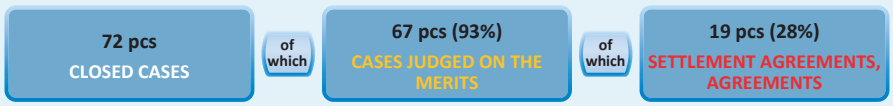
A significant proportion within accident insurance is represented by ***group insurance*** taken out by employers for their employees, or by organisations or associations for their members, or sold linked to certain bank products (especially bank cards) or (telecommunication) services. The key feature of group insurance is that the insurance contract is concluded between the insurance undertaking and a legal person with vested interest in insurance, rather than between the insurance undertaking and the insured party. In the case of these insurance contracts the insured persons become insured parties of the insurance contract by a declaration of joining, or, in certain cases, they automatically become insured parties under the insurance contract based on the legal relationship they have with the contracting party, e.g. employee, subscriber or other contractual legal relationship. A special type of these contracts is represented by group insurance policies that create an insurance relationship between the insurance undertaking and the insured party in relation to a bank card contract. In these cases, the insured person becomes an insured party to the group insurance established between the bank and the insurance undertaking merely by concluding the bank card contract. Such insurance may also include life insurance, accident insurance, payment protection insurance and travel insurance.

In disputes initiated in respect of group insurance, insured parties are often not aware of the conditions of the given insurance, the type of risks covered and under what conditions the given insurance provides coverage for the loss events suffered by them. Often, insured parties are not even aware that by concluding the respective contract (e.g. credit card contract) they simultaneously also become insured parties under the insurance contract. The Civil Code has maintained the rule – which existed in previous legal practice too – that in the case of group insurance the insurance undertaking must fulfil its obligation to provide information only to the contracting party (i.e. not to the insured party), that is the insurance undertaking does not have the same obligation to provide information to the insured party as in the case of other types of insurance. In respect of the cases taken to the Board it could be observed that the insured parties or their legal successors enforcing the claim were not in possession of the information they needed for successfully filing or enforcing a claim. Thus, with regard to the insurance undertaking they could not refer to the lack of providing appropriate information, as the insurance undertaking does not bear the obligation to provide information for the insured party directly.

A problem arising in connection with group insurance was that in the contract terms service providers stipulated that in the case of non-payment of the insurance premium (service fee) the insurance would be terminated in respect of the insured party, without any further notification. Even if the consumer pays the bank the service fee at a later point, the insurance relationship can be started again only if a further declaration of accession is submitted. Parties concluded a settlement agreement in several cases, in which it could not be established unambiguously whether the party that contracted with the insurance undertaking had provided the insured party with the necessary information, or the scope thereof, or it was not documented properly that the information had been provided, or it was ambiguous.

In respect of group insurance, persons who become insured should receive more specific and detailed information about the fact that they have become insured, and about the detailed conditions of insurance. With regard to the currently valid provisions of the Civil Code, this aim could only be achieved by legislative means.

Accident and health insurance cases closed in 2018, in figures



OTHER NON-LIFE INSURANCE CASES

Numerous legal disputes arose in connection with ***travel insurance*** and travel cancellation insurance too. The number of cases related to travel insurance slightly increased as compared to the previous year, they represented 4 percent of all insurance cases. Travel insurance provides cover for unexpected illness, accident, loss of luggage suffered during travels abroad, and other risks specified in the insurance policy. The travel insurance contract is a single-premium policy and the insurance premium must be paid immediately in one sum. The validity of the policy issued by the insurance undertaking is aligned with the duration of the travel specified in advance. Consumers taking out travel insurance may choose from a number of schemes, which may substantially differ from each other in terms of the risks insured and the limits of the insurance benefits.

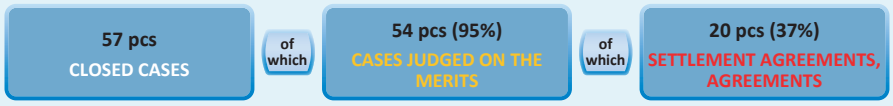
The general statement, applicable to all insurance contracts, also applies to travel insurance, according to which the travel insurance policy taken out provides cover for the perils and risks stipulated in the general contract terms, which become an integral part of the insurance contract. Accordingly, only claim events stipulated in the contract give rise to the insurance undertaking's obligation to pay the insurance benefit. For this reason, it is a recurring dispute with regard to luggage losses whether the given luggage was stolen from locked premises or from the compartment of a car sufficiently protected against seeing through. In a number of luggage loss claims the petitioners based their claim on the theft of chattels excluded by the insurance terms and conditions (electronic equipment, jewellery, cash), in respect of which the cogency of the claim could not be established. In several cases, disputes arose from the petitioner failing to file a police report regarding luggage theft (specified as a mandatory requirement in the insurance policy), or – because of language problems – statements not complying with the petitioner's statement were recorded in the police report.

When taking out a travel insurance policy, contracting parties should practically choose a travel insurance policy suiting the nature of their travel (skiing, diving, extreme sports), because travel insurance policies cover special circumstances only where specifically provided for. It is important to check the conditions of insurance before leaving to make sure what needs to be done in the case of damage, and travellers should also save the telephone number of the assistance service to be notified if a problem occurs. Practically, basic information relating to the insurance policy taken out should be shared with family members remaining at home, because if insured parties staying abroad are unable to act, their relatives, in possession of the insurance data, can help them exploit the benefits of the insurance service in respect of organising and the immediate assumption of costs.

Travel cancellation insurance is a special type of travel insurance. This type of insurance provides protection when a passenger is unable to commence a booked trip due to a reason specified in the insurance terms and conditions (usually due to illness) and needs to cancel the respective trip. Disputes typically arise from determining whether the passenger's incapacity to travel existed at the time when the trip was cancelled and when the reason thereof occurred.

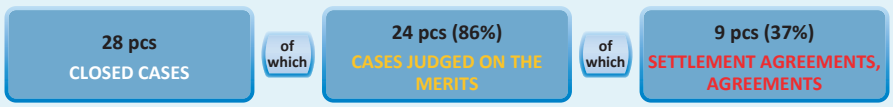
Credit or instalment insurance includes insurance policies that can be taken out with various credit products, personal loans or credit cards, typically in the form of group insurance. Disputes related to this type of insurance accounted for only 2 percent of all insurance cases. Based on the instalment insurance policy, upon the debtor's incapacity for work or unemployment, the insurance undertaking undertakes to assume the payment of the instalments from the insured

Travel insurance cases closed in 2018, in figures



person for a specific period, which is usually maximum six to twelve months, i.e. during this period payments to the bank are made by the insurance undertaking. A number of credit insurance products also include life or health insurance cover, where upon the disability or death of the insured person the insurance undertaking may assume even the entire debt. Disputes arising because of the death or disability of the insured person carry the characteristics of risk life insurance, and accident and health insurance. Generally, the usual subject of the dispute was whether the death or the permanent disability of the insured person was attributable to an illness or injury that already existed prior to the start of the insurance undertaking's risk-taking, or whether a causal relationship can be established between them.

Credit insurance cases closed in 2018, in figures



The different **product insurance or equipment insurance policies** reimburse unforeseen damages suddenly occurring during the use of technical devices, equipment and mobile telecommunication equipment, as a result of loss events impacting the

equipment externally, not falling within the manufacturer's warranty repair obligations (damage, breakage or destruction), in cases stipulated in the insurance contract. Equipment insurance policies taken out for high-value technical equipment, particularly for mobile phones, often include coverage for theft as well. Within product insurance policies, the so-called extended warranty insurance provides cover for the internal failure of the equipment beyond the manufacturer's warranty period.

Following a significant increase in 2017, the number of product insurance cases significantly decreased in 2018. The claim settlement process followed by the service providers concerned probably changed, as a result of which service providers remedy their customers' problems in the framework of claim settlement or complaint handling.

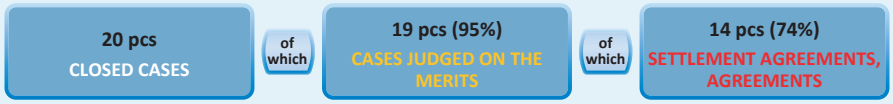
Equipment insurance products are sold via mobile telephone service providers, larger technical department store chains and online merchants of technical goods. In these cases, disputes most often arise from whether the loss event that occurred can be matched with any of the insured events specified in the insurance contract and whether it is covered by the insurance undertaking's reimbursement obligation. Legal disputes relate to the circumstances of damage occurring to the equipment, or, in the case of theft, leaving the equipment unattended.

Among extended warranty insurance policies, cases when the subject of the dispute was the relation between the manufacturer's warranty and the extended warranty formed a specific, distinct group of legal disputes. In many cases, the prolonged warranty provided by the manufacturer – subject to registration or other conditions – made the scope of risks covered by extended warranty superfluous. In other cases, there was a difference of opinions between the parties regarding whether the temporal effect of the extended warranty commences from the date of the contract or from the expiry of the manufacturer's warranty.

In procedures related to product insurance, the affected insurance undertakings' willingness to cooperate remained outstanding; conciliation between the parties yielded a positive result in a significant proportion of product insurance cases taken to the Board, where the parties concluded a settlement agreement or the insurance undertaking granted the consumer's request outside the procedure.

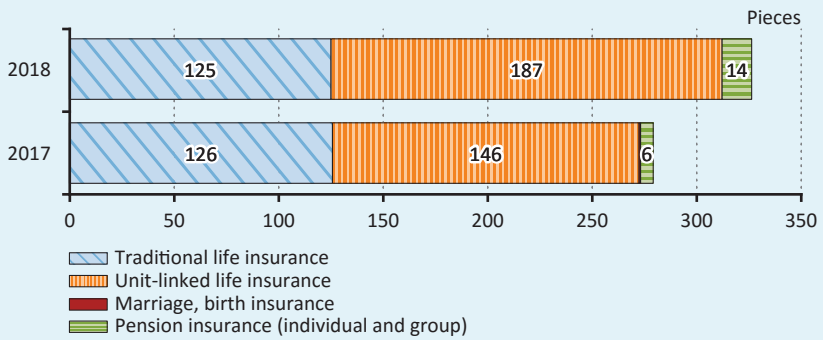
2.2.3.2 CASES CLASSIFIED AS LIFE INSURANCE CASES

Product insurance cases closed in 2018, in figures



Petitions relating to life insurance constituted 24 percent of all petitions linked to the insurance sector, representing an increase of over 5 percent as compared to the previous year. Among life insurance cases, a significant change occurred in respect of the proportion of unit-linked life insurance, traditional life insurance and pension insurance relative to each other. While no significant change can be observed in the number of legal disputes relating to traditional life insurance and pension insurance, the number of legal disputes relating to unit-linked life insurance increased significantly as compared to the previous year.

Number of life insurance cases submitted (pcs)



TRADITIONAL LIFE INSURANCE

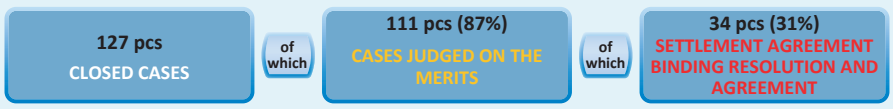
As regards traditional risk life insurance, vast majority of the disputes continued to be related to the rejection of the legal basis of the death benefit. In these cases the beneficiary of the life insurance or the heir of the insured party turned to the Board requesting that it should establish the insurance undertaking's obligation to provide the benefit. The majority of legal disputes arose from the rejection of the legal basis of the death benefit. In these cases, the problem is that the insurance undertaking rejects the claim for benefits with reference to the provision excluding the insured party's pre-existing conditions that already existed before risk-taking. Because of this a significant number of legal disputes deriving from risk life insurance is within the competence of a medical expert, and in the absence of proof it is impossible to make a decision, so the case is terminated, and in such cases parties reach a settlement agreement only in a low proportion of the procedures.

Among cases concerning traditional life insurance, contracts were concluded via distant sales on several occasions, and then the respective contract documentation was sent by courier. Although the consumer had acknowledged receipt of the documentation by providing his signature, during the procedure there was a dispute between the parties about what documents had been provided. In these cases, usually the transcript or audio recordings of the telephone conversation concerning the conclusion of the contract via distant sales clarified the content of the information provided for the consumer, and a settlement agreement was reached between the parties depending on the content of the information provided.

In respect of certain products, petitioners often complained about unfair contract terms. Although it is an issue that may affect a wide range of consumers, it extends beyond the Board's competence. According to the contract terms contested by the consumers, the insurance undertaking's obligation to assume liability occurred only after a certain period had passed, but the insurance premium paid during this period exceeded by far the fixed insured sum determined in the contract, as a result of which the insurance undertaking's risk-taking formed a basically empty set.

In connection with combined life insurance – i.e. life insurance also providing risk and endowment benefits –, most claims related to the extent of the endowment benefits provided. It was a problem to define whether the yield calculation applied to determine endowment benefits was based on the life insurance premium reserve, the rate of which – due to its nature – cannot be established in advance, and that the contracting parties could not obtain knowledge of the exact calculation method thereof, i.e. consumers could not verify yield calculations and the exact size of the yields.

Traditional life insurance cases closed in 2018, in figures



UNIT-LINKED LIFE INSURANCE

The number of petitions submitted in connection with unit-linked life insurance increased significantly as compared to previous years. These cases represented 14 percent of all insurance cases and 57 percent of all life insurance cases. The increase in the number of legal disputes was probably due to the fact that the term of a major part of the insurance policies expired in 2017–2018, and it was upon expiration that the contracting parties were confronted with the amount of the maturity benefits actually provided for them by the insurance undertaking. At the same time, the favourable effects of the Magyar Nemzeti Bank's recommendation No. 8/2016. (VI. 30.) on the ethical life insurance concept, and the concrete cost transparency introduced with it, the TCI limit system, and other rules aimed at providing appropriate information for further consumers can be clearly observed in connection with these cases. The number of legal disputes taken to the Board, relating to unit-linked life insurance policies taken out within a period of one or two years is negligible.

The large majority of the disputes related to the amount of the maturity benefits deriving from unit-linked life insurance. In the cases taken to the Board, the customers went through the entire contract term as determined in the contract. In the case of currently expiring contracts, the deficiencies of the regulations valid before can be clearly seen as well as the unfavourable cost structure of unit-linked life insurance policies from the aspect of consumers. In the case of long-term

contracts concluded for 10-20 years, the special feature of these products is becoming obvious now that due to the low yield environment the yields on the investments made from premiums paid are unable to offset the high deduction of costs. These insurance policies are characterised by a cost structure, which is unfavourable for consumers, the contract (especially during the years after concluding the contract) is subject to significant costs and deductions. One of the most significant items of this type is the cost charged by reducing the initial units, serving as coverage for the initial acquisition costs. In the case of earlier modes, the amount of the initial costs was often more than double the amount of the annual insurance premium, and this amount of costs charged could not be compensated by the yield on investments during the entire term. In addition, the insurance is burdened by further deductions, specified in the conditions of insurance, such as the risk insurance premium, the handling fee, conversion charges, fund management cost. Petitioners often contested the amount and lawfulness of the costs charged, and the fairness of the cost structure.

Legal disputes relating to life insurance policies cashed out before maturity still occurred, although their number decreased. These insurance products are created for long term (6-10-20 years), and the cash value, as a remainder right, is determined depending on the time that has elapsed from the term of the insurance. It was a typical problem in the individual cases that if the insurance was terminated due to cashing out or premium non-payment before the maturity, the contracting party often received a substantially lower amount than what he had paid in; in extreme cases, even the total deposited amount was lost. In the case of certain unit-linked modes, the insurance undertaking undertakes yield and capital guarantee provided that the portfolio of a certain asset fund is chosen, if during the term the contracting party does not change the given portfolio and does not change the asset fund. In the case of these products, legal disputes arose from the issue whether the insurance undertaking guaranteed the yield undertaken in the contract in respect of the rate of the investment units registered in the asset fund, which, given the continuous cost deductions deriving from the decreasing number of investment units, was not the same as the yield projected to the insurance premiums paid in. As the consequence of this, in respect of these products, the amount of the benefits upon maturity was often hardly above the amount of the insurance premiums paid in.

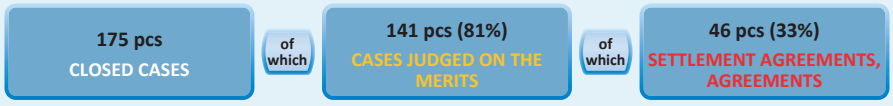
Furthermore, several petitions were submitted in connection with a unit-linked life insurance product, which resulted from a so-called automatic policy loan. In the case of life insurance policies, in addition to the one-off fee paid in by the customer, the insurance undertaking also provided a policy loan upon taking out the insurance policy, and this total amount was invested in investment units. Obviously, the customer must pay back the policy loan to the insurance undertaking, it is deducted from the policy value (in the case of cancellation) or from the cash out value. The insurance undertaking charges interest on the loan and takes it into account in respect of the basis for cost calculations. In these cases, insurance undertakings and customers typically reached a settlement agreement and resolved their legal disputes amicably.

In most cases, this type of insurance was sold via independent insurance brokers. Petitioners often claimed that a family member, friend or acquaintance of theirs acting as an insurance broker persuaded them into taking out the life insurance policy involving significant cost deductions. Petitioners presented that during the sale the brokers were explicitly talking about an investment product, emphasising and sometimes even exaggerating the expected yields, and that they did not receive proper information on the characteristics of the insurance, in particular on the rate of deductions, the calculation of the cash out value and that they were to bear the investment risk.

In these cases, when establishing the actual and true facts, the Board regards it as a difficulty that the proposal documents recorded generally include all of the consumers' declarations, in which they acknowledge that they are fully aware of and accept the conditions relating to the product, and, in particular, the cost deductions and the independent risk-taking in respect of the investment. Petitioners should prove against this documentary evidence that during contracting they received different information. Financial service providers are only open to closing the dispute with a settlement agreement, if the proposal documentation of the life insurance contains an error or shortcoming.

In respect of unit-linked life insurances it would be especially important that the contracting parties choose products complying with their knowledge and experience on investments, suiting their willingness and ability to take risks, as well as their financial and income situation. In respect of these life insurance products – although they bear a number of characteristics similar to investments – the statutory regulations in force do not require customers' risk rating. From the aspect of the customers it is of outstanding significance that before concluding contracts they should particulary examine the potential costs that may be imposed on the given contract, the transparency of which has been greatly facilitated by current legal regulations.

Unit-linked life insurance cases closed in 2018, in figures



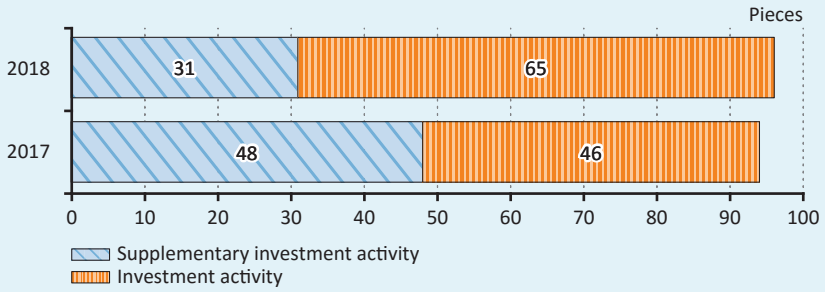
PENSION INSURANCE

In 2018 again, only a low number of petitions – altogether 14 petitions – were submitted in connection with pension insurance. Disputes related to the amount of maturity benefits, the enforced tax allowance and the calculation of the surrender value. Given the fact that numerous pension insurance products bear the characteristics of unit-linked life insurance, it can be presumed that similar problems and legal disputes will arise in connection with these products too.

2.2.4 Disputes related to capital markets and investment services

96 petitions were submitted against financial service providers falling within Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers and on the Regulations Governing their Activities. As compared to the previous year, the number of the petitions submitted did not change significantly, but the proportion of consumer disputes concerning investment activity as compared to legal disputes concerning additional investment activity increased considerably.

Number of capital market cases submitted (pcs)



While in the previous year cases relating to investment activities represented half of the cases linked to the capital market, in the year in question the proportion of these cases accounted for up to two-thirds of the cases.

In 2018, 5 equity petitions were submitted in connection with investment and additional investment services, concerning the waiver of account-keeping fees and compensation for investment losses.

Among investment activities, an increasing number of petitions was submitted in connection with investment advice and contract terms and fees. Similarly to previous years, legal disputes arising in connection with investment advice can be divided into two main groups. The first group includes procedures instituted by investors, who play an active role in managing their investments, and communicate directly with the investment firm's broker. In these cases the arising legal disputes were based on that consumers did not receive comprehensive information from their financial service provider broker about the given investment product, the risks involved were not explained to them, or they were even misled, as a consequence of which the investment decisions made by them caused a loss for them, with regard to the reimbursement of which they submitted their petitions. During the procedures conducted with a view to the settlement of the above consumer disputes, a settlement agreement was reached in numerous cases due to the fact that the discussions that had taken place between the consumer and the broker had been recorded, and thus they could be examined during the procedure. Another reason for the settlement agreements reached between the parties was that they had a long-standing relationship, and both parties were interested in maintaining this relationship.

The second group includes legal disputes instituted by consumers with an inadequate understanding of investments. These consumers realised their investments through the network of a bank. Primarily, legal disputes arise upon purchasing different investment units. Some investment units carry significantly higher risks than state securities or bank deposits, but bank clerks do not provide adequate information for customers about these risks, and they only find out at a later point that they suffered currency losses on their investment units. During the procedures conducted before the Board it represented a difficulty that the discussions that had taken place between the financial service provider's agent and the consumer prior to making investment decisions could not be reconstructed. Only documentary evidence can be used in the proceedings, and such evidence supported that the consumers had received the necessary information. It occurred in such cases as well, that the financial service providers took into consideration all circumstances of the case and returned some of the currency loss suffered by the consumer based on a business decision.

Most commonly, consumers turned to the Board in connection with issues concerning contract terms, fees, and the modification of the extent of the fee charged on the redemption of investment units. In these cases, petitioners claimed that the financial service provider's agent had not informed them about the penalty fee imposed on them in the case of the redemption of certain investment units within a certain period of time. In these cases, financial service providers claimed that they had made the relating fee information document public in an appropriate manner, and it was available for consumers. In some cases, service providers were willing to conclude a settlement agreement on grounds of equity in order to maintain long-standing business relationships.

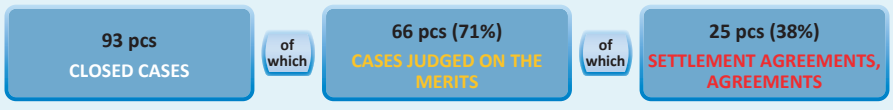
As compared to the previous year, the number of legal disputes instituted in connection with additional investment service activities reduced significantly. In this respect, disputes between the parties arose in connection with keeping securities accounts, their termination and costs. A significant number of consumer petitions were aimed at the cancellation of the portfolio fee introduced by financial service providers.

In cases relating to long-term investment accounts, legal disputes between the parties arose from meeting the conditions set out in Section 67/B of the Act on Personal Income Tax with regard to the tax free payments, or from the different interpretations of these conditions.

From the aspect of customers using investment services or additional investment services it is especially important to examine the provisions of the contracts concluded by them very carefully, as well as the general terms and conditions forming parts of these contracts. It is these provisions on the basis of which issues relating to responsibilities between the parties (e.g. responsibility for advice) and to the scope of risk-taking can be decided. Furthermore, detailed knowledge is also required of the fees and costs charged in connection with the services, as they often lead to legal disputes between the parties.

Similar to previous years, financial service providers were cooperative during the procedures. Their representatives demonstrated an outstanding degree of professionalism as presented in their answers and on occasions of meeting in person at the hearings as well. If they had the opportunity based on business decisions, they sought to reach a settlement agreement or a compromise solution.

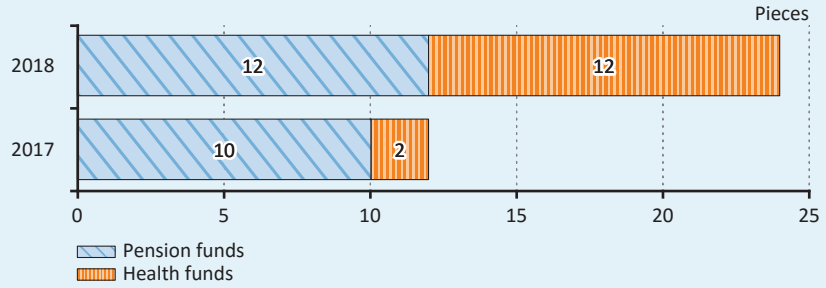
Capital market cases closed in 2018, in figures



2.2.5 Disputes related to funds

12 fund-related cases concerned pension funds and 12 petitions were submitted in connection with health fund services.

Number of funds cases submitted (pcs)



With regard to **voluntary pension funds**, petitioners instituted proceedings for failure to provide appropriate information for them about the funds, and in most cases, they intended to assert claims relating to contribution payment. In one of the cases the petitioner terminated his pension fund account, and then he complained that he had been obliged to pay health contribution on payment from his account. He presented that he found that the deductions were unlawful, because he was already a pensioner at the time of the payment. The pension fund claimed that the service requested by the petitioner was aimed at payment following a waiting time of 10 years, and the petitioner had not submitted any further documents certifying entitlement to pension benefits. At this point the petitioner had not reached retirement age, and in the lack of relevant certification or information the pension fund was not aware that at the time of submitting his demand for payment the petitioner had retired otherwise. The service provider presented that after instituting proceedings, the petitioner submitted the decision on establishing pension, on the basis of which the pension fund made corrections for the accounts and informed the petitioner about it. With regard to the measures taken by the financial service provider, the petitioner withdrew his petition.

In a case related to **private pension funds**, the petitioner contested the accounts prepared by the fund in connection with the petitioner transferring to social security pension and questioned the amount of real yields. At the hearing the parties presented their positions, and then the petitioner announced that he had understood and accepted the financial service provider's explanation, and the parties jointly requested that the proceedings be terminated.

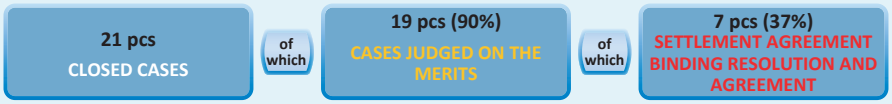
In legal disputes relating to **health funds**, petitioners' claims concerned the services provided by health funds. There was a larger number of legal disputes, in which petitioners claimed that the health fund decided to introduce a new fund one-sidedly, without their approval, and ensured the fee as a contribution fee towards community services, by charging the health funds' individual accounts by transfers to the fund. Petitioners requested that the service be terminated, the attachment on the account be lifted and the charges be credited to them. In other cases, petitioners complained that they had submitted invoices at the front office service without the administrator issuing a certificate of receipt to them, and later the invoices could not be found. Although the petitioners were unable to certify submission of the invoices, the funds were open to completing the payment subsequently, after obtaining and submitting a copy of the invoices.

In another case the petitioner complained that the financial service provider had rejected an invoice submitted by him, because the customer stated on the invoice was not the same person as the one on the medical referral. In the following, other income was wrongly indicated on the tax certificate sent by the health fund. The health fund presented that when rejecting the invoice, it had informed the petitioner that if the service was used by the beneficiary, it was necessary to indicate this on the invoice too. Furthermore, they also failed to take into consideration that the social security number of the beneficiary of the service determined by the petitioner had actually been stated on the invoice submitted, although as the customer number. The parties reached a settlement agreement, in the framework of which the health fund undertook to pay the petitioner the equivalent of the public dues charged to the petitioner on the ground of the incorrect classification – the payment of which was certified by the petitioner- as compensation for damages.

A binding resolution was issued to the financial service provider only in one case, based on statutory submission.

Experience gained by the Board shows that health fund members should study the terms of service in detail and consider which services they could use at the chosen fund. In the course of this, they should also read the information available on the funds' websites.
Funds should make sure that consumers, when arranging their affairs, meet highly qualified administrators, who can provide full information for customers.

Fund cases closed in 2018 in figures



2.3 CROSS-BORDER FINANCIAL CONSUMER DISPUTES

With the help of the FIN-NET international network, in case consumers have legal disputes with a financial service provider – bank, insurance undertaking, investment firm, etc. – operating in a different Member State, they can resort to an alternative dispute resolution forum operating in their own country to resolve their affairs. Hungarian regulations concerning cross-border consumer disputes are included in Sections 124-129 of Act CXXXIX of 2013 on the Magyar Nemzeti Bank.

These regulations govern disputes in which the respective consumer's home address or habitual residence is in Hungary, and the seat, business site or permanent establishment of the financial service provider is in a different state that is party to the Treaty on the European Economic Area; or the other way round: the respective consumer's home address or habitual residence is in another EEA state, while the seat of the organisation subject to oversight by the MNB is in Hungary.

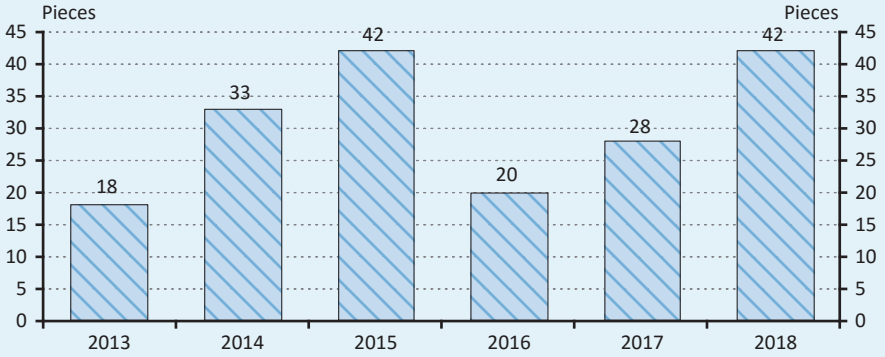
The rules pertaining to the initiation and conducting of the proceedings in the case of cross-border financial consumer disputes are slightly different from the general rules. If the consumer has a home address or habitual residence in Hungary, while the financial service provider is a financial service provider having its registered office in another EEA state, the extra condition for the initiation of the proceedings is the existence of a submission declaration made by the service provider. The above jointly represents the submission to the proceedings and the preliminary acceptance of the decision. In the absence of a submission declaration, the Board's tasks only include providing information and – if requested by the petitioner – forwarding. In such cases the Board has to inform the consumer about the alternative dispute resolution forum participating in FIN-NET and residing in another EEA country, having power and competence in respect of the dispute, as well as on the special rules applicable to the procedure thereof, particularly on the need of preliminary consultation with the service provider and the deadlines prescribed for the initiation of the proceedings. At the consumer's request, the consumer's petition, recorded on the standard form used in FIN-NET, must be sent to the FIN-NET member dispute resolution forum having power and competence in respect of the proceedings.

If a submission declaration has been made, the procedure is the same as the national procedure, with a few exceptions. Its outcome – if the petition is justified – may be a settlement agreement or a binding resolution, or if the petition is not justified, then the proceedings are terminated. Contrary to the handling of domestic cases, procedures always take place in writing, but based on the consideration of the circumstances, the chair of the acting panel may initiate a hearing subject to the prior consent of both parties. The Chair of the Board may prolong the procedure on one occasion by 90 days. The language of the procedure is English; the acting panel will also deliver its judgement in this language, unless the petitioner requests that the language of the disputed contract and/or the language of communication between the respective service provider and the consumer be used. In such cases, upon the consumer's request, the Board is required to conduct the procedures and issue the authentic copy of its resolution in the language of the disputed contract or in the language of communication between the provider involved in the dispute and the consumer. The necessary translations costs represent the cost of the procedure, and the binding resolution must specify the party bearing them.

The procedure is initiated using the FIN-NET official form, attached as Annex 4. The form can also be downloaded from the official website of FIN-NET: https://ec.europa.eu/info/file/fin-net-complaint-form_en

In 2018, as in the Board's previous practice, the number of cross-border cases was very low as compared to the number of other cases. Following the continuously increasing trend seen in previous years, the number of cases declined in 2016, but then this trend reversed, and 42 new petitions were submitted in 2018.

Number of cross-border cases cases submitted (pcs)



On 1 January 2018 there were 8 ongoing cross-border cases, and 42 further petitions were submitted during the year. 31 cases were closed in 2018, and 19 cases can be expected to be closed in 2019.

Of the 31 closed cases, petitions were submitted by consumers resident in Hungary in 27 cases, and by non-residents in 4 cases. Proceedings were instituted against credit institutions in 6 cases, against investment firms in 2 cases, against an online financial enterprise in one case, and against insurance undertakings in 22 cases. Procedures against Hungarian service providers were initiated in a large number of cases by Hungarian citizens working permanently abroad, or by Hungarians living outside the borders. The service providers involved in the petitions and the nature of the complaints did not significantly differ from those experienced in the general proceedings, basically the submitted petitions related to transactions linked to credit or loan contracts, bank card transactions, unit-linked life insurance, travel insurance, and transaction fees charged.

In one case the Board was not competent in respect of the petition. Procedural obstacles occurred in 3 cases, when petitioners had to be informed that the financial service provider had not made a submission declaration, hence it was not possible to conduct the procedure on the merits.

In three cases the preconditions of the procedure on the merits were not fulfilled, as petitioners failed to fully comply with the request for supply of missing information. In respect of the cases rejected because of the failure to comply with the request for supply of missing information, petitioners were always informed that by submitting a complete petition they could initiate the proceedings of the Board repeatedly.

Decision on the merits was passed in 24 cases, of which the procedure was terminated in 8 cases. In two of the terminated cases it was impossible to conduct the procedure, because further expert evidence would have been necessary, which was not possible in the Board's procedure. In 3 further cases petitioners withdrew their request with regard to the fact that during the procedure the financial service provider had granted their petitions. In three cases it turned out to be unnecessary to conduct the procedure given that in the meantime the financial service provider had granted the petitions in full.

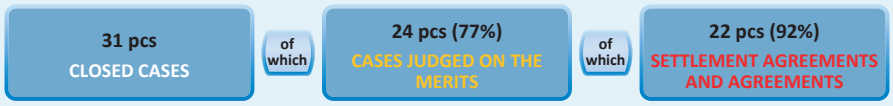
Of the decisions on the merits a settlement agreement was concluded in 16 cases. In each case, the petitioners were Hungarian residents, and they submitted their petitions against non-resident financial service providers in relation to unit-linked life insurance and travel insurance. Experience obtained by the Board earlier shows that in most cases foreign service providers refused to submit to the Board's procedure. This tendency took a positive turn in 2018, as in most cases

the foreign financial service providers concerned made a submission declaration, and in these cases the Board was able to make decision on the merits.

In connection with unit-linked life insurance contracts, petitioners complained of not having received proper information on costs and annual index-linking prior to signing the contract, the cost and fee structure of the contract was not transparent for them or they obtained knowledge of it only years later. They also objected to not having been informed upon concluding the contract of the fact that upon investing the recurring premium the financial service provider applied cost deduction to the premium increment at the same rate as if they had concluded a new contract, and they also complained of not having received proper information on the status and yield of their investments. During the procedures the financial service providers refused to recognise the legitimacy of the petitioners' claim, but in each case, they made a settlement offer with a view to the amicable resolution of the case. In the settlement offer they undertook to reimburse the premiums paid by the petitioners under the contract and to terminate the contract. With one exception, the petitioners all accepted the financial service provider's settlement offer.

In respect of travel insurance contracts, the petitioners complained that the foreign insurance undertaking referred to exclusion, it did not recognise the loss event as an insured event or did not pay them the amount of insurance premium determined in the contract. During the procedure the financial service provider reviewed the loss event and made a settlement offer in each case.

Cross-border cases closed in 2018, in figures



2.4 ACTIVITY IN 2018 RELATED TO SETTLEMENT CASES

The administration of financial disputes related to statutory settlement, and the review of statutory settlements still formed part of the Board's duties in 2018. By the end of the year, the number of settlement-related petitions received since 1 January 2015 and new procedures launched rose to 16,790. Within these new functional responsibilities, materially differing from the traditional conciliation procedure, the Board acted as a primary remedy forum for the resolution of settlement-related disputes in three case types. In case type 151 petitioners could request the determination of correct settlement, in case type 152 the conducting of a complaint procedure, and in case type 153 the determination of the existence of the settlement obligation.

Settlement cases by case type in 2018 (number of cases)

	Case type 151 Determination of correct settlement	Case type 152 Binding resolution to conduct the complaint procedure	Case type 153 Determination of the existence of the settlement obligation	Total
Number of pending cases on 1 January	11	0	2*	**13***
New and repeated cases	13	2	1	**16**
Closed cases	21	2	3	**26**
Pending cases on 31 December	3	0	0	**3**

**In the report on 2017, the number of cases pending on 31 December was 14, which decreased to 13, due to corrections. The reason for it was that a case launched as a type 153 case had to be conducted in accordance with the general rules.*

During the year 16 cases were submitted to the Board. In 5 cases the court acting in non-litigious proceedings ordered the Board to conduct a new procedure. In 4 other cases the petitioners turned to the Board for the first time, they had not had settlement cases before. Two of these petitioners wanted the financial service provider to determine correct settlement,

one of them requested that complaint proceedings be conducted, and in the fourth case the petitioner requested that the existence of the settlement obligation be determined.

There were three petitioners who had already instituted settlement proceedings before concerning a case and did not seek a review of the Board's decision. In one of these cases there had been a preliminary case, where with regard to the Board's decision the financial service provider had prepared another settlement as requested by the petitioner, and the petitioner brought an appeal against it. Two other cases were preceded by the Board's decision on determining the existence of the settlement obligation. In one of these cases the financial service provider prepared a settlement, which was challenged by the petitioner. In another case the financial service provider refused to conduct complaint proceedings, and the petitioner requested a binding resolution to be issued in this respect.

In 4 cases there had been a court history, and in all of these cases the financial service provider prepared another settlement, which was contested by the petitioners concerned.

In 2018 the Board closed a total number of 26 settlement cases. The results of these are shown in the following table, broken down by case type.

Closed settlement cases by case type in 2018 (number of cases)					
Outcome of closed cases	Case type 151	Case type 152	Case type 153	Total	Ratio
Resolution on a settlement agreement	0	0	0	0	0%
Binding resolution	6	0	0	6	23%
Resolution terminating the procedure	15	2	3	20	77%
Total number of cases closed	**21**	**2**	**3**	**26**	**100%**

3 Decisions of the Board contested in court

3.1 LITIGIOUS PROCEDURES

On 1 January 2018 there were 4 pending litigations. In a lawsuit the Curia delivered an oral judgement in 2017, which, however, was recorded in writing at a later point in 2018. In 2018, 3 cases were closed with a final decision, and only one lawsuit remained pending by the end of the year. In 2018 none of the Board's decisions were challenged in a lawsuit.

The lawsuit still pending at the end of the year was initiated by a bank against a recommendation. In this recommendation the Board suggested that the claimant should credit the amount of payment transactions in excess of HUF one million paid by the claimant bank to the petitioner from the bank account kept under the petitioner's name within a specified period, but not approved by the petitioner, to the said bank account within a given timeframe. The Board based the recommendation on the fact that the account kept under the petitioner's name had been opened in breach of the relevant laws and the regulations of the claimant bank. This created an opportunity for the petitioner's relative to transfer the amount in question onto his own account in several instalments without the petitioner's knowledge and preliminary approval. On the basis of the action submitted by the claimant, the Budapest Municipal Court of first instance repealed the recommendation.

The Municipal Court considered that all enforcement authorities acting in individual cases, also including the Board as an authority, are subject to the obligation to give reasons applicable to authorities, as set out in Article XXIV (1) of the Fundamental Law of Hungary (Fundamental Law). Therefore, the Board's indications and statements during the procedure should have reflected what it considered to be the subject-matter of the procedure. The Municipal Court ruled that the Board had acted unlawfully by not specifying the legal act intended to be applied by it subsequently, and by making decision in a case other than what the petitioned party could expect on the basis of the circumstances. Furthermore, the Municipal Court considered that the petitioner's claim should have been judged taking into consideration the provisions of Act LXXXV of 2009 on payment services, rather than the provisions specified by the Board.

By the final judgement delivered by the Budapest Court of Appeal proceeding under appeal submitted against the judgement at first instance, the judgement of the court of first instance was upheld. The Budapest Court of Appeal considered that both the Board and the court of first instance had overlooked the fact that the petitioner's petition did not contain a strong motion for the Board's decision, consequently the Board would have acted correctly by calling upon the petitioner to put this in order. As it failed to do so, the procedure did not comply with the relating legal acts. The Court of Appeal considered that on the latter grounds it was irrelevant (and thus it was not examined by the Court of Appeal) whether the Board classified as an authority, and whether its procedure was subject to Article XXIV(1) of the Fundamental Law, or whether the content of the recommendation complied with the legal acts in other respects. The Board brought an appeal on a point of law against the final judgment referring to procedural grounds on the one part, i.e. that the Court of Appeal had overstepped the bounds of the appeal and the defence and referring to the unlawfulness of the final judgement from the aspect of substantive law. The review procedure is still pending.

Final court decisions, success on claims

During the year 5 court decisions were received concerning lawsuits initiated for the judicial review of the Board's decision (two decisions were made in the case described above). The 5 final decisions included one decision at first instance, three appeal decisions and one decision made by the Curia.

The distribution of the court decisions is as follows:

Court decision	Number of court decisions
won	1
lost	4
Total	**5**

A financial institute involved in leasing requested that the Board's binding resolution relating to settlement be repealed, claiming that the loan contract in question had terminated before 26 July 2016, so it was not covered by the scope of the Act on Settlement. The court of first instance dismissed the action. The appeal court acting under appeal submitted by the claimant repealed the judgement and referred the case back to the court of first instance for judgement. In its judgement it established that presumably, in the procedure initiated against the consumer the claimant had not simply requested the District Court to alter the decision, but also to repeal the decision pursuant to the MNB Act. In the renewed procedure the court of first instance repealed the Board's decision, because the loan contract terminated on 21 July 2009. The court of first instance considered that the Board obliged the claimant to reach settlement despite the fact that the legal conditions had not been satisfied. In the renewed appeal proceedings, the Court of Appeal dismissed the action, because the claimant amended its action despite the fact that the grounds for appeal must be stated within the time-limit for bringing proceedings.

The same institution involved in leasing rejected a consumer claim in another settlement case too. In the following the consumer submitted a claim again to the financial institution, which rejected it repeatedly. The consumer turned to the Board within 30 days following rejection of the second complaint, and the Board obliged the financial institution to complete the settlement. The Court of Appeal considered that the consumer's right to turn to the Board was not restored by virtue of submitting a further complaint, but rather it terminated after the deadline calculated from the rejection of the original complaint had expired. Furthermore, the Court of Appeal confirmed its former position that the financial institution was entitled to institute non-litigious proceedings against the consumer at the District Court as set out in the Act on Settlement, and it could also request repeal of the decision in the lawsuit against the Board. The Curia upheld the judgement of the Court of Appeal. According to the grounds of the judgment, the Board is obliged to examine whether the statutory conditions for instituting the procedure are satisfied, and a binding resolution can be issued, if the petition is submitted within the deadline. It was established that any delay must be detected ex officio, even if the service provider rejected the complaint for other reasons.

The Budapest Court of Appeal – sharing the view of the court of first instance – upheld a repealing judgement of first instance. The subject-matter of the procedure was the Board's recommendation, in which it suggested that the claimant bank should disclose data to the petitioner in connection with a matter of succession. In this judgement the appeal court stressed that – although in certain cases the financial institutions are undoubtedly obliged to disclose certain information to the heirs in relation to the testator's accounts – the provisions of the Credit Institutions Act that regulate to whom financial institutions may disclose bank secrets cannot be interpreted in an extended way through analogy.

3.2 NON-LITIGIOUS PROCEDURES IN SETTLEMENT CASES

In cases relating to settlement disputes linked to loans denominated in foreign currency, foreign currency denominated and HUF loans, a total number of 14 petitions for instituting non-litigious proceedings were submitted to the Board until 31 December. In 9 of these cases petitioners opted for this remedy for the first time. In 5 cases the parties concerned had already lodged an appeal of this type before, given that these cases had already been addressed by the Board in so-called renewed proceedings on two or even more occasions.

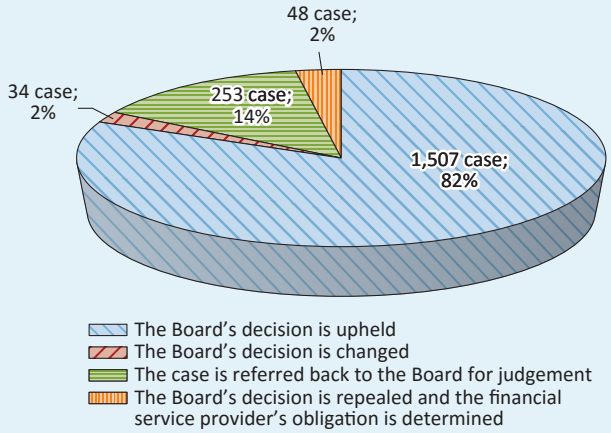
Up until 31 December 2018, the Board was notified by the competent courts about 38 finally concluded non-litigious procedures.

In the period between 2015 and 31 December 2018, legal recourse was sought in a total number of 2,457 cases. In 2,439 of these cases the acting courts reported a final decision, while in 18 cases non-litigious proceedings were not closed in front of the competent courts.

Of all non-litigious proceedings resolved with final judgement between 2015–2018, the competent courts rejected the petitions without substantial investigation in 597 cases. In 82% of the 1,842 final judgements made as a result of review as to substance the courts upheld the Board's decisions, while in 253 cases (14%) a binding resolution was issued with a view to conducting renewed proceedings.

In 11 of the 253 cases referred back to renewed proceedings the non-litigious court established that they did not constitute settlement legal disputes but rather conciliation (so-called general) cases, therefore these cases had to be conducted in accordance with the rules of conciliation procedures.

Final decisions made in cases revised on the merits in non-litigious procedures, on 31 December 2018



There are 8 cases among the renewed procedures, where as a result of the second non-litigious procedure the Board's proceedings had to be conducted again. 4 petitioners opted for this remedy on three occasions, but in each case the court upheld the Board's decision.

ANNEX 1

Operating Procedures of the Financial Arbitration Board

1. OPERATING PRINCIPLES

The Financial Arbitration Board (hereinafter: FAB or Board) performs the tasks delegated to it based on the rules set forth in Act CXXXIX of 2013 on Magyar Nemzeti Bank (MNB Act) and in accordance with the operating principles corresponding to Commission Recommendation 98/257/EC. The Recommendation stipulates seven principles, which also serve as the operating principles of FAB and appear in the form of specific legislative provisions in the MNB Act.

1. Independence
2. Transparency
3. Adversary procedure
4. Efficiency
5. Legality
6. Liberty
7. Possibility of representation

1. Independence

The FAB, as a Body, is an independent organisation – which cannot accept orders – operating within the organisational framework of the Magyar Nemzeti Bank, the independence of which applies not only to the Board, but also to its chair and members. The chair of the Board is appointed for 6 years, whose mandate may be terminated in the cases stipulated in the MNB Act. – Articles 96 (2), 97(2), 100(1), (2), (4) and 101(4) of the MNB Act

2. Transparency

FAB provides information on its activity and the rules governing its operating activities on its website (www.mnb.hu/bekeltetes), on continuous basis, in its annual report and upon request. – Articles 99, 115 and 129-130 of the MNB Act

3. Adversary procedure

It is ensured in the proceedings of FAB that the parties can appear at the hearings in person and present their position both orally and in writing. The financial service providers affected by the petitions are obliged to cooperate. – Article 108 of the MNB Act

4. Efficiency

The proceedings of FAB are fast; the acting panel sets the date of the hearing within 60 days from the receipt of the complete petitions and completes the proceedings within 90 days. The chair of FAB may prolong this deadline on one occasion per case by maximum 30 days at his/her own discretion. The procedure is free for both the petitioner and the financial service provider, the procedure of FAB is free of charge, but the incurred costs (if any) are borne by the parties. – Articles 106 (3) and 112 (5) of the MNB Act

5. Legality

All members of FAB are experienced employees of the Magyar Nemzeti Bank and hold a degree in law and passed the bar exam and/or hold a degree in economics and gained experience in one of the fields of the financial sector and/or in court. All employees perform their work in a professional manner, with the knowledge of and relying on the applicable laws. They are independent and impartial in the specific cases they manage. – Articles 97(1), (3) and 98 (4)-(7) of the MNB Act

6. Liberty

The decisions of FAB do not prejudice the consumers' right to bring their case to the court. The Act provides the opportunity for legal remedy against FAB's recommendations and binding decisions. – Articles 116-117 of the MNB Act

7. Possibility of representation

The parties may act in the proceedings at FAB in person or through a proxy. Either of the parties may act, at their discretion, via a proxy. The proxy may be any natural or legal person, as well as entities without legal status. The petitioner may participate at the hearings of the FAB proceedings in person even if he/she wishes to be represented by a proxy. – Article 110 of the MNB Act

2. ORGANISATION

1. The organisation of FAB comprises of the chair, the departments including the members of FAB, and the office. The chair of FAB represents the Board and sees to the legitimate operation thereof. The chair of FAB is substituted by the office director.

2. The members are organised into departments. Each department is managed by a member, i.e. the department head. The department heads organise the departments' work and are responsible for ensuring that the cases assigned by the office to the department are settled by the deadline and in accordance with the legal provisions. The members of the departments are the members of FAB; the members of the panels acting in the specific cases are appointed within the department by the department heads. The personal composition of the acting panels is not constant.

Duties of the department heads:
– they appoint the members of the panel acting in the specific cases and the chair of the acting panel,
– they monitor the cases managed by the acting panels and enforce the deadlines
– they compile the list of hearings, determine the date and venue of the hearings and agree all this among themselves
– they see to ensuring that all members of the acting panel are present at the hearing, and that substitution can be organised if necessary; if this is not possible, they notify the director of the office of their substitution requirement and other conditions necessary for their operation
– they see to the balanced distribution of the workload
– they deliver the information obtained at the management meeting to the members of the panels
– they make proposals for the members' leaves
– they report to the chair of FAB on the experiences gained during the operation of the department
– they prepare a summary on the professional work of the department, process the experiences of the cases and make proposals for legislation and/or the amendment of laws
– they initiate the levying of penalties if the legal conditions thereof exist.

3. The office is managed by the office director; the staff of the office comprise of the experts, the legal official(s), the Board's spokesperson, assistants and trainee(s).

Responsibilities of the office director:
– performs the tasks related to the substitution of the chair
– manages the office, ensures that the administrative tasks are performed in due course, sees to granting leaves and organising substitutions
– assigns the cases to the departments, and ensures the balanced distribution of the workload as much as possible
– operates the case registration system, manages the archiving and ensures the updating of the FAB website
– sees to compiling the statistical part of the annual reports
– harmonises the practice applied by the acting panels in order to establish the uniform application of law,
– ensures that the sample documents exist and are kept up-to-date
– liaises with the Administrative Litigation Department with regard to litigations, and sees to the registration of litigations and the data supply

– *sees to the rejection of the petition or refers it to a department, where the absence of the Board's competence can be established from the petition)*
– sees to compiling law monitoring bulletins, and to organising professional and language trainings
– liaises with other conciliation boards, the Consumer Protection Department and the Financial Consumer Protection Centre.

3. POWERS AND COMPETENCE

1. The competence of FAB includes the settlement of the disputes between the financial service providers supervised by the Magyar Nemzeti Bank and the consumers related to the legal relations established for the purpose of using certain financial services (financial consumer disputes) outside the court. The acting panels of the FAB try to mediate a compromise between the parties and approve the compromise by a resolution. In the absence of compromise they may make a recommendation or a binding resolution, or terminate the proceedings.

2. FAB also deals with the equity petitions submitted to it. In the case of such petitions it mediates between the financial service provider and the petitioner with a view to reach a compromise. In the absence of a compromise it closes the case with a terminating resolution.

3. The consumer may submit the petitions related to online financial consumer disputes also via the online dispute resolution platform stipulated in the Regulation of the European Parliament and the Council on the online dispute resolution of consumer disputes (hereinafter: ODR Regulation); in such cases the FAB shall act in accordance with the ODR Regulation. The text of the ODR regulation is included in Annex 5 to the Operating Regulations.

4. The Board commences the proceedings related to petitions against workout companies – subject to the existence of certain statutory conditions – if it can be clearly established that the purchased receivable used to be a legal relationship between a financial service provider supervised by the MNB and the consumer for the purpose of providing financial services. In other cases it establishes the absence of its competence and, subject to simultaneous notification of the petitioner, transfers the case to the conciliation board having competence based on the petitioner's place of residence.

   The office inspects the received petitions in terms of competence. If the absence of the Board's competence can be established on the basis of the content of the petition without requesting additional documents, it rejects the petition citing absence of competence. The resolution on the rejection is signed by the chair of the Board or the office director. If the office director refers the case to a department, the panel designated by the department head decides on the issue of competence. As a result of the examination of competence, either proceedings on the merits of the case are launched or the acting panel rejects the petition citing absence of competence, and sends it to the competent organisation, simultaneously notifying the petitioner.

5. The Board has nationwide competence.

4. THE ACTING PANELS

1. The department heads appoint the chair and two members of the panel acting in cases assigned to the department from the members of the department. If one of the members of the panel appointed for the case cannot attend the hearing, the substitution must be ensured by the department head. The department head modifies the appointment of the acting panel if any of the members must be excluded, his employment with the Magyar Nemzeti Bank ceases before the hearing or he is discharged of his work duties, or if due to the long-term absence or prevention of the appointed member the appointment should be changed.

2. The acting panels comprise of 3 persons, the chair of the panel and two members. The chair of the panel presides the hearing, one of the two members is the rapporteur, while the other member keeps the minutes; or the chair of the panel may also act as rapporteur.

3. The minute-keeper panel member ensures the availability of the sample documents necessary for the hearing, and commits the recommendation and the panel's resolutions – with the exception of the binding resolutions – to writing, finalises the minutes after agreeing on them with the parties, sees to the signing thereof, delivers them to the parties at the hearing and sees to the postal delivery thereof to the absent parties.

4. The panel member appointed as the rapporteur of the case:
– following the investigation of competence ensures that – as a result of the supplementing or without that – the petitions can be discussed on the merits,
– in the absence of competence, sends the petition – simultaneously notifying the petitioner – without delay to the competent organisation (transfer) and/or passes a resolution of rejection,
– checks whether the declaration of submission exists, and makes the necessary instruments available,
– prepares the necessary notices and ensures that those comply with the rules,
– sets the date of the hearing, and notifies the parties, attaching the copy of the petition, on the venue of the hearing, the composition of the panel and the initiative to waive the hearing; the notice may be signed by any member of the acting panel,
– in the notice he calls upon the financial service provider to make a declaration in an answer, and reminds it of the legal consequences of non-compliance with this obligation; calls upon the financial service provider to delegate a person to the hearing who has the powers to make a compromise or holds the necessary authorisation to do this
– if the deadline open for answer expires without result, he calls upon the financial service provider to comply with its obligation to cooperate
– forthwith sends the copy of the financial service provider's answer to the petitioner; if this is not feasible, the answer is delivered and read out at the hearing
– in the case of cross-border financial consumer disputes, he forwards the consumer's petition, recorded on the standard form used in FIN-Net, to the alternative dispute resolution forum, participating in FIN-Net and residing in another EEA country, having power and competence in respect of the proceeding
– at the hearing he represents the professional positions agreed in advance with the other members of the panel,
– attempts to mediate a compromise, failing which – if the panel deems justified – prepares the recommendation or the binding resolution and sees to the delivery of the instruments by post
– records the data related to the case in the FAB's case registration system and keeps them up-to-date.

5. The chair of the acting panel:
– ensures that the hearings are conducted legitimately, striving for the shortest possible duration and the most efficient operation
– is responsible for the use of the panel's seal
– reports to the department head, if the financial service provider fails to attend the hearing
– forwards the request for exclusion to the chair of FAB; if the petition is late, reports the fact of this; notifies the parties of the measures taken by the chair of FAB in relation to the request for exclusion opens the hearing, ascertains the identity of the persons present, ascertains that the right of representation is properly confirmed, sees to the recording of the necessary data in the minutes and to attaching the instrument confirming the right of representation to the documents
– reminds the attendees that no device disturbing the peace of the hearing may be used and video and voice recording at the hearing is prohibited; sees to keeping the order of the hearing; upon severe disturbance of peace forthwith notifies the security staff and, if necessary, the police
– informs the parties of their procedural rights
– presides the hearing; stipulates the sequence of the actions to be performed at the hearing
– in the absence of compromise, obtains the declaration of the attendees on maintaining or supplementing their statements made in the petition and in the answer; reminds the petitioner about the restrictions applicable to the modification or supplementation of the petition
– decides on the request to supplement the minutes
– upon the fulfilment of the conditions declares the hearing closed
– reopens the hearing, if after the closing of the hearing it appears practicable for the purpose of clarifying important circumstances/questions or obtaining declarations
– announces the decision of the acting panel.

5. BOARD MEMBER ACTING ALONE

1. When the financial consumer dispute relates to an amount not exceeding fifty-thousand forints or represents a dispute subject to simple judgement or contains a petition of equity, it may be also processed by a single board member. The modification of the petition has no impact on this.

   Case subject to simple judgement: based on the petition and the attached instruments the factual and legal judgement of the case, it does not require professional consultation or special preparations, and the case is one that originates from common services occurring in large numbers in everyday life and/or generates a large number of disputes;

   Equity case: cases where petitioners, with regard to their personal or financial situation, request the financial service provider to allow a more favourable possibility for performance than what was originally determined in the contract, such as, in particular, the reduction or cancellation of their payment obligation, the amendment or closure of their contract, or the possibility of completing payment under conditions other than the ones determined in the contract. In equity cases, the Board mediates between the financial service provider and the petitioner in the interest of reaching a settlement agreement, approves the settlement agreement concluded in its resolution, or, if no settlement agreement is reached, closes the case in a termination decision. In equity proceedings, claims already judged in payment order, litigious or court enforcement proceedings cannot be disputed.

2. The department head inspects in the cases assigned to the department whether the conditions of acting as a single board member exist. If yes, he appoints from the members of the department the board member to act alone. Any member of the department may be appointed as such. The department head may change the appointment upon the prevention of the appointed member. Prior to passing the resolution, the department head may order at any time that a three-member panel should act in the case.

3. The board member acting alone at the hearing sees to keeping the minutes; he may use a minute-keeper from the FAB staff. Otherwise his proceedings are governed by the operating regulations mutatis mutandis. During the proceedings the board member acting alone is entitled to the same rights and burdened by the same obligations that apply to the acting panel.

6. CONFLICT OF INTEREST, PREJUDICE AND EXCLUSION

1. The department head may not appoint such acting panel in cases assigned to the department by the office director, any member of which or the member's close relative, as defined in the Civil Code, is involved or stakeholder in the case, or the organisation involved in the petition is a financial service provider at which the member's close relative living in the same household is an employee or senior official, such as the member of the Board of Directors or Supervisory (relation-based conflict of interest).

2. No such panel member may be appointed as the member of the acting panel of whom the unbiased judgement and/or objective resolution of the given case cannot be expected for other reasons (prejudice). Prejudice means if the member of the panel used or uses any services of the financial service provider based on individual assessment under conditions that substantially differ from those publicly announced.

3. Should an appointment be made despite the existence of relation-based conflict of interest or prejudice, the respective member must notify the department head and the chair of FAB of this fact in writing within one working day from noticing it, and the department head must take immediate measures to eliminate these circumstances.

4. Either of the parties may submit an exclusion request against any member of the acting panel, if he can confirm a circumstance that raises doubts about the independence or impartiality of the member. The reasoned written request must be submitted within 3 working days from the day when the given party obtained knowledge of the composition of the acting panel. The exclusion request is decided by the chair of FAB after hearing the respective board member in the presence of his competent department head. If the exclusion request is justified, the chair of FAB asks the department

head to appoint another panel member in the case. The chair of the acting panel notifies the parties in writing about the appointment of the new panel member.

5. The member of the acting panel who reported the reason for exclusion applicable to him, must not act in the assessment of the financial consumer dispute until the settlement of this notification. In other cases the respective panel member may continue to act, but until the settlement of the notification he must not participate in passing the decision on the merits.

6. The chair, the members of FAB and the staff of the office may not submit a petition to FAB; they should settle their contractual disputes against the financial service provider, as far as possible, directly with the service provider, or if that fails, by any other legal means.

7. SUBMISSION AND EXAMINATION OF PETITIONS, AND THE ANSWER

1. The petition – with the exception of the petition of equity – must be submitted in writing and in original by post on the dedicated form, or via the e-government customer portal or the online dispute resolution platform specified in the ODR Regulation. The Board accepts no petitions – during the proceeding – or declarations, in e-mail.

   After the appointment of the panel the received petition is examined by the panel acting in the case. If the petition does not comply with the provisions of the law, the acting panel returns the petition – within 15 working days from the receipt thereof – to the petitioner for supplementation, specifying the shortcomings and allowing a deadline of 8 days. The petition is incomplete, if it does not contain
   a) the name, place of residence or abode of the petitioner,
   b) the name and registered office of the financial service provider involved in the dispute initiated by the petitioner,
   c) the brief description of the petitioner's position, and the supporting facts and evidences,
   d) the petitioner's declaration on the attempted settlement of the dispute,
   e) the document containing the rejected complaint and the rejection,
   f) the petitioner's declaration that he did not initiate any mediation or civil lawsuit in the case,
   g) the proposed decision,
   h) the documents – or the copy or excerpt thereof – on the content of which the petitioner refers to as evidence,
   i) if the petitioner wishes to act through a proxy, the power of attorney of the representative having full disposing capacity within the meaning of civil law, in the form of private deed of full probative value or public instrument,
   j) if any special data are also related to the petition, the declaration of the petitioner to the effect that simultaneously with submitting the petition he consents to the management and transfer of such special data in accordance with the provisions of the MNB Act,

   If the petition or its annexes submitted by electronic data carrier or via e-channel do not comply with the effective bank security technological requirements of the Magyar Nemzeti Bank or the handling/printing of the data is made considerably burdensome or it is impossible, the acting panel may call upon the Petitioner – under pain of rejection or ignoring the given documents – to submit the documents, provided earlier on electronic data carrier, on paper.

2. The panel acting in the case examines the petition within 8 days from the start of the proceedings to assess whether it belongs to the competence of the Board. No competence exists for the assessment of the petition, if
   a) the petitioner does not qualify as a consumer,
   b) the petition is not against a financial service provider,
   c) the petition was submitted against a workout company, but the underlying legal relationship was not aimed at financial services
   d) the subject of the petition is not a financial consumer dispute.

   The petition should be returned to the petitioner for supplementation, if based on the petition it cannot be established beyond doubt whether or not the Board has competence in the case. It can be decided after the supplementation whether the panel will negotiate the case on the merits, or due to lack of competence the petition should be transferred or rejected.

3. The acting panel rejects the petition without fixing a hearing, if
   a) the submission of the petition has not been preceded by the investigation of his complaint, at his initiative, or the petitioner has not previously lodged a failed petition for equitable treatment to the given service provider,
   b) the complaint was not rejected,
   c) there is pending action between the parties based on the same facts for the same right, or already a non-appealable judgment has been passed on the subject thereof; or if the proceeding of the Board has been initiated before and it was closed by a resolution, except when in such earlier proceeding the petition was rejected due to failure to comply or to the inadequate compliance with the call for supplementation, or the petitioner has withdrawn his petition or the parties jointly requested that the proceeding be terminated,
   d) there is a criminal procedure in progress with regard to the case, in which the consumer also requests that his civil claim be enforced, or a warrant for payment has been issued in respect of a case between the parties arising from the same facts of the case being conducted for the same right, or a mediation procedure has been launched by the parties,
   e) the time allowed for supplementation ended unsuccessfully,
   f) the petition cannot be judged even after the supplementation,
   g) the dispute is frivolous, namely, the petitioner makes a declaration of a content or shows a conduct that is obviously not aimed at the settlement of the dispute on the merits and is clearly unfit for launching the procedure,
   h) the dispute is vexatious, namely, the tone of the petition, the declaration and behaviour of the party are indecent, rude or personal,
   i) the Board has no competence to judge the dispute (petition).

   The acting panel may reject the petition without a hearing, if the petitioner submitted the petition not on the standard petition form or failed to submit the annexes to the petition on paper despite the call made upon him to this effect.

4. The procedural deadlines commence from the date of the receipt of the complete petition. If the petition is not rejected, the chair of the acting panel notifies the parties in due course on the date and venue of the hearing, as well as on the initiation of the waiving of hearing in writing, attaching the copy of the petition to it. In such notice he sets the date of the hearing within 75 days from the commencement of the procedure. He determines the date of the hearing in a way so that, as far as possible, the multiple hearings involving the same financial service provider are held on the same date one after the other. The notice must contain the names of the members of the appointed acting panel. Based on due consideration of the circumstances the chair of the acting panel may – if in his view the decision on the petition does not require personal presence – make a proposal for the omission of the hearing and may conduct the procedure in writing. The omission of the hearing is subject to both parties' written consent.

   Based on the parties' declaration of consent made at the hearing, the chair of the acting panel may order at any time the continuation of the procedure in writing.

   If the parties do not consent to the written conduct of the proceedings prior to the hearing, but one of the parties does not appear at the hearing, the acting panel may conduct the procedure – after holding a hearing – in writing even without the parties' prior consent.

   In the procedure conducted in writing, the acting panel may set a hearing without the parties' consent until the passing of the resolution.

5. If the petitioner dies after the submission of the petition, the acting panel shall pass a resolution to terminate the procedure. In possession of a legally binding grant of probate or proof of inheritance, the legal successor of the petitioner is entitled to institute new proceedings.

   If after the submission of the petition, the financial service provider is replaced by a legal successor, the procedure shall continue – without conducting a separate complaint procedure – with the involvement of the legal successor financial service provider, of which the panel shall notify the stakeholders. The succession of title may be reported by any of the service providers involved. The acting panel shall call upon the legal successor financial service provider, setting a short deadline, to make its declaration. The same rules may be followed also when the Petitioner is informed about

the legal succession in the person of the financial service provider after submitting the petition.

6. In its written response specified in Article 108 of the MNB Act, the financial service provider is obliged to indicate unambiguously any information that may contain business secret and hence to be treated confidentially, and attach the instrument or data containing such information in a sealed envelope as a separate submission.

7. By way of derogation from Section 7.1., equity petitions may also be submitted using the form entitled "General consumer petition", as free text submissions written by hand or typed, or on the form included in Annex 11, the completion of which is not mandatory.

Equity petitions must contain the following:

a) the petitioner's name, home address or habitual residence,
b) the name and seat of the relevant financial service provider,
c) a description of the personal and financial situation on which the equity petition is based, and, where appropriate, any supporting evidence,
d) the petitioner's statement concerning his/her attempt to settle his/her equity claim with the financial service provider,
e) the rejected equity petition and the document containing the rejection, or the petitioner's statement concerning that the financial provider failed to respond to his/her equity petition within 30 days following submission,
f) the motion relating to granting the equity claim,
g) the documents – or the copy or excerpt thereof – the content of which the petitioner refers to,
h) if the petitioner wishes to act by proxy, the power of attorney of the representative having full disposing capacity within the meaning of civil law, in the form of a private deed of full probative value or a public instrument,
i) if special data is also related to the petition, the petitioner's statement concerning that simultaneously with submitting the petition he/she consents to the processing and transfer of such special data in accordance with the provisions of the MNB Act,
j) the petitioner's statement concerning that he/she has not submitted an equity petition before based on the same facts of the case, for the same right.

8. THE HEARING

1. The acting panels hold the hearings in the meeting rooms of the Magyar Nemzeti Bank, located at the ground floor of the Capital Square Office Building at 1133 Budapest, Váci út 76. Hearings are held every working day; the dates and the precise venue are determined by the department heads themselves. The hearing is presided by the chair of the acting panel, who determines the sequence of the actions at the hearing. In addition to the members of the acting panel, the adverse party and the representative thereof may address questions to the party.

2. During the hearing the chair of the acting panel may warn the parties at any time if they ask questions or present facts that do not relate to the case in dispute. The acting panel ignores such facts and data.

3. The hearings are not public unless both parties' consent. In this case an audience – in limited number – may also be present at the hearing. The maximum number of the audience may be specified by the chair of the acting panel.

4. After the opening of the hearing, the chair of the acting panel verifies – by inspecting the documents suitable for confirming personal identity – the identity of the attendees, and ascertains the proper confirmation of the representation right; these data are recorded by the acting panel in the minutes and the instrument confirming the right of representation is attached to the minutes. If either party fails to attend the hearing, it must be determined on the basis of the return receipt whether the notification of the party of the hearing was made properly. If so, the hearing must be deemed omitted by the respective party. If either party fails to attend the hearing despite the proper notification or does not present evidence, the acting panel conducts the proceedings and decides on the basis of the available documents and data.

5. If the petitioner authorises a proxy, the power of attorney must be made out in a private deed of full probative value or in a public instrument. If the petitioner and his representative attend the hearing together, the authorisation may also

be recorded in the minutes of the hearing. If the proxy or authorised representative attending the hearing on behalf of the party fail to confirm right of representation, he may not represent the party at the hearing.

6. After ascertaining the identity of the attendees and the confirmation of the right of representation, the chair of the acting panel opens the hearing and warns the attendees that no device that disturbs the peace of the hearing, particularly mobile phones, may be used. The chair of the acting panel informs the parties of their procedural rights,
   a) the rules pertaining to the supplementation of the petition,
   b) the legal nature of the compromise, the binding resolution and the recommendation, as well as of the fact that the failure to fulfil the compromise and the binding resolution voluntarily entails enforcement by the court at the petitioner's request,
   c) the submission and the consequence of non-submission,
   d) on the statutory submission and, if it is applicable in the respective case, on the legal consequences thereof,
   e) that the proceedings do not prejudice the enforcement of the claims at the court.

7. The acting panel shall assess the unquantifiable claims, as well as those aimed at the performance of or forbearance from an action, as zero amount claims.

   When in a single procedure the petitioner enforces several claims arising from a single legal relationship or claims from several legal relationships, upon determining the limit under Article 113(2) of the MNB Act – ignoring the ancillaries – the aggregate value of the submitted claims shall be taken into consideration.

   If the petition is aimed at a claim the amount of which cannot be defined in advance or precisely (particularly when it concerns interest or other amounts to be charged periodically) or disputes those, the application of the submission shall be governed by the interest or other claim amount for one calendar year.

8. The acting panel attempts to mediate a compromise between the parties. It reminds the parties that the fastest and simplest way to settle the dispute between them is to effect a compromise, therefore if they settle the dispute between them by bringing their positions closer to each other, in a manner that is acceptable to both parties and does not violate the law, the panel will approve it by its resolution. If the parties effect a compromise, the acting panel approves the compromise and delivers it – after the announcement thereof – to the attendees in writing, put down in the minutes or in a separate instrument, and declares the hearing closed. If the compromise proposal submitted by the absent party in writing is accepted by the other party, the acting panel delivers the resolution containing the compromise to the absent party by post. If the compromise is effected outside the hearing, the acting panel approves the compromise within 15 days from the receipt of the last legal declaration necessary for the accomplishment thereof and delivers its resolution by post.

9. If no compromise is effected the chair of the acting panel obtains the declaration of the attendees whether they maintain their position stated in the petition or in the answer, or wish to supplement it verbally. It reminds the petitioner of the restrictions applicable to the modification and supplementation of the petition. The panels should first obtain the declaration of the consumer; thereafter the representative of the financial service provider may present the facts and evidences underlying its declaration and may request that its written declaration be supplemented. After the declarations and the supplementations, the members of the acting panel may request information from the parties with regard to any additional circumstances, facts or data related to the case. The presented facts and data must be confirmed, if necessary. If at any stage of the hearing the possibility of a compromise arises, the chair of the acting panel initiates that the compromise be effected. If this necessitates the consent of a person absent from the hearing (particularly in the case of representation), the chair of the acting panel may order a short break so that the party or his representative can quickly obtain the consent required for the compromise.

10. The principle of free evaluation of evidence is enforced at the hearing with the proviso that
    a) all acts of evidence may be made during the hearing, no on-site verification is allowed,
    b) no expert is appointed, but the parties may submit – before the hearing – an expert opinion to support their position,
    c) during the hearing the acting panel may ignore the evidences when the purpose of which was clearly to hinder the proceedings,

d) instruments containing classified data may be used at the hearing in accordance with relevant provisions of the law,
e) if the presented facts or data are not evidenced or confirmed, the acting panel will ignore them when making its decision.

11. Upon the joint request of the parties submitted at the hearing, or at the request of the party present, the hearing may be postponed due to exceptionally important reasons – particularly due to the efforts of the parties to reach a compromise – by simultaneously setting the date of the new hearing. The acting panel may postpone the hearing only ex officio and for important reasons, stipulating the reason. The postponement of the hearing does not influence the statutory final deadline set for the completion of the financial conciliatory proceedings. If after the postponement of the hearing the parties effect a compromise and at the same time, they consent to conducting the procedure in writing, no consecutive hearing will be held.

12. If during the hearing the parties make no additional declaration and the members of the acting panel have no additional questions either, the chair of the acting panel – after warning the parties to this effect – declares the hearing completed. In the absence of a compromise – with the exception of proceedings launched based on a petition of equity – the panel retires to deliberate. If during the deliberation any such circumstance or question arises in respect of which it would be practicable to obtain the parties' declaration, the chair of the acting panel opens the hearing to obtain that. The panel makes its decision after assessing and considering all of the declarations made by the parties in writing and verbally and the evidences put at its disposal. The acting panel makes its decision in camera by a simple majority of votes.

13. The members of the acting panel decide in camera whether in the absence of compromise they pass a binding resolution or make a recommendation in the given case. They also decide whether to announce the resolution at that time or announce it at an additional hearing. In the latter case the resolution is committed to writing within fifteen days after the hearing. If the legal and factual assessment of the case is simple, the chair of the acting panel announces the binding resolution or the recommendation at the given hearing. The announcement must contain the decision of the acting panel on the merits of the dispute and the brief justification thereof. If the acting panel does not announce the binding resolution or the recommendation at the hearing, it informs the parties about the date of the next hearing verbally. The acting panel sends no separate written notice to the parties on this date. If the resolution is passed in a procedure conducted in writing, the announcement of the resolution shall be made through postal delivery, with the proviso that the date of announcement shall correspond to the date of passing the resolution.

14. It is the duty of the acting panel to ensure that the binding resolution or recommendation is committed to writing and delivered. The written binding resolution or the recommendation must contain the brief decision.

If the purpose of the petition is that the acting panel should establish that the petitioner does not owe the amount claimed, the operative part of the recommendation or binding resolution shall indicate the claim that the petitioner is not obliged to pay, and should call upon the financial service provider to issue and send a declaration to the petitioner within 15 days, according to which it shall not enforce the specified claim against the petitioner.

In addition, the recommendation and the binding resolution must contain
a) the venue and date of the hearing, the designation of the acting panel and the case number,
b) the subject matter of the proceedings, the name and address (residential address, registered office) of the parties to the dispute or of their representatives, and their status in the dispute,
c) the name of the members of the panel acting in the case,
d) if the procedure was prolonged, the fact of this,
e) the justification of the content of the operative part,
f) the notice to the effect that the resolution or recommendation of the panel does not prejudice the consumer's right to enforce his claim at the court,
g) notice to the effect that no appeal lies against the binding resolution or the recommendation; the annulment thereof may be requested from the court,
h) the date of committing the resolution to writing,
i) in the binding resolution the decision on the costs and on the party paying it,
j) the information on the legal consequences of the financial service provider's failure to perform voluntarily.

15. The acting panel terminates the proceedings by its resolution, if
    a) the petitioner withdraws his claim,
    b) the parties agree on the termination of the proceedings,
    c) it is impossible to continue the proceedings,
    d) in the view of the acting panel it is unnecessary to continue the proceedings for any reason, including the petition's lack of grounding,
    e) it obtains knowledge of any of the circumstances specified in subsection 3 and 5 of Section 7 of the Operating Regulations.

16. Written minutes are taken of the hearing; in exceptional cases the chair of the acting panel may authorise the use of other recording devices. The minutes are taken by a member of the acting panel; the minutes must contain:
    a) the name of the parties and their representatives, their status in the procedure. the petitioner's personal identification data (mother's maiden name, place and date of birth, the number of his ID document), residence (place of abode), the registered office of the financial service provider,
    b) the fact that the parties were informed of their procedural rights and obligations, and the warnings made,
    c) the attempt to effect a compromise,
    d) if a compromise was effected, the fact thereof,
    e) the parties' declaration in brief,
    f) the declarations and warnings of the chair of the acting panel related to the conduct of the hearing,
    g) the responses given to the questions of the members of the acting panel,
    h) the facts related to the announcement and delivery of the resolution passed and of the recommendation,
    i) other circumstances, data and information relevant for the case and/or the hearing.

    Apart from the recommendation and the binding resolution, any resolution of the acting panel may be recorded in the minutes.

    The members of the acting panel or the parties upon making the declaration may request that certain declarations made by them be recorded verbatim in the minutes. Prior to concluding the hearing, the parties may inspect the minutes, make observations and request that it be corrected or supplemented.

    The chair of the acting panel may reject the request to supplement, if it *does not* contain any information that is materially new or substantially differs from what was said. The minute-keeper member of the panel enters the file number on the finalised minutes and delivers one copy to each of the attendees. The minutes must be delivered to the absent parties by post.

17. The objection against the binding resolution based on statutory submissions shall be deemed received by the deadline, if the financial service provider posts it in a registered mail to the address specified in Chapter 15 on the last day of the deadline for the lodging of the objection.

9. MAINTAINING THE PEACE AND DURATION OF THE PROCEEDINGS

1. The maintaining of the peace of the hearings is the duty of the chair of the acting panel. The chair of the acting panel warns the party disturbing the peace of the hearing that his conduct hinders the hearing, therefore if the hearing must be terminated the acting panel will pass its decision on the basis of the available data. When making its decision it will consider due to which party's conduct the hearing had to be cancelled. Upon severe disturbance of the peace the members of the acting panel will promptly notify the security staff and, if necessary, the police.

2. The acting panel must conclude the proceedings within 90 days from the commencement thereof and close the case by a resolution. If it is justified, the chair of the acting panel may approach the chair of FAB with a request prior to the expiry of the deadline, making use of the option provided by law, to authorise the extension of the procedural deadline. If the chair of the FAB grants the request, the proceedings may be prolonged on one occasion per case by 30 days.

10. DIFFERENT RULES APPLICABLE TO CROSS-BORDER FINANCIAL CONSUMER DISPUTES

1. In the case of cross-border disputes related to financial services activity the rules laid down in these Operating Regulations shall apply with the derogations specified in this chapter. A cross-border dispute is a dispute where the respective consumer's home address or habitual residence is in Hungary, while the registered office, business site or permanent establishment of the financial service providers is in another EEA member state, or vice versa.

2. An additional condition for the launch of the proceedings in consumer cross-border disputes related to financial services activity is that the financial service provider must submit itself in the given dispute to FAB's procedure and thereby acknowledge the decision thereof as binding on it. In the absence of submission, the acting panel
   a) informs the petitioner on the alternative dispute resolution forum participating in FIN-Net in another EEA member state, having power and competence with regard to the dispute,
   b) provides information on the special rules applicable to the proceedings of the said forum, particularly on the need of preliminary consultation with the service provider and, if necessary, on the deadlines prescribed for launching the procedure,
   c) upon the petitioner's request forwards his petition, recorded on the FIN-Net standard form, to the alternative dispute resolution forum having power and competence in the other EEA member state.

3. The acting panel always conducts the proceedings in writing but based on the consideration of the circumstances it may initiate a hearing. The hearing is subject to both parties' consent. The chair of the acting panel applies the notification rules in the procedure with a hearing, with the proviso that upon initiating the hearing the parties' attention must be drawn in the notification to the need of consent. When the proceedings are conducted in writing, the notification should contain, instead of the date of the hearing, the information that the proceedings have started. If the chair of the acting panel conduct the proceedings in writing, the acting panel may request the parties to provide it with written information or documents, by setting a deadline, in order to establish whether the petition is grounded, The declarations and position of the parties must be disclosed to the adverse party, who should be given the opportunity to define his position. If the chair of the acting panel conducts the proceedings in writing, the resolution of the acting panel must be promptly delivered to the parties once it is passed.

4. The procedure shall be conducted in English. The acting panel will deliver its judgement also in this language, unless the petitioner requests that the language of the disputed contract and/or of the communication between the respective service provider and the consumer be used.

5. The chair of the FAB may, on the proposal of the chair of the acting panel, prolong the deadline of the procedure in justified cases on one occasion by 90 days per case.

11. PROCEEDINGS IN THE CASES RELATED TO THE SETTLEMENT AND CONTRACT MODIFICATION

1. The cases related to the settlement and the contract modification are governed by the provisions of Act XXXVIII of 2014, Act XL of 2014 and Act LXXVII of 2014. In these cases, the rules of the Operating Regulations must be used with the derogations specified in this Section.

2. The cases related to the settlement and contract modification (hereinafter: settlement case) mean the disputes where the petitioner applies for the judgment of the petitions defined in forms 151, 152 and 153, attached as annexes to the Operating Regulations. The petition for decision may only be submitted in respect of the petitions stipulated in the said forms. Should the petition of the petitioner cover other subjects as well, the acting panel will treat it as if the petitioner had not made the petition and it will not pass a decision on those.

3. The petitioner may submit a petition to the Board within 30 days from the receipt of the financial service provider's letter rejecting the complaint, or if the financial service provider failed to respond to his complaint within 60 days. If the petitioner was prevented from the submission of the petition, he may initiate the proceeding within 30 days from

the termination of the prevention, but not later than 6 months after the delivery of the rejection of the complaint. The petitioner must confirm the prevention and the termination thereof.

4. The use of the standard forms is mandatory. If the petitioner submits his petition not on the appropriate dedicated form or the form is incomplete, the acting panels call upon the Petitioner, indicating what is missing and allowing a deadline of 8 days, to submit his petition on the proper form and supplementing it with the missing information. The petition is regarded as incomplete if not all necessary field are filled in, if the petitioner fails to attach the annexes indicated in the form, or those requested by the acting panel in the call for supplementation, or fails to make a declaration despite the call and in the opinion of the acting panel this circumstance renders the conduct of the proceedings and the judgment of the case on the merits impossible.

5. There may be several petitioners in a single settlement case. If there are more than one borrowers in the contract underlying the disputed settlement, the petition may be submitted by the addressee of the settlement statement and also by the person not specified as addressee, but entitled to dispute the settlement, jointly or separately.
   a) If any person entitled to dispute the settlement submits the petition and starts the procedure at a different time, the acting panel consolidates the previously launched pending procedure with the procedure initiated later and thereafter calculates the procedural deadlines from the date of the consolidation.
   b) If any person entitled to dispute the settlement submits a complaint to the financial service provider in respect of a case that is the subject of a pending procedure of the Financial Arbitration Board, and notifies the Board to this effect or the acting panel learns about this, the acting panel shall suspend the pending case(s) involved in the given settlement. The duration of the suspension is not considered for the purpose of the procedural deadline. If the statutory conditions of the suspension no longer exist, the acting panel continues the procedure.

6. The parties may not submit an objection on the ground of the lack of competence in the procedure.

7. The acting panel rejects the petition and terminates the procedure, if
   a) the case does not fall within the laws stipulated in point 1,
   b) the submission of the petition was not preceded by the investigation of the petitioner's complaint at the petitioner's initiative at the respective service provider,
   c) the complaint was not rejected within the statutory deadline,
   d) the petition was submitted late
   e) the petitioner failed to comply with the call for supplementation,
   f) The petition cannot be judged even after the supplementation,
   g) the petitioner withdraws his petition,
   h) the petitioner and the financial service provider jointly apply for the termination of the proceedings,
   i) the petition is unfounded
   j) in the case of petitions aimed at the dispensing with the conversion into forint, the attempt to involve co-borrowers failed
   k) any of the petitioners submits a petition due to the same reason in respect of which the Board has already passed a decision in connection to the same settlement,
   l) if the financial service provider prepared a new settlement statement, against which independent remedy lies.

8. The acting panel sends the petition and the annexes thereto in copy or in electronic form, together with the notice on the hearing – if necessary – to the financial service provider, calling upon it to submit its response within 15 days and to send it directly to the petitioner as well. Furthermore, it calls upon the financial service provider to make a declaration on the legitimacy of the petitioner's claim and to submit – on electronic data carrier in the specified format and manner – the settlement statement communicated to the consumer, the notice on the conversion into forint and the underlying data, and upon a proposed compromise, describe such compromise in detail.

9. The acting panel may send the documents generated during the proceedings – if the respective party agrees to it – through electronic channels or by any other means. For the purpose of accelerating the administration the financial service providers may request in respect of each of their petitioners' delivery by means other than post, subject to the Board's approval.

10. The Board assesses the petitions in three-member panels and in written proceedings, but the acting panel may, at its discretion, hold a hearing. The acting panel is appointed before judging the case on the merits.

11. The procedure is conducted in written form, if the acting panel holds no hearing. The rules governing the written procedure correspond to those governing the procedures with a hearing, with the following derogations:
    a) the acting panel notifies the parties on the start of the proceedings in writing,
    b) prior to the decision the acting panel
    i) calls upon the respective parties, setting a deadline of at least 8 days, to make their declarations on the merits, otherwise it passes a decision; and/or
    ii) communicates the latest date for passing the decision; no declaration on the merits may be submitted after the deadline indicated in the call or communication.

12. If the acting panel holds a hearing, it sets the date of the hearing to a date within 75 days from the start of the proceedings, and the modification thereof cannot be requested. If prior to the set date the parties effect a compromise and the financial service provider sends the related signed instrument to the acting panel, within 15 days from the receipt of the written compromise the acting panel approves the compromise, if it complies with the laws and cancels the hearing.

13. The acting panel holds only one hearing. The hearing is not public. The acting panel may prohibit the presence of persons other than the parties and their representatives in the chamber. The acting panel may pass a decision at the hearing, having consulted at low tone. Video or voice recording may not be taken at the hearing.

14. Written minutes are taken of the hearing; the chair of the acting panel may authorise the use of other recording devices. The minutes are taken and signed by a member of the acting panel; The minutes contain:
    a) the name of the parties and their representatives, the petitioner's personal identification data (mother's maiden name, place and date of birth, the number of his ID document), residence (place of abode), the registered office of the financial service provider,
    b) the fact that the parties were informed of their procedural rights and obligations, and the warnings made,
    c) the attempt to effect a compromise; if the compromise is effected, it must be put on record,
    d) the declarations of the parties in one sentence each,
    e) the declarations and warnings of the chair of the acting panel related to the conduct of the hearing,
    f) the facts related to the delivery of the decision passed.

    Prior to closing the hearing, the panel member taking the minutes reads out the minutes and the parties may comment on it. The panel member taking the minute indicates the file number on the finalised minutes; the minutes are either delivered right at the hearing or by post.

    The acting panel may also record its resolution in the hearing minutes; in this case the minutes are signed by all members of the panel.

15. The acting panel approves a compromise in the case or passes a binding resolution or rejects the petition and terminates the proceedings. The financial service provider is bound by the binding resolution even if it has not made either a general, or an individual declaration of submission.

16. The binding resolution must contain:
    a) the name, place of residence or mailing address, place and date of birth of the petitioner
    b) the name and registered office of the financial service provider involved in the dispute initiated by the petitioner,
    c) the brief summary of the dispute or a reference to the content of the petition and the answer,
    d) the decision of the acting panel,
    e) the indication of the applied laws,
    f) the information on the available remedies,
    g) the date of committing the resolution to writing,

17. The proceedings of the Board are free; the costs of the consumer incurred in relation to the proceeding may not be reimbursed, hence no such petition may be submitted.

18. The Board will not publish the binding resolutions.

19. Either party may initiate remedy against the judgment of the Board. The petition for the conduct of the non-litigious court procedure must be submitted to the Board but addressed to the district court operating at the seat of the tribunal having jurisdiction based on the consumer's residence; in the case of consumers resident in Budapest it must be addressed to the Central District Court of Pest. The Board submits the documents of the case along with the petition to the competent court.

12. PROCEDURE IN ONLINE FINANCIAL CONSUMER DISPUTES

1. If the Financial Arbitration Board agreed to conduct an alternative dispute resolution procedure in respect of a dispute forwarded via the online dispute resolution platform, in the case of consumer disputes related to online financial services activity, the rules stipulated in the present Operating Procedures shall be applied with the derogations specified in this chapter. If the Board does not agree to resolve the dispute via the online dispute resolution platform, the rules of the hearing-based procedure shall be applied.

2. The online dispute resolution procedure takes place in writing through the dedicated platform; the panel shall send a notification to the parties on the launch of the procedure. No hearing shall be held unless either party requests that a hearing be held, and the other party agrees to it, or as a result of considering the circumstances the acting panel initiates a hearing and both parties consent to it. If a hearing is held, the procedure shall continue after the receipt of such request in accordance with the general rules.

3. The acting panel may request the parties to provide it with written information or documents, by setting a deadline, in order to establish whether the petition is grounded. The declarations and position of the parties must be disclosed to the adverse party, who should be given the opportunity to explain his position. The acting panel may request the parties that they should send an acknowledgment of receipt of the documents sent via the online dispute resolution platform.

4. The acting panel shall procure that its resolution contestable through remedy is also delivered by post to the parties; the deadlines for the remedy commence from the postal delivery.

5. The issues not regulated in this chapter shall be governed, *mutatis mutandis*, by the general rules of the Operating Procedures.

13. PUBLICATION OF THE DECISIONS

1. FAB publishes its binding resolutions and the recommendations on its website, within the site of the Magyar Nemzeti Bank, without disclosing the identity of the parties (anonymously), describing the content of the dispute and the result of the proceedings, and prepares a summary on the approved compromises.

2. If the annulment of any recommendation of FAB was requested at the court, the recommendation may not be published with the name of the financial service provider until the completion of the court procedure with a final ruling. After the final ruling the recommendation, the force of which was maintained, may be published.

3. If the financial service provider fails to comply with the recommendation and the 60 days from the delivery of the recommendation to the financial service provider elapsed, and the annulment of the recommendation was not requested, the recommendation of the acting panel may be published indicating the name of the financial service provider. The name of the petitioner initiating the procedure is not public.

14. RECESS

1. FAB is in recess twice a year, in summer and in winter. The summer recess is in July and August, while the winter recess is in December and January. The duration of the recess is 8-15 working days per occasion; this duration does not count for the purpose of calculating the procedural deadlines.

2. The exact time, start and end date of the recesses is published by the chair of FAB on the website at least one month before the start of the recess.

15. CONTACT DETAILS

1. In general cases:
– By letter sent by post: 1525 Budapest Pf. 172.
– or addressed directly to FAB (H-1013 Budapest I., Krisztina krt 39.)
– By e-mail: ugyfelszolgalat@mnb.hu
– In relation to service contracts concluded online as specified in the ODR Regulation, via the online dispute resolution platform at https://webgate.ec.europa.eu/odr.

2. In settlement and contract modification cases:
– By letter sent by post: 1539 Budapest, Pf. 670.

3. In all cases:

The colleagues of the MNB Central Customer Service provide information on the rules governing the procedure of the Board by phone or e-mail, upon request by phone or e-mail. No information is provided on pending cases.

Since 3 August 2015 the Board does not operate an own customer service desk.

The Board may be contacted as follows:
– On its own website: www.mnb.hu/bekeltetes
– At the central customer service of the MNB: H-1013 Budapest, Krisztina krt. 39
– Via the direct telephone number: +36-1-489-9700, +36-80-203-776
– Through the central facsimile: 36-1- 489-9102

The petitions may be submitted at any of the locations listed below:
– in person in the Civil Affairs Bureaus
– at the MNB Central Customer Service, Budapest I., Krisztina krt. 39, ground floor, in person
– as e-instrument via the e-government portal on the www.ugyfelkapu.magyarorszag.hu page, if the petitioner has the necessary registration.

In the offices of the Network of Financial Advisory Offices, at 11 locations nationwide, where the consultants are available to provide help for the proper completion of the petitions. (www.penzugyifogyaszto.hu)

ANNEX 2

	150. GENERAL CONSUMER PETITION	place of bar code
CASE NUMBER:	*To be submitted in 1 copy to the Financial Arbitration Board*	
Place of receipt	*You may download this form from the website www.penzugyibekeltetotestulet.hu, or it can be filled in by hand or by typing. You may ask for the assistance of the Front Office Service of the Magyar Nemzeti Bank (address: 1013 Budapest, Krisztina krt. 39.), or from the financial advisory offices operating as the MNB's partners. For the contact data of financial advisory offices go to: https://www.mnb.hu/fogyasztovedelem/tanacsado-irodak. You may send the filled in form by post to our postal address of correspondence (Pénzügyi Békéltető Testület 1525 Budapest, Postafiók 172.), or submit it in person at the MNB's Front Office Services or at the bureaus of civil affairs. In this case no postal charges need to be paid. Petitions can also be submitted in electronic form via the e-government portal (www.magyarorszag.hu).*	

1A. PETITIONER'S data: *(Any person qualifying as a CONSUMER, i.e. a natural person acting for purposes falling outside his independent occupation and economic activity, may be a petitioner.)*

1A.1	**Petitioner's name:**				
1A.2	**Residential or postal address:**				
1A.3	**Date of birth:**	☐☐☐☐ ☐☐ ☐☐			
1A.4	**Telephone number:**				
1A.5	**Capacity:** Please mark with X as applicable	☐ debtor	☐ demand guarantee provider	☐ mortgager	☐ heir
		☐ in the case of insurance contracts contractor	☐ insured	☐ beneficiary	☐ fund member
		☐ other (please describe)			

1B. ADDITIONAL PETITIONER'S data: (*Any person qualifying as a CONSUMER, i.e. a natural person acting for purposes falling outside his independent occupation and economic activity, may be a petitioner.)*

1B.1	**Petitioner's name:**				
1B.2	**Residential or postal address:**				
1B.3	**Date of birth:**	☐☐☐☐ ☐☐ ☐☐			
1B.4	**Telephone number:**				
1B.5	**Capacity:** Please mark with X as applicable	☐ debtor	☐ demand guarantee provider	☐ mortgager	☐ heir
		☐ in the case of insurance contracts contractor	☐ insured	☐ beneficiary	☐ fund member
		☐ other (please describe)			

150-A	Name of petitioner as per point 1A.: _____	Date of birth: ☐☐☐☐ ☐☐ ☐☐

2. PROXY'S data

If you wish to act via a proxy, please also fill in and sign the POWER OF ATTORNEY form, obtain the signature of two witnesses and attach the original copy as annex to the petition.

2.1	**Proxy's name:**	
2.2	**Residential or postal address:**	
2.3	**Telephone number:**	

3. Data of the FINANCIAL SERVICE PROVIDER:

3.1	**Name of the financial service provider:**	
3.2	**Address of the financial service provider:**	

Data of ADDITIONAL SERVICE PROVIDER (*Please fill in this section only, if you request that the procedure be launched against the additional service provider.)*

3.3	**Name of the additional financial service provider:**	
3.4	**Address of the additional financial service provider:**	

4. DECLARATION ON DISQUALIFYING REASONS HINDERING THE INSTITUTION OF PROCEEDINGS:

Please be informed that the Financial Arbitration Board may only start the proceeding, if none of the disqualifying reasons listed below exists. It is important to indicate your response for each item.

Based on the same factual data and for the same right		
4.1	– a Financial Arbitration Board proceeding has been initiated before	☐ no / ☐ yes
4.2	– a mediation procedure has been initiated before	☐ no / ☐ yes
4.3	– there is a pending civil action	☐ no / ☐ yes
4.4	– already a final judgement has been passed in the case, or there is a binding warrant for payment	☐ no / ☐ yes
4.5	– the petitioner has formerly submitted an equity petition to the Financial Arbitration Board	☐ no / ☐ yes

5. Data related to the COMPLAINT SUBMITTED TO THE FINANCIAL INSTITUTION:

Please be informed that the Financial Arbitration Board may only start the proceeding, if you have attempted to resolve the dispute directly with the financial service provider and your complaint (equity petition) has been rejected. If you have not lodged a complaint (equity petition) with the financial service provider, you may not initiate the proceeding of the Financial Arbitration Board.

5.1	**When did you submit your complaint/equity petition to the financial institution?**	…… day …… month 201... year
5.2	**Please mark with X, if the financial institution did not respond to your complaint/equity petition and already 30 days have elapsed since the receipt of the complaint.**	☐ **yes**
5.3	**When did you receive the financial institution's letter on the rejection of the complaint/equity petition?**	…… day …… month 201... year

150-B	Name of petitioner as per point 1A.: _____	Date of birth: ☐☐☐☐ ☐☐ ☐☐

6. SUBJECT OF THE PETITION AND DESCRIPTION OF THE REASONS:

6.1 Describe the subject of the petition and indicate the amount involved:

6.1.1	**Reference number of the contract being the subject of the petition:**	
6.1.2	**Petition of equity:**	☐ **yes**
6.1.3	**Description of the petition:**	
6.1.4	**Amount involved in the petition:**	HUF

6.2 Detailed presentation of the reason for the petition:

*Attach the copies of the instruments supporting your allegations and indicate in **point 7** the documents you attached to support your allegations.*

Please mark with X, if you continue Point 6.2 on additional sheet 150-B/1: ☐ **yes**

150-B/1	**ADDITIONAL SHEET FOR POINT 6.2** Name of petitioner as per point 1A.: _____	Date of birth: ☐☐☐☐ ☐☐ ☐☐

Detailed presentation of the reason for the petition (continuation of Point 6.2):

150-C	Name of petitioner as per point 1A.: _____	Date of birth: ☐☐☐☐ ☐☐ ☐☐

7. ANNEXES TO THE PETITION:

*The launch of the proceeding is **conditional upon** attaching the documents supporting your allegation to the petition.*
In the case of Points 7.1.1-7.1.4 and 7.2.1–7.2.3 it is sufficient to mark with X on the form that you have attached the instrument, while in the case of Point 7.2.4, please list the additional instruments you have attached.

7.1	**Annexes related to Points 2-5 of the petition:**	
7.1.1	**Complaint/equity petition** you have submitted to the financial institution	attached:☐
7.1.2	Letter of the financial institution on the rejection of the **complaint/equity petition**	attached:☐
7.1.3	If you have not received a response to your complaint from the financial institution, the document evidencing the submission of the complaint (e.g. the post office receipt of the registered mail)	attached:☐
7.1.4	**Original copy** of the filled in and signed **Power of Attorney** form, if you have filled in Point 2 of the petition	attached:☐

7.2	**Annexes related to Point 6 of the petition:**	
7.2.1	Document confirming the legal relationship pertaining to the financial services (e.g. contract, insurance proposal, insurance policy)	attached:☐
7.2.2	Documents related to the insurance service claim (e.g. claim assessment protocol, expert opinion, quotation or invoice)	attached:☐
7.2.3	**Warrant for payment, litigation and foreclosure instruments** related to the subject matter of the petition	attached:☐
7.2.4	**Additional documents supporting the petition:** *(Please list the attached additional documents.)*	

150-D	Name of petitioner as per point 1A.: _____	Date of birth: ☐☐☐☐ ☐☐ ☐☐

8. I submit the following definite petition for the decision of the Financial Arbitration Board, based on which I request that the procedure be conducted.

Performed on ……., …. day ……month …… 201…. year

……. …….

Signature of the Petitioner specified in Point 1A.* **Signature of the Petitioner specified in Point 1B.***

** I acknowledge that in the proceedings instituted on the basis of this petition, the Financial Arbitration Board will process my personal data stated in my petition – including my sensitive data potentially submitted in this context – to the extent and for the time necessary for conducting the proceedings, and it may disclose them to third parties in complying with statutory obligations.*

By signing this form, I consent to the Financial Arbitration Board processing my sensitive data potentially submitted in addition to my personal data in the proceedings instituted on the basis of this petition, to the extent and for the time necessary for conducting the proceedings, and disclosing them to third parties in complying with statutory obligations.

I also acknowledge that if the data subjects consider that the processing of data did not take place in compliance with the legal requirements, they have the option to initiate the proceedings of the Magyar Nemzeti Bank's internal data protection officer, or they can bring the matter before court. In addition, an investigation may be initiated by filing a report to the National Authority for Data Protection and Freedom of Information on the grounds that there was an infringement in practising the rights related to the processing of personal data or there is imminent danger thereof.

By signing this form I also declare that the Financial Arbitration Board may manage my data in the proceeding launched on the basis of this petition for the necessary time as specified in Section 5(2) of Act CXII of 2011 on the Right of Informational Self-Determination and on Freedom of Information, and may transfer it to third parties if it has a statutory obligation to do so.

Please be informed that the petitioner may receive information on the personal data managed in respect of him/her at any time, and in the case of any infringement he/she may initiate court action or the proceedings of the Hungarian National Authority for Data Protection and Freedom of Information.

To be completed only if you wish to act by proxy!

POWER OF ATTORNEY

I, the undersigned:

Petitioner's (principal's) name:	
Residential address:	
Date and place of birth:	☐☐☐☐ ☐☐ ☐☐ Place of birth:

hereby authorise:

Proxy's name:	
Residential address:	
Date and place of birth:	☐☐☐☐ ☐☐ ☐☐ Place of birth:

to act on behalf of me and in my name with full powers in the proceedings started with a view to resolve the financial consumer dispute between myself and

Name of financial service provider:	
address:	

at the Financial Arbitration Board.

This power of attorney is valid until recalled and applies solely to the above financial dispute.

Performed on ……., …. day ……month 201.. . year

…… Principal's signature*	…… Proxy's signature*

Witnesses:

Name:	Name:
Address:	Address:
Mother's maiden name:	Mother's maiden name:
Signature:	Signature:

** I acknowledge that in the proceedings instituted on the basis of this petition, the Financial Arbitration Board will process my personal data stated in my petition to the extent and for the time necessary for conducting the proceedings, and it may disclose them to third parties in complying with statutory obligations.*

I also acknowledge that if the data subjects consider that the processing of data did not take place in compliance with the legal requirements, they have the option to initiate the proceedings of the Magyar Nemzeti Bank's internal data protection officer, or they can bring the matter before court. In addition, an investigation may be initiated by filing a report to the National Authority for Data Protection and Freedom of Information on the grounds that there was an infringement in practising the rights related to personal data management or there is imminent danger thereof.

ANNEX 3

	180. EQUITY PETITION *Equity case: cases where petitioners, with regard to **their personal or financial situation**, request the financial service provider to allow a more favourable possibility for performance than what was originally determined in the contract, such as, in particular, the reduction or cancellation of their payment obligation, the amendment or closure of their contract, or the possibility of completing payment under conditions other than the ones determined in the contract. In equity cases, the Board mediates between the financial service provider and the petitioner in the interest of reaching a settlement agreement, approves the settlement agreement concluded in its resolution, or, if no settlement agreement is reached, closes the case in a termination decision. In equity proceedings, claims already judged in payment order, litigious or court enforcement proceedings cannot be disputed.* *To be submitted in 1 copy to the Financial Arbitration Board*	Place of bar code
CASE NUMBER:		
Place of receipt	*You may download this form from the website www.penzugyibekeltetotestulet.hu, or it can be filled in by hand or by typing. You may ask for the assistance of the Front Office Service of the Magyar Nemzeti Bank (address: 1013 Budapest, Krisztina krt. 39.), or from the financial advisory offices operating as the MNB's partners. For the contact data of financial advisory offices go to: https://www.mnb.hu/fogyasztovedelem/tanacsado-irodak. You may send the filled in form by post to our postal address of correspondence (Pénzügyi Békéltető Testület 1525 Budapest, Postafiók 172.), or submit it in person at the MNB's Front Office Services or at the bureaus of civil affairs. In this case no postal charges need to be paid.*	

1. PETITIONER'S data: *(Any person qualifying as a CONSUMER, i.e. a natural person acting for purposes falling outside his independent occupation and economic activity, may be a petitioner.)*

1A.1	**Petitioner's name:**						
1A.2	**Residential or postal address:**						
1A.3	**Date of birth:**	☐☐☐☐ ☐☐ ☐☐	**1A.4**	**Telephone number:**			
1A.5	**Capacity:** Please mark with an X as applicable	☐ debtor	☐ demand guarantee provider	☐ mortgager	☐ heir	☐insured person	☐ injured person
		☐ other:.....					

1B.1	**Additional petitioner's name:**						
1B.2	**Residential or postal address:**						
1B.3	**Date of birth:**	☐☐☐☐ ☐☐ ☐☐	**1B.4**	**Telephone number:**			
1B.5	**Capacity:** Please mark with an X as applicable	☐ debtor	☐ demand guarantee provider	☐ mortgager	☐ heir	☐insured	☐ injured person
		☐ other:.....					

2. PROXY's data: *If you wish to act via a proxy, please also fill in and sign the POWER OF ATTORNEY form, obtain the signature of two witnesses and attach the original copy as an annex to the equity petition.*

2.1	**Proxy's name:**	
2.2	**Residential or postal address:**	
2.3	**Telephone number:**	

3. The FINANCIAL SERVICE PROVIDER's data: *(Banks, other credit institutions, insurance undertakings, financial enterprises, treasuries and investment service providers are regarded as financial service providers. Debt management companies can only be regarded as financial service providers, if their claims with regard to consumers are based on financial services. Consumer groups and their organisers, utility companies or communication providers are not regarded as financial service providers.*

3.1	**Financial service provider's name:**	
3.2	**Financial service provider's address:**	

180-A	Petitioner's name as in point 1A.: _____	Date of birth: ☐☐☐☐ ☐☐ ☐☐

4. Statements and data relating to INSTITUTING THE PROCEDURE:

Please be informed that the Financial Arbitration Board may institute proceedings, if in respect of the same case you have not submitted an equity petition to the Board before. An exception to this rule is admissible only if in connection with your former petition no hearing was scheduled, or if you withdrew your petition during the procedure. Consumers may initiate proceedings in front of the Board only after they have attempted to settle their case with the financial service provider but were rejected, or if they did not receive an answer to their petition within 30 days-

4.1	**Please state that you have NOT submitted an equity petition to the Financial Arbitration Board before based on the same facts of the case, for the same right, except where no hearing was scheduled in connection with your petition, or if you withdrew your petition during the procedure.**	☐ **I hereby declare**
4.2	**When did you submit your equity petition to the financial service provider?**	…… day …… month 201… year
4.3	**Please mark with an X, if the financial service provider did not respond to your equity petition and 30 days have already elapsed since the receipt of your petition.**	☐ **yes**
4.4	**When did your receive the financial service provider's reply concerning the rejection of your equity petition?**	…… day …… month 201… year

5. SUBJECT OF THE EQUITY PETITION AND DESCRIPTION OF THE REASONS:

5.1 Describe the subject of the equity petition and indicate the amount involved:

5.1.1.	**Identification number of the contract, which is the subject of the petition:**	
5.1.2.	**Description of the petition:**	
5.1.3.	**Amount involved in the petition:**	HUF

5.2 Detailed presentation of the reasons for the petition:

*Please describe the personal or financial situation with regard to which the financial service provider is requested to allow a more favourable possibility for performance than what was originally determined in the contract, such as, in particular, the reduction or cancellation of payment obligation, the amendment or closure of the contract, or the possibility of completing payment under conditions other than the ones determined in the contract. Attach the copies of the instruments supporting your allegations and indicate in **Point 6** the documents you have attached to support your allegations.*

Please mark with an X, if you continue Point 5.2 on additional sheet 180-A/1: ☐ **yes**

180-A/1	**ADDITIONAL SHEET TO POINT 5.2** Petitioner's name as in point 1A.: _____	Date of birth: ☐☐☐☐ ☐☐ ☐☐

Detailed presentation of the reasons for the petition (continuation of Point 5.2):

3/5

180-B	Petitioner's name as in point 1A.: _____	Date of birth: ☐☐☐☐ ☐☐ ☐☐

6. ANNEXES TO THE PETITION:

*The launch of the proceedings **is conditional upon** attaching the documents supporting your allegation to the petition. In the case of Points 6.1–6.5. it is sufficient to mark with an X on the form that you have attached the instrument, while in the case of Point 6.6 please list the additional instruments you have attached.*

Annexes:		
6.1	***Equity petition*** you have submitted to the financial institution	attached:☐
6.2	Letter of the financial institution **on the rejection of the equity petition**	attached:☐
6.3	If you have not received a response to your complaint from the financial institution, the document evidencing the submission of your complaint (e.g. the post office receipt of the registered mail)	attached:☐
6.4	**Original copy** of the filled in and signed **Power of Attorney** form, if you have filled in Point 2 of the petition)	attached:☐
6.5	Document certifying legal relationship relating to the financial service included in the equity petition (e.g.: contract, assignment notification, demand for payment)	attached:☐
6.6	**Additional documents supporting the petition:** *(Please list the additional documents attached.)*	

7. I submit the following definite petition for the decision of the Financial Arbitration Board, based on which I request that proceedings be conducted.

Please describe your request accurately. E.g.: reduction or cancellation of payment obligation, amendment or closure of the contract, or the possibility of completing payment under conditions other than the ones determined in the contract)

Done at ……, …. day ……month …… 201... year

…… ……

Signature of the Petitioner specified in Point 1A.* Signature of the Petitioner specified in Point 1B.*

** By signing this form I also declare that the Financial Arbitration Board may manage my data in the proceeding launched on the basis of this petition for the necessary time as specified in Section 5(2) of Act CXII of 2011 on the Right of Informational Self-Determination and on Freedom of Information, and may transfer it to third parties if it has a statutory obligation to do so.*

Please be informed that you may receive information on the personal data processed at any time, and in the case of any infringement of rights you may initiate court action or the proceedings of the Hungarian National Authority for Data Protection and Freedom of Information.

To be completed only if you wish to act by proxy!

POWER OF ATTORNEY

I, the undersigned:

Petitioner's (principal's) name:	
Residential address:	
Date and place of birth:	☐☐☐☐ ☐☐ ☐☐ Place of birth:

hereby authorise:

Proxy's name:	
Residential address:	
Date and place of birth:	☐☐☐☐ ☐☐ ☐☐ Place of birth:

to act on behalf of me and in my name with full powers in the proceedings started with a view to resolving the financial consumer dispute between myself and

Financial service provider's name:	
address:	

concerning an equity case.

This power of attorney is valid until recalled and applies solely to the case described above.

Done at ……, …. day ……month …… 201... year

…… Principal's signature	…… Proxy's signature*

Witnessed by:

Name:	Name:
Address:	Address:
Mother's name:	Mother's name:
Signature*:	Signature*:

** By signing this form I declare that the Financial Arbitration Board may manage my data in the proceeding launched on the basis of this petition for the necessary time as specified in Section 5(2) of Act CXII of 2011 on the Right of Informational Self-Determination and on Freedom of Information, and may transfer it to third parties if it has a statutory obligation to do so.*

The persons signing the power of attorney may receive information on the personal data processed in respect of them at any time, and in the case of any infringement of rights they may initiate court action or the proceedings of the Hungarian National Authority for Data Protection and Freedom of Information.

5/5

ANNEX 4

FIN-NET form for cross-border financial services complaints

When to use this form: Use this form if you:

- live in one country in Europe*
- have a complaint against a financial services provider in another country in Europe*
- have complained to the provider but are still dissatisfied and
- want to find out which out-of-court dispute resolution scheme might be able to resolve the dispute

How to use this form: Please complete the information requested below, and e-mail or post the form to the relevant dispute resolution scheme in either:

- your own country or
- the country of the financial services provider

There is a list of dispute resolution schemes in each country, and what they cover, at http://ec.europa.eu/internal_market/fin-net/members_en.htm It will help if you attach a copy of essential documents, in particular, of any written response the provider made to your complaint.

What happens next: The dispute resolution scheme will tell you whether it, or some other scheme, might be able to resolve your complaint. The scheme that actually looks at your complaint may well ask you to complete a longer complaint form and will provide you with more information.

Information about you	
The country you live in	
Your surname	
Your other names	
Your nationality	
Your full address	
Your daytime telephone number	
Your e-mail address	
Information about the financial services provider	
Its full name	
Type of business (e.g. bank, insurer)	
The full address of the office you dealt with	
The telephone number, fax number and e-mail address of that office (optional)	
The country that office is in	
Information about your complaint	
Brief summary of what the complaint is about	
Date of the facts that generated the dispute	
Reference of the contract, e.g. number of insurance policy	
Date you complained to the provider	
Date of provider's last response	

* A Member State of the European Union, Iceland, Liechtenstein and Norway

financial dispute resolution network

FIN-NET formanyomtatvány határon átnyúló pénzügyi jogvita rendezésére

Akkor töltse ki a nyomtatványt, ha

- az Európai Unióban, Izlandon, Liechtensteinben vagy Norvégiában lakik
- olyan pénzügyi szolgáltatóval szemben van panasza, mely a fenti államok valamelyikében működik
- kezdeményezte a panasz rendezését a pénzügyi szolgáltatóval, de az nem vezetett eredményre
- meg szeretné tudni, melyik bíróságon kívüli vitarendezési fórum illetékes az ügyében

Kérjük, töltse ki az alábbi nyomtatványt és e-mailen vagy postai úton küldje azt el annak az vitarendezési fórumnak, amely

- az Ön országában működik
- a pénzügyi szolgáltató országában működik

Az alábbi linken megtalálja a hatáskörrel rendelkező vitarendezési fórumok listáját.
http://ec.europa.eu/internal_market/fin-net/members_en.htm. Kérjük, kérelméhez csatolja azon dokumentumok másolatát, amelyekre hivatkozni kíván az eljárás során, különösen a pénzügyi szolgáltató válaszát a panaszára.
A következő lépésben a vitarendezési fórum tájékoztatni fogja, hogy ő maga, vagy másik fórum tud eljárni az ügyében. Az eljáró fórum további információkat kérhet Öntől a panaszára vonatkozóan.

Személyes adatok	
Az ország, ahol Ön lakik	
Vezetéknév	
Utónév	
Nemzetiség	
Lakcím	
Telefonszám (napközbeni elérhetőség)	
E-mail cím	
A pénzügyi szolgáltató adatai	
Teljes neve	
Típus (bank, biztosító, stb.)	
A pénzügyi szolgáltató irodájának címe, mellyel kapcsolatban áll	
A pénzügyi szolgáltató elérhetősége (telefon, e-mail cím)	
Az ország, ahol a pénzügyi szolgáltató irodája működik	
A panasz adatai	
Rövid összefoglalás a panaszról	
A panasz alapjául szolgáló tények keletkezésének időpontja	
Szerződés száma, adatai	
Panaszbejelentés időpontja a pénzügyi szolgáltató felé	
A pénzügyi szolgáltató utolsó válaszának időpontja	

ANNEX 5

Financial service providers involved in procedures in 2018

	Service Provider	Conciliation cases Number of cases	Settlement cases Number of cases
1	Erste Bank Hungary Zrt.	247	1
2	OTP Faktoring Zrt.	194	1
3	OTP Bank Nyrt.	192	1
4	Generali Biztosító Zrt.	185	
5	Groupama Biztosító Zrt.	179	
6	Allianz Hungária Biztosító Zrt.	174	
7	AEGON Magyarország Általános Biztosító Zrt.	161	
8	UNION Vienna Insurance Group Biztosító Zrt.	113	
9	Intrum Justitia Követeléskezelő Zrt.	110	1
10	K&H Bank Zrt.	98	4
11	MKB Bank Zrt.	90	
12	Budapest Bank Zrt.	86	
13	UNIQA Biztosító Zrt.	85	
14	Raiffeisen Bank Zrt.	81	1
15	K&H Biztosító Zrt.	77	
16	EOS Faktor Magyarország Zrt.	76	
17	UniCredit Bank Hungary Zrt.	69	
18	CIB Bank Zrt.	66	1
19	Fundamenta Lakáskassza Zrt.	52	
20	Merkantil Bank Zrt.	51	
21	MKK Magyar Követeléskezelő Zrt.	49	
22	Provident Pénzügyi Zrt.	47	
23	Magyar Posta Biztosító Zrt.	46	
24	GENERTEL Biztosító Zrt.	38	
25	Magyar Cetelem Bank Zrt.	37	
26	KÖBE Kölcsönös Biztosító Egyesület	35	
27	Takarék Kereskedelmi Bank Zrt.	28	1
28	CARDIF Biztosító Zrt.	26	
29	Dunacorp Faktorház Zrt.	25	
30	SIGNAL IDUNA Biztosító Zrt.	25	
31	Erste Befektetési Zrt.	23	
32	Erste Lakástakarék Zrt.	23	
33	OTP Lakástakarékpénztár Zrt.	20	
34	Cofidis Magyarországi Fióktelepe	18	
35	Skandia Lebensversicherung AG	18	
36	MetLife Europe d.a.c. Magyarországi Fióktelepe	17	
37	CIG Pannónia Életbiztosító Nyrt.	16	
38	FHB Kereskedelmi Bank Zrt.	15	
39	Magyar Biztosítók Szövetsége	13	
40	NN Biztosító Zrt.	13	

	Service Provider	Conciliation cases Number of cases	Settlement cases Number of cases
41	Reg-Finance Pénzügyi és Szolgáltató Zrt.	13	
42	Sberbank Magyarország Zrt.	13	
43	InHold Pénzügyi Zrt.	12	
44	OTP Jelzálogbank Zrt.	11	1
45	Lombard Pénzügyi és Lízing Zrt.	10	
46	4Life Direct Kft.	9	
47	AEGON Magyarország Hitel Zrt.	9	
48	Colonnade Insurance S.A. Magyarországi Fióktelepe	9	
49	Magyar Posta Életbiztosító Zrt.	9	
50	Wáberer Hungária Biztosító Zrt.	9	
51	Dél TAKARÉK Szövetkezet	8	
52	Európai Utazási Biztosító Zrt.	7	
53	Magyar Posta Zrt.	7	
54	B3 TAKARÉK Szövetkezet	6	
55	CIB Lízing Zrt.	6	
56	MetLife Europe d.a.c. Magyarországi Fióktelepe	6	
57	SIGMA FAKTORING Zrt.	6	
58	Takarék Központi Követeléskezelő Zrt.	6	
59	Tiszántúli Takarék Takarékszövetkezet	6	
60	ARGENTA FAKTOR Pénzügyi Szolgáltató Zrt.	5	
61	CASPER Consumer Finance Zrt.	5	
62	CIG Pannónia Első Magyar Általános Biztosító Zrt.	5	
63	KDB Bank Európa Zrt.	5	
64	Momentum Credit Pénzügyi Zrt.	5	
65	MORGAN Hitel és Faktor Pénzügyi Szolgáltató Zrt.	5	
66	OTP Ingatlanlízing Zrt.	5	
67	CENTRÁL TAKARÉK Szövetkezet	4	
68	Citibank Europe plc. Magyarországi Fióktelepe	4	
69	Concorde Értékpapír Zrt.	4	
70	CREDITIÁL Pénzügyi Szolgáltató Zrt.	4	
71	Erste Vienna Insurance Group Biztosító Zrt.	4	
72	GRAWE Életbiztosító Zrt.	4	
73	Inter Partner Assistance S.A.	4	
74	KBC Securities Magyarországi Fióktelepe	4	
75	Magyar Takarékszövetkezeti Bank Zrt.	4	
76	Oney Magyarország Pénzügyi Szolgáltató Zrt.	4	
77	OTP Országos Egészség-és Önsegélyező Pénztár	4	
78	Takarék Jelzálogbank Nyrt.	4	
79	3A Takarékszövetkezet	3	
80	ARGENTA LÍZING Pénzügyi Szolgáltató Zrt.	3	
81	Arthur Bergmann Hungary Pénzügyi Zrt.	3	
82	CESSIO Követeléskezelő Zrt.	3	
83	D.A.S Jogvédelmi Biztosító Zrt.	3	

	Service Provider	Conciliation cases Number of cases	Settlement cases Number of cases
84	FHB Jelzálogbank Nyrt.	3	
85	HORIZONT Magánnyugdíjpénztár	3	
86	Korona Takarék Takarékszövetkezet	3	
87	MagNet Magyar Közösségi Bank Zrt.	3	
88	Magyar Faktorház Zrt.	3	
89	Magyar Posta Befektetési Szolgáltató Zrt.	3	
90	Medicina Egészség- és Önsegélyező Pénztár	3	
91	Medicover Försakrings AB (publ) Magyarországi Fióktelepe	3	
92	Merkantil Car Gépjármű Lízing Zrt.	3	
93	Pannon Takarék Bank Zrt.	3	
94	Porsche Bank Zrt.	3	
95	PRÉMIUM Önkéntes Egészség- és Önsegélyező Pénztár	3	
96	UCB Ingatlanhitel Zrt.	3	
97	AEGON Magyarország Lakástakarékpénztár Zrt.	2	
98	Agria PortfolióPénzügyi Tanácsadó és Szolgáltató Zrt.	2	
99	AIG Europe Limited Magyarországi Fióktelepe	2	
100	Allianz Hungária Önkéntes Nyugdíjpénztár	2	
101	B2Kapital Magyarország Zrt.	2	
102	BÁTOR Pénzügyi Zrt.	2	
103	Békés Takarék Szövetkezet	2	
104	Budapest Autófinanszírozási Zrt.	2	
105	Budapest Országos Kötelező Magánnyugdíjpénztár	2	
106	Chubb European Group Limited Magyarországi Fióktelepe	2	
107	CLB Független Biztosítási Alkusz Kft.	2	
108	DEBT-INVEST Pénzügyi Szolgáltató és Befektetési Zrt.	2	
109	DEFACTORING Pénzügyi Szolgáltató Zrt.	2	
110	Diákhitel Központ Zrt.	2	
111	FINALP Zrt.	2	
112	GRÁNIT Bank Zrt.	2	
113	Hitex Pénzügyi Szolgáltató Zrt.	2	
114	HUNGÁRIA-FAKTOR Pénzügyi Szolgáltató Zrt.	2	
115	Intrum Hitel Zrt.	2	
116	Legal Rest Pénzügyi Szolgáltató Zrt.	2	
117	Magyar Ügyvédek Kölcsönös Biztosító Egyesülete	2	
118	OTP Önkéntes Nyugdíjpénztár	2	
119	Pátria Takarékszövetkezet	2	
120	QUANTIS Consulting Zrt.	2	
121	REÁLSZISZTÉMA Értékpapír-forgalmazó és Befektető Zrt.	2	
122	Sopron Bank Zrt.	2	
123	SPB Befektetési Zrt.	2	
124	UniCredit Leasing Hungary Zrt.	2	
125	Argenta Credit Zrt.	1	
126	ATHLON Pénzügyi Szolgáltató Zrt. fa.	1	

	Service Provider	Conciliation cases Number of cases	Settlement cases Number of cases
127	AWP P&C S.A. Magyarországi Fióktelep	1	
128	BAG KAPOSVÁR Biztosítási Alkusz Kft.	1	
129	Banco Primus Fióktelep Magyarország	1	
130	BÁV-ZÁLOG Pénzügyi Szolgáltató Zrt.	1	
131	Best Choice FBC Limited	1	
132	Budapest Országos Önkéntes Kölcsönös Nyugdíjpénztár	1	
133	CARDIF Életbiztosító Magyarország Zrt.	1	
134	Central Workout Pénzügyi Zrt.	1	
135	Commerzbank Zrt.	1	
136	Consequit Alkusz és Pénzügyi Közvetítő Kft.	1	
137	CREDIT LINE GROUP Kft.	1	
138	DELTA FAKTOR Pénzügyi Zrt.	1	
139	Díjbeszedő Faktorház Zrt.	1	
140	Dunakanyar Takarékszövetkezet	1	
141	Equilor Befektetési Zrt.	1	
142	ERGO Versicherung Aktiengesellschaft Magyarországi Fióktelepe	1	
143	Erste Önkéntes Nyugdíjpénztár	1	
144	Europ Assistance S.A. Irish Branch	1	
145	EURORISK Biztosítási Alkusz Kft.	1	
146	Fókusz Takarékszövetkezet	1	
147	FOSTER Biztosítási Alkusz Kft.	1	
148	Főnix Takarékszövetkezet	1	
149	G7 Capital Pénzügyi Tanácsadó Kft.	1	
150	GARANTOR HUNGARY Biztosítási Alkusz	1	
151	GCT Group p.l.c. Magyarországi Fióktelepe	1	
152	GLOBAL Faktor Pénzügyi Szolgáltató Zrt.	1	
153	Hitelcentrum Kft.	1	
154	Korrekt Partner Hungary Biztosításközvetítő Alkusz Kft.	1	
155	LMGL INVEST Pénzügyi Zrt.	1	
156	Lombard Finanszírozási Zrt.	1	
157	Lombard Ingatlan Lízing Zrt.	1	
158	Lombard Zala Pénzügyi Szolgáltató Zrt.	1	
159	Lynchburg Consulting Kft.	1	
160	M7 TAKARÉK Szövetkezet	1	
161	Magyar Részvénykereskedelmi Nyrt.	1	
162	MAPFRE ASISTENCIA S.A. Magyarországi Fióktelepe	1	
163	MKB - Pannónia Egészség- és Önsegélyező Pénztár	1	
164	MKB-Euroleasing Autólízing Zrt.	1	1
165	MPK Magyar Pénzügyi Közvetítő Zrt.	1	
166	NHB Növekedési Hitel Bank Zrt.	1	
167	NOVIS Poistovna a.s.	1	
168	Nyugat Takarék Szövetkezet	1	
169	Oberbank AG Magyarországi Fióktelepe	1	

	Service Provider	Conciliation cases Number of cases	Settlement cases Number of cases
170	Omega Credit Pénzügyi Zrt.	1	
171	OTP Magánnyugdíjpénztár	1	
172	OTP Mobil Szolgáltató Kft.	1	
173	OVB Vermögensberatung Általános Biztosítási és Pénzügyi Szolgáltató Kft.	1	
174	PALLADIUM CONSULTING Biztosítási Alkusz Kft.	1	
175	Pannon 2005 Faktor és Hitel Zrt.	1	
176	PARAGON-ALKUSZ Biztosításközvetítő Zrt.	1	
177	PESTI HITEL Zártkörűen Működő Részvénytársaság	1	
178	Q13 Pénzügyi Zrt.	1	
179	QUANTIS Alpha Befektetési Zrt.	1	
180	SKILL Pénzügyi és Tanácsadó Zrt.	1	
181	Solar Capital Markets Értékpapír Kereskedelmi Zrt.	1	
182	sPRINTER LÍZING Pénzügyi Szolgáltató Zrt.	1	
183	Széchenyi István Hitelszövetkezet "fa"	1	
184	Tisza Takarékszövetkezet "fa"	1	
185	TRAVILL INVEST Pénzügyi Szolgáltató Zrt.	1	
186	UniCredit Jelzálogbank Zrt.	1	
187	UniCredit Leasing ImmoTruck Pénzügyi Szolgáltató Zrt.	1	
188	Vasutas Önkéntes Kölcsönös Kiegészítő Egészség- és Önsegélyező Pénztár	1	
189	Vienna Life Vienna Insurance Group Biztosító Zrt.	1	
190	Volksbank Graz-Bruck reg. Gen.m.b.H	1	
191	ZALABEST Követelésbehajtó és Problémamegoldó Kft.	1	
192	Boldva és Vidéke Takarékszövetkezet		1
193	Credit House Magyarország Ingatlanfinanszírozási Zrt.		1
194	Pillér Takarékszövetkezet		1
	All financial service providers	**3 340**	**16**
	Non-financial service providers	**29**	
	Non-identifiable service providers	**13**	
	Total	**3 382**	**16**

ANNEX 6

Rules governing the registration of the submission declarations

Pursuant to the provisions of Article 103(2) of Act CXXXIX of 2013 on the Magyar Nemzeti Bank (hereinafter: *MNB Act*) the Financial Arbitration Board keeps a register on the submission declarations made in accordance with Article 103(1) of the MNB Act by the persons or organisations (*financial service providers*) falling with the laws stipulated in Article 39 of the MNB Act. The Board defines the administrative rules applicable to the registration of the submission declaration in this regulation.

1. The Board keeps an up-to-date register of the submission declarations submitted by financial service providers to the Financial Arbitration Board. The registration takes place in the IT framework used by the Board and equipped with a user interface accessible on the intranet (hereinafter: *register*). The effective and public data in the register are also published on the Board's website.

2. The submission declarations submitted by financial service providers to the Board are filed and scanned in accordance with the general document management rules in the document management system used at the Magyar Nemzeti Bank. Should the filing of any submission declaration be omitted, the Office of the Board will arrange for the filing of the given declaration and thereafter for the registration thereof in accordance with the present rules.

3. The designated colleague of the Office loads the data included in the registered submission declarations in the register. The following data must be captured:

3.1. the name of the financial service provider;

3.2. the seat of the financial service provider;

3.3. the registration number of the financial service provider;

3.4. the market classification of the financial service provider;

3.5. the fact that submission declaration is restricted to certain services or amounts, and the content of such restriction;

3.6. the validity of the submission declaration;

3.7. the file number of the submission declaration.

4. If a financial service provider withdraws the submission declaration or modifies the content thereof, the designated colleague of the Office shall update the register with the withdrawal or the modification within 8 days from the receipt of the filed declaration by the Board.

5. If a financial service provider that made a submission declaration is dissolved without a legal successor and the Board is informed thereof by the said service provider or from other official sources, the designated colleague of the Office shall invalidate the submission declaration in respect of the said financial service provider with effect of its dissolution without a legal successor.

6. If a financial service provider that made a submission declaration is dissolved with a legal successor and the Board is informed about the dissolution or the legal succession by the said service provider or its legal successor, the Board shall modify the data of the said financial service provider indicated in the register with regard to the submission, or if the submission declaration is not confirmed by the legal successor, it shall invalidate the submission declaration with effect of the dissolution. If the legal successor confirms the submission declaration made by the financial service provider dissolved with a legal successor and accepts it as binding on it, this fact will be published on the Board's website as a separate special announcement.

7. The Board verifies the corporate data of the financial service providers that made a submission declaration half-yearly, by the 10th day of the month following the closed half-year, and if it notices any change in the corporate data of the service provider, it updates the register accordingly.

8. Following the updating of the register with the content of the declaration, the designated colleague of the Office shall archive the submission declaration or the instrument containing the modification or withdrawal thereof in accordance with the general document management rules.

Annex 7

Rules pertaining to data collection and the management of data asset

1. During its operation the Board captures and stores the data received from petitioners and financial service providers in its case registration system (FAB Info system) to the degree and until the time necessary for the implementation of its activity, and in compliance with the relevant laws. It manages only such personal and special data that are essential for the realisation of the objective of the data management and suitable for attaining the goal.

2. Beyond the pursuance of conciliation activity the data also serve statistical purposes. The data collected and stored in the case registration system comprise of the data supplied by petitioners, the data requested in the calls for supplementation, and the data supplied by and asked from financial service providers.

3. The collected and stored data include in particular the following items:
   a) the name, place of residence or abode of the petitioner,
   b) the name and registered office of the financial service provider involved in the dispute,
   c) all data related to the petitioned case, based on the description of the petitioner's position
   d) the data and information included in the evidence presented by the petitioner
   e) the information and data obtained in connection to the rejected complaint
   f) the data and information supplied by financial service providers
   g) the data of persons acting as proxies based on the power of attorney provided by the parties
   h) the data and information related to other third parties included in the instruments that the petitioner and/or the financial service provider refers to as evidence.

3. The Board provides the stakeholder within the legislative framework with the opportunity to control the management of his data, thus the respective person may request information on the management of his personal data, the correction or the deletion of his personal data – with the exception of the mandatory data management ordered by the laws – and, if the law permits, he may object to the management of his personal data. The information is provided free.

4. For the purpose of performing its task regulated by the effective Hungarian laws and the mandatory acts of the European Union, the Board may manage personal and special data. In the absence of statutory authorisation or authorisation based on the European Union's mandatory acts, the management of the data may be solely based on the voluntary and definite – in the case of special data, written – informed consent of the stakeholder, where he gives his unambiguous consent to the management of the relevant personal data for definite purposes and with definite scope. Upon obtaining consent the stakeholder must be expressly reminded of the voluntary nature of the consent. Since the procedures conducted at the Board are started at the petition or initiative of private individuals qualifying as consumers – in the case of petitions for the determination of the settlement obligation at the initiative of non-private individual petitioners not qualifying as consumers – in their case consent with regard to personal data provided by them must be presumed.

5. The Board performs data management for administrative and registration purposes; in addition to this, in the proceedings launched on the basis of petitions related to the settlement and falling within Act XL of 2014 , the Board also forwards data to the non-litigious courts.

6. The administrative data management relates to the registration (filing) and processing of the case (petition). Its basic objective is to ensure the availability of the data necessary for conducting the procedure related to the given case, for the identification of the actors of the data management and the closing of the case. In the course of administrative data management personal data may only be recorded in documents of the given case and in the case registration systems (FAB Info and IRA, and in settlement-related cases in the FAB Info2 and IRA2 system); their management for this purpose lasts until the archiving of the underlying documents.

7. The data management for registration purpose creates a dataset included in the internal records, comprising of data

files collected on the basis of data ranges defined in advance in the laws, during the time of the data management, ensuring the ability to retrieve and enquire on data based on various attributes. The data also serves statistical purposes; thus they are used for compiling weekly and monthly statistics, and the Board's Annual Report as prescribed by the MNB Act. Based on the result of data collection and data management the statistical considerations include particularly the following items:

1) Number of rejected petitions

2) Reason for rejection

3) Number of cases closed with a settlement agreement

4) Number of binding resolutions

5) Number of recommendations

6) Number of petitions rejected after hearing

7) Number of contested FAB decisions

8) Number of court decisions

9) Number of cross-border consumer disputes, service providers involved

10) Subject of petitions

11) Breakdown of petitioners (petitions) by place of residence

12) Breakdown of petitions by the service providers involved

13) Types of petitioned financial services

8. The managed data must be deleted if the data management is illegal; if the data is incomplete or erroneous, and it cannot be rectified legally, provided that the deletion is not prohibited by law; the purpose of the data management has ceased, or the statutory data retention period has expired; or it was ordered by the court. The Board is obliged to adjust the incorrect data, if the necessary data are available to it. Apart from the stakeholder, those entities also must be informed on the adjustment or deletion of the data, to which the data were forwarded (e.g. in settlement cases the courts having statutory competence to conduct the non-litigious procedures), except when, in view of the purpose of data management, the failure to provide the information does not prejudice the legitimate interests of the stakeholder.

9. The stakeholder may protest against the management of his personal data to the data protection officer of the Magyar Nemzeti Bank, in accordance with Section of 21 of Act CXII of 2011. In this case the data protection officer shall notify the chair of the Board without delay. The chair shall make a decision within 15 days and if the objection is justified, the Office of the Board must cease the data management (additional data capturing and data transmission) and notify of the objection and the related measures all entities to which it has forwarded the personal data being the subject of the objection, who shall take actions to enforce the right of objection.

10. The management of the data asset accumulated during the data collection, the dataset serving statistical and registration purposes, and compliance with the provisions of this regulation and the statutory provisions related to data management are the responsibility of the chair of the Board.

ANNEX 8

Contact data of the Financial Advisory Offices operating as partners of the Magyar Nemzeti Bank			
ADVISORY OFFICE	**HOURS OF OPERATION**	**TELEPHONE NUMBER / E-MAIL ADDRESS**	**ADDRESS OF FRONT OFFICE SERVICE**
Békéscsaba Financial Advisory Office	Monday: 8:00-14:00 Tuesday: 10:00-16:00 Thursday: 10:30-16:30	70/243-2840 bekescsaba@penzugyifogyaszto.hu	5600 Békéscsaba, Árpád sor 2/6. fsz. (in the Job Centre's customer area)
Debrecen Financial Advisory Office	Monday: 8:00-14:00 Wednesday: 11:00-17:00 Péntek: 8:00-14:00	52/504-329 debrecen@penzugyifogyaszto.hu	4025 Debrecen, Piac u. 77. 2nd floor 15.
Eger Financial Advisory Office	Monday: 10:00-16:00 Wednesday: 9:00-15:00 Péntek: 9:00-15:00	70/607-2191 eger@penzugyitanacsadoiroda.hu	3300 Eger, Hadnagy utca 6. (loft)
Győr Financial Advisory Office	Monday: 8:00-14:00 Wednesday: 8:00-14:00 Thursday: 11:00-17:00	30/923-4942 gyor@penzugyifogyaszto.hu	9021 Győr, Szent István utca 10/a 2nd floor, office No. 208
Kaposvár Financial Advisory Office	Mondaytől Péntekig 8:00-16:00	82/950-906 tavoszkozpont@gmail.com	7400 Kaposvár, Ady Endre u. 3. ground floor
Kecskemét Financial Advisory Office	Monday: 11:30-17:30 Wednesday: 8:30-14:30 Péntek: 8:30-14:30	30/958-8210 fogyasztovedelem.merkating@gmail.com	6000 Kecskemét, Csányi János krt. 14. 1st floor 104
Miskolc Financial Advisory Office	Monday: 8:00-14:00 Wednesday: 10:00-16:00 Thursday: 8:00-14:00	30/487-3609 miskolc@penzugyifogyaszto.hu	3530 Miskolc, Szemere Bertalan u. 2. 1st floor 10.
Nyíregyháza Financial Advisory Office	Monday: 8:00-14:00 Wednesday: 10:00-16:00 Thursday: 8:00-14:00	30/650-1029 nyiregyhaza@penzugyifogyaszto.hu	4400 Nyíregyháza, Széchenyi u. 2. 2nd floor
Pécs Financial Advisory Office	Monday: 8:00-14:00 Wednesday: 8:00-14:00 Thursday: 11:00-17:00	70/243-3356 pecs@penzugyifogyaszto.hu	7621 Pécs, Király u. 42.
Salgótarján Financial Advisory Office	Tuesday: 9:00-15:00 Wednesday: 10:00-16:00 Thursday: 10:00-16:00	32/780-845 salgotarjan@penzugyitanacsadoiroda.hu	3100 Salgótarján, Főtér 1. II. em. 4. (SZMT Headquarters)
Szeged Financial Advisory Office	Monday: 9:00-15:00 Tuesday: 9:00-15:00 Wednesday: 10:00-16:00	30/958-8210 fogyasztovedelem.gte@gmail.com	6723 Szeged, Felső Tisza- Part 31-34. C/5. ground floor
Székesfehérvár Financial Advisory Office	Monday: 9:00-15:00 Wednesday: 11:00-17:00 Thursday: 9:00-15:00	20/402-9669 fogyasztovedelem.merkating@gmail.com	8000 Székesfehérvár, Móricz Zsigmond u. 18. 1st floor 202.
Szekszárd Financial Advisory Office	Tuesday: 9:00-15:00 Wednesday: 11:00-17:00 Thursday: 9:00-15:00	30/274-0828 pti@maltai.hu	7100 Szekszárd, Augusz Imre utca 9. 2nd floor, office No. 214
Szolnok Financial Advisory Office	Monday: 10:00-16:00 Wednesday: 10:00-16:00 Thursday: 9:00-15:00	70/607-2186 szolnok@penzugyitanacsadoiroda.hu	5000 Szolnok, Szapáry utca 19.
Szombathely Financial Advisory Office	Monday: 12:00-18:00 Tuesday: 10:00-16:00 Wednesday: 8:00-14:00	94/512-345 szombathely@penzugyitanacsadoiroda.hu	9700 Szombathely, Géfin Gyula utca 22.
Veszprém Financial Advisory Office	Tuesday: 9:00-15:00 Wednesday: 11:00-17:00 Thursday: 9:00-15:00	70/502-7967 pti@maltai.hu	8200 Veszprém, Óváros tér 10. 1st floor

REPORT ON THE ACTIVITIES

OF THE HUNGARIAN FINANCIAL ARBITRATION BOARD

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