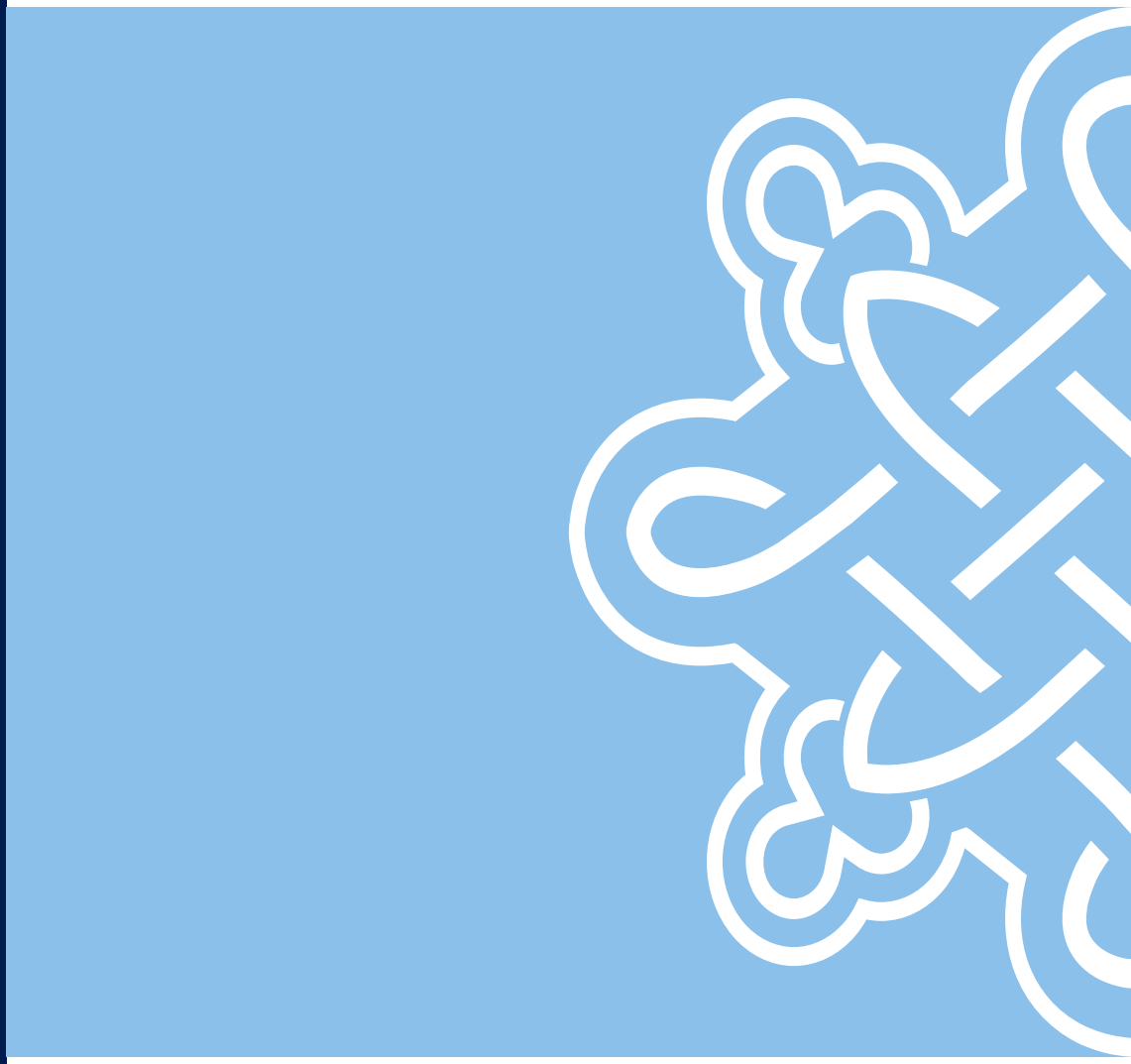
REPORT ON THE ACTIVITIES OF THE HUNGARIAN FINANCIAL ARBITRATION BOARD



2017

REPORT ON THE ACTIVITIES OF THE HUNGARIAN FINANCIAL ARBITRATION BOARD

2017

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Chair's foreword

The year of transformation. This is how the events of 2017 at the Financial Arbitration Board may be summed up. This year has almost fully transformed and changed the trends observed in previous years. Nine years after the financial crisis and two years after the introduction of the statutory settlement obligation, the ratio of the case types taken to the Board to the services resulting in disputes, as well as the nature of petitions and the behaviour of service providers have changed compared to the past.

We opened the year with 651 ongoing cases, received 3,644 new cases, closed 3,694 cases and on the last day of the year we had 601 pending cases. The most significant change consisted in the fact that the number of credit and loan cases, representing the largest proportion in each of the previous years, substantially declined; compared to 2016 their number fell by 717. This is not surprising, as since the establishment of the Board disputes were dominated by those resulting from foreign currency-denominated loans. However, by 2017 the situation in the area of financial services related to the extension of credits and loans in the financial market has materially improved, as by then the statutory settlement process with the respective service providers has been completed, the deadlines for legal remedy have also expired and the "fair banking" rules have been in effect for more than two years already, which also had a large impact. Since the end of 2016 and mostly in 2017 major portfolio transfers took place in the market of non-performing loans; the original lenders assigned their claims against private individuals arising from credit, loan and lease contracts to debt management companies. All these collectively contributed to fewer disputes related to credit and loan products than earlier, but simultaneously the number of cases brought against debt management companies, primarily on the basis of equity, significantly rose. The case volume related to deposits and payments was also higher than in previous years.

In the field of insurance a decline was registered, albeit only to a smaller degree. Just like before, the disputes referred to us mostly concerned compulsory motor third-party liability insurances, fire and other property claims. The number of disputes related to investment services and funds was negligible this year as well, and both declined compared to the previous year. 91 per cent of the received petitions were initiated against banks, insurers and financial enterprises and the majority of financial consumers who turned to us came from Budapest and Pest county in 2017 as well.

We found that consumers had become slightly more conscious, they pay more attention to the attributes of the various financial products, understand the characteristics and functions of financial services better, they are able to formulate their requirements and prepare their applications more clearly. The number of petitions suitable for judgement on the merits has materially increased, accounting for 82 per cent of all cases.

The attitude of financial service providers and the way they treated their customers also showed a much more positive picture than before. We perceived major improvement at their end in their readiness to reach a compromise. Several service providers reached an agreement with their customer or granted the full request included in the petition already before the date set for the hearing. This accounted for 11.4 per cent of the cases closed with a resolution to terminate. Including this, the ratio of cases with a positive outcome for petitioners was 40.7 per cent of the total number of cases, outstripping the value registered in 2016 by 8.5 percentage points.

I do hope that in 2018 we shall be able to help as many private individual customers as possible whose credit, loan or lease transactions have been transferred to debt management companies and found no solution or were unable to reach a reassuring agreement.

I thank all financial service providers and petitioners for their willingness to reach a compromise, that managed to settle their disputes as the result of our assistance and cooperation. I hope that with each settlement agreement we can contribute to maintaining long lasting and mutually advantageous relations between the service providers and their customers.

Dr. Erika Kovács
Chair of the
Financial Arbitration Board

1 Operation of the Board

The operation of the Board in 2017 was based on the rules stipulated in Articles 96-130 of Act CXXXIX of 2013 on the Magyar Nemzeti Bank and in Sections 21-22 of Act XL of 2014.

1.1 LEGAL ENVIRONMENT

Last year, the provisions of the MNB Act related to the Board were amended only in respect of the binding resolutions and the remedy related to the statutory submission with effect from 1 January 2017 and 1 July 2017, respectively. The most important change lay in the new rule that introduced mandatory statutory submission, the purpose of which was to ensure that a higher proportion of financial service providers conclude a settlement agreement than before, and if this nevertheless does not happen, the Board should have the possibility to adopt a binding resolution when there is an infringement.

"Article 113 (2) In the absence of a negotiated settlement the council may adopt a binding decision also if the body or person covered by the acts enumerated in Section 39 did not make a statement of submission, however, the request is found substantiated and the consumer's claim shown in the request does not exceed one million forints at the time the binding decision is adopted."

The amendment of the Act also provided financial service providers with a special legal remedy in relation to this rule, to ensure that they can go to court to contest such decisions:

***"Article 121** (1) The bodies or persons covered by the acts enumerated in Section 39 may oppose a binding decision adopted in the proceedings referred to in Subsection (2) of Section 113 by lodging a statement of opposition within fifteen days of service.*

(2) The Financial Arbitration Board shall refuse the statement of opposition:

a) if filed in delay;

b) if filed by a person other than the claimant.

(3) In the event of non-compliance with the deadline prescribed for filing a statement of opposition, the consequences of such non-compliance may be remedied by way of justification.

(4) Justification may be submitted within fifteen days. That deadline shall start on the last day of the time limit prescribed for lodging the statement of opposition. However, if the party gained knowledge of said non-compliance past that time or if the obstacle was eliminated afterward, the deadline for justification shall begin at the time of gaining knowledge or the time when the obstacle was eliminated. After one month following the time of non-compliance no justification may be submitted.

(5) The justification shall state the reason for non-compliance and the circumstances to verify that the person in question is non-actionable.

(6) The Financial Arbitration Board shall decide regarding the justification.

(7) Lodging the justification shall have suspensory effect on enforcement.

(8) The decision dismissing the statement of opposition - or the justification and the statement of opposition both if justification has been lodged - may be appealed by the person lodging the statement of opposition. The appeal shall be heard by the general court of jurisdiction by reference to the consumer's domestic home address, or domestic habitual residence if no home address is available, in non-contentious proceedings according to the provisions of the CPC on

appeals against rulings. If the consumer has no home address or habitual residence in Hungary, jurisdiction of the general court shall be determined according to the home address of the party lodging the statement of opposition, or failing this, his habitual residence, or the main offices of the party lodging the statement of opposition, if other than a natural person.

***Article 122** (1) If a statement of opposition is filed in due time, the case shall be brought before the court in contentious proceedings."*

The wise decisions of financial service providers led to the expected result and mutually beneficial settlement agreements favourable for all parties could be reached. Binding resolution based on statutory submission was issued on one occasion, which was not contested by the service provider.

The Operating Procedures have been modified during the year partly due to the changes in the MNB Act as mentioned above; of which financial consumers and financial service providers could obtain information on the Board's website.

During 2017 the Operating Procedures have been modified on three occasions. Modifications effective from 1 January were as follows:

- the rejection due to the absence of competence may be made by the office, the members of the Board operating within the departments and the panels; in view of this the previous rules have been clarified;

- former practical experiences made it necessary to declare that upon the death of a petitioner, the authorised heir is entitled to initiate new proceeding in view of the proceeding terminated earlier due to the death, hence the heir is not obliged to conduct a separate complaint procedure; the modification ordered accordingly on the succession in the position of the service provider during the procedure;

- in previous years an increasing number of petitions requested the Board that it should declare that the petitioner did not owe the amount claimed by the provider; subsection 14 of Chapter 8 contains a new rule for these cases;

- it has been introduced as a new provision that in respect of the minutes taken at the hearing, each party may apply for the correction of only his own declaration or may comment on it only once;

- it was a modification of technical nature that the special rules of online dispute resolution – with unchanged content – were moved to a separate chapter (Chapter 12).

The second modification, effective from 10 March, impacted the following rules:

- due to the statutory submission, it had to be declared that petitions in which the exact amount of the claim cannot be quantified will be valued as ones for zero forint, thus it may be possible to issue a binding resolution based on the statutory submission in these cases as well;

- it was clarified how to calculate the limit of HUF 1 million;

- the regulation has been supplemented with the provisions related to objection regarding statutory submission, as a possible remedy

- it has been stipulated that the objection is received within the deadline, if the service provider posts it on the last day of the deadline as a registered mail;

- a new regulation has been added with regard to the management of business secret, to ensure that documents of this content are managed separately, at the request of the financial service providers;

- the rules of procedure related to the hearing have been supplemented;

- the general consumer petition form has been simplified;

• two annexes have been updated.

The Operating Procedures have been modified for the third time with effect from 3 July, when three procedural rules were changed:

• at any time prior to passing the resolution the department head may order that a three-member panel should act in the case;

• 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;

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

The Board currently performs and in 2017 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 No. 98/257/EC.

1. Independence

The Board is an independent organisation – which cannot be instructed – 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

The Board provides information upon request and without request on its activity and the rules applicable to its operation on its website (www.mnb.hu/bekeltetes; www.penzugyibekeltetotestulet.hu), on a continuous basis and in its annual reports. – Articles 99 (3) and 115 (5) of the MNB Act

3. Adversary procedure

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

4. Efficiency

The procedure is fast; the date of the hearing is set within 75 days from 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 maximum 30 days. The procedure is free for both the petitioner and the financial service provider, but the incurred costs (related to travel, mailing, etc.) are borne by the parties. – Articles 106 (3) and 112 (5) of the MNB Act

5. Legality

All members of the Board 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. The members are independent and unbiased in the specific cases managed by them. – Articles 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 recommendation and binding resolutions of the Board. – Articles 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 via a proxy. The proxy may be any natural or legal person, as well as entities without legal status. The petitioner may participate in the procedure at the hearings in person even if he is represented by a proxy. Financial service providers are represented by their authorised representatives, who may be the employees of the organisation or lawyers with permanent or ad hoc power of attorney. – Article 110 of the MNB Act

1.2 ORGANISATION AND GOVERNANCE

The Board's total headcount on 31 December 2017 was 32 (chair, office director, 18 members and 12 office workers). The governance and organisational structure developed as the result of the reorganisations of 2014-15 did not change. Compared to 2016 the only change was that instead of the former five departments, by the autumn of 2017 the Board was divided into only four departments. All departments once again proceeded in conciliation cases and held hearings during the year, but only one of them dealt with settlement cases, which, as prescribed by the law, can still be managed only by panels. The average processing time was 57 days.

Complying with its obligation set forth in the MNB Act, the Board continuously improved its website and informed consumers and financial service providers on current news. The system registered 94,000 downloads of the page at annual level.

The Board performed its activity in the Capital Square Office Building located in the 13th district of Budapest at Váci út 76 throughout the year, which was and is the venue for hearings. The possibility of submitting documents in person and the customer service in the Board's matters are still available at the headquarter in the 1st district of Budapest at Krisztina krt. 39.

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 nationwide, also manage petitions aimed at the procedure of the Board, named among the forms that may be submitted for forwarding in Annex 3 to Government Decree 515/2013 (XII. 30). It is possible for financial consumers in all bureaus, at almost 300 locations nationwide, to submit petition forms to initiate the procedure of the Board, directly and free of charge, as the bureaus forward them at public expense.

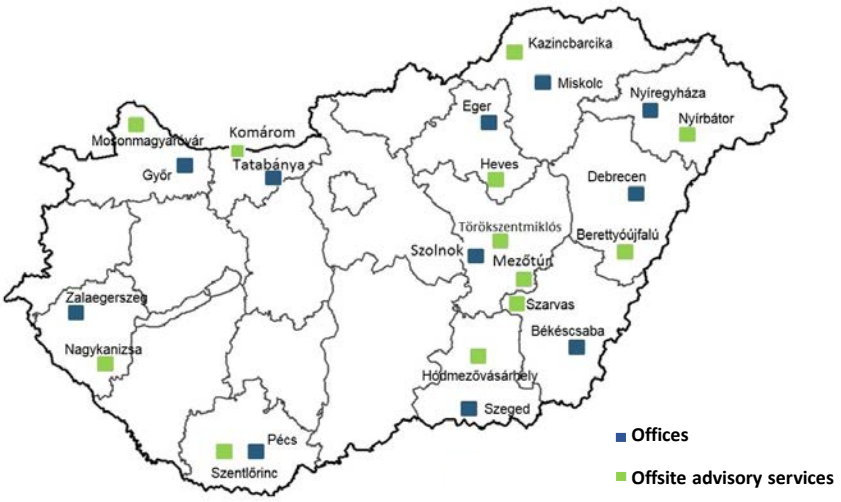
The Board found that this service rendered by the Bureaus of Civil Affairs is well known by petitioners, who use it more and more frequently, as by the end of last year we received the 400th petition through this channel.

ADVISORY OFFICES AND OFFSITE ADVISORY SERVICES

The financial advisory offices and the offsite advisory services operated by the partners of Magyar Nemzeti Bank have a key role in informing consumers. In 2017 the number of offices and offsite advisory service locations where the financial consumers could rely on independent, free and expert advisory services increased from the previous 9 to 13. The Magyar Nemzeti Bank has contractual relations with more organisations than before, i.e. already four, and it continuously increases the number of these offices, which also regularly appear outside their office at other locations, during the offsite advisory services, providing assistance. http://mnb.hu/fogyasztovedelem/tanacsado-irodak

Nine of the offices belong to the Network of Financial Advisory Offices operated by the Hungarian Consumer Protection Association (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. Beyond the advisory services, the experts working here also help consumers fill in the petition initiating the procedure of the Board and compile submissions. Last year, it was introduced as a new service that they contact all persons requesting information or people in need over the phone, who indicate such request on their website. They do it so to save the cost of phone calls for those who would face difficulties in paying it. www.penzugyifogyaszto.hu

Offices and offsite advisory services



At the initiative and under the coordination of the Board, a national series of events titled *"Consumer protection next door"* have been launched together with the Network of Financial Advisory Offices operated by the Hungarian Consumer Protection Association (FOME) and with the Financial Consumer Protection Centre of the Magyar Nemzeti Bank. The purpose of the event is to enhance the financial skills and awareness of consumers living in the countryside, inform the population where and how they can find assistance with their financial complaint or dispute, and most of all, how to make responsible financial decisions. This programme made a debut on 20 September 2017 and the venue for the first event of the series was provided by the Faculty of Law of the University of Debrecen. The law students and other interested persons could hear at a presentation about the steps taken to date in respect of financial consumer protection, the MNB's consumer protection activity, the available consumer protection legal remedies and the possibility of free consultancy available for all; the presentation was followed by a press conference with the participation of the organisers. The deputy mayor of Debrecen, being a committed supporter of consumer rights, also attended the event. The local papers, radio and television channels informed the public on the event.

The first event of the series, held in Debrecen, was followed by a similar event on 24 October at the Faculty of Economics of the University of Miskolc, and on 29 November at the Faculty of Law of the University of Győr. This was followed by a number of media appearances both in the printed and online media.

"HITEL-S" PROGRAMME OF THE HUNGARIAN CHARITY SERVICE OF THE ORDER OF MALTA

The "HITEL-S" Programme of the Hungarian Charity Service of the Order of Malta is also an important partner. In February 2009, the Hungarian Charity Service of the Order of Malta launched the "Hitel-S" Programme, on an experimental basis, to help the people adversely affected by the credit crunch of October 2008. The "HITEL-S" Programme provides families being in a deteriorated life situation or in a debt trap as the result of the credit crunch with a country-wide intermediary service and assistance in debt management. The target group of the programme includes the socially disadvantaged families and persons whose life situation deteriorated as the result of the financial crisis, and their subsistence and housing are at risk. They assist families and affected persons find their way among the rules and information relevant for them and identify the institutional and other supports 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 the family supporters in this work, delivering financial skills to them. With the involvement of the staff of the Network of Financial Advisory Offices, it is also made possible for them, learning about the special features of the procedure, to get to the Board on behalf of their customers and with the assistance of the Board to try to reach the most favourable agreement with the respective financial service providers.

1.3.2 INTERNATIONAL RELATIONS

In 2017 – similarly to previous years – the Board placed great emphasis on fostering its international relations and participating in an increasingly wider range of international cooperation. These efforts were demonstrated, in addition to the already existing memberships in international organisations, by joining the Online Dispute Resolution Platform introduced last year. The experiences of recent years have clearly given evidence that international cooperation is capable of significantly increasing the success of financial mediation and strongly improves the quality of mediation mechanisms and procedures. The relations with FIN-Net and INFO Network, as well as the separately established relations with individual organisations that are members of such networks, continue to play an outstanding role in the Board's international activities.

The FIN-Net network is a European system operating within the European Economic Area (the member states of the European Union, 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 a financial service provider – bank, insurer, investment firm, etc. – operating in a different member state, 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, the alternative dispute resolution forum, participating in FIN-Net and residing in another EEA member state, having the power and competence over the cross-border consumer dispute related to the financial services activity, 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 liaison between the members of the network.

For more information on the organisation and operation of FIN-Net, visit www.ec.europa.eu[1].

In 2017 FIN-Net held its semi-annual general meetings with the participation of its members on two occasions, in spring and autumn. Both plenary meetings took place in Brussels. The key topic of the first meeting was the European Commission's action plan on retail financial services: better products and wider selection should be available to the European consumers and enterprises, which is based on the Green Paper on the same topic, adopted in December 2015. The most important objective of the regulation is to achieve "portability", the purpose of which is to ensure that financial services are also fully available on a cross-border basis. The primary goal is to protect consumers and to make cross-border financial services more easily available to them, as well as to make the various products and fees comparable and the legal remedy procedures more efficient. In the first half of the year consultations were held with a variety of relevant consumers and service providers on this topic. With a view to developing a more standardised regulation, the Commission will analyse the national consumer protection rules and the rules of conduct to assess whether they act as unjustified obstacles to the cross-border business activity in the financial industry, and to ensure that all national markets prescribe identical conditions for the financial service providers for the purpose of balanced competition. In this respect the Commission highlighted the role of FIN-Net, according to which the members may foster efficient enforcement of the law, cooperating with the national supervisory authorities. The key topic of the meeting was the development of an advertising campaign planned by the Commission to ensure that the activity of FIN-Net is clear for the public and consumers as well, and to help improve trust in the members. FIN-Net regarded its awareness-raising campaign, launched in September 2017, already then as one of its key tasks, and urged members to contribute to it actively. As part of this, it revised its website, simplified and rationalised the information available there bearing in mind the consumers' interest to ensure that the information related to their petitions with regard to cross-border financial matters is available at a single place in an understandable form and they can easily find out which organisation should be contacted and how should they need to do so. As the first step of the campaign, it compiled a promotional video, and requested that all FIN-Net members publish the video on their website. The organisation determined the levels of cooperation in the promotional campaign both at national and at the level of the Commission; in addition, it requested the members that they should contribute more actively to the campaign initiated through the social media.

FIN-Net places great emphasis also on the communication among the members on technical matters, the purpose of which is to ensure that the members get familiar with each other's functioning as much as possible and master the best practices, thereby making their own operation as well as the cooperation with the other members more efficient. Within the framework of this, in spring 2017, with the support and under the care of FIN-Net, the alternative dispute resolution forum operating under Banca d'Italia distributed a detailed questionnaire among the 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 steering committee of FIN-Net held its usual semi-annual meeting at the beginning of September 2017 in Rome. After the steering committee meeting, an alternative dispute resolution conference was held on 15 September in Rome with the participation of the FIN-Net members. At the conference illustrious Italian professors delivered lectures on the traditions, current practice and development trends of Italian alternative dispute resolution. Several FIN-Net members delivered lectures and presented their organisation, alternative dispute resolution practice and experiences.

[1] https://ec.europa.eu/info/business-economy-euro/banking-and-finance/consumer-finance-and-payments/consumer-financial-services/financial-dispute-resolution-network-fin-net_en

The second FIN-Net plenary meeting was in October 2017 in Brussels, with the active participation of the Board's representative. The primary topic of the meeting was the presentation of Regulation 2016/679/EU of the European Parliament and of the Council (on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC), generally known as GDPR (General Data Protection Regulation) and the aspects thereof applicable to FIN-Net members. The new regulation replaces the data protection directive but includes the same principles; it does not introduce revolutionary changes, but rather it can be regarded as an evolutionary step forward in the sphere of data protection. The advantage of the new regulation is that by opting for this form of regulation the European Union's legal act is directly applicable in the member states, hence the regulation related to the data management by FIN-Net members will be also fully consistent. The purpose of the regulation is to foster the free flow of personal data among the Member States and to protect the fundamental right to data protection stipulated in the Treaty of Lisbon. All members must prepare in 2018 for the compliance with the new regulation.

The FIN-Net joint advertising campaign, announced at the end of 2016, was a central topic also of the plenary meeting in the second half-year. It was emphasised at this meeting as well that the members were expected to participate actively. In connection with the FIN- Net simplified website, an idea was proposed – as an additional consumer-friendly initiative and to foster closer cooperation of the FIN-Net network – to develop a digital FIN-Net form on the FIN-Net website, to be filled in interactively by petitioners and be sent via the website to the competent conciliation board in the case of cross-border financial consumer disputes. Directive 2015/2366/EU of the European Parliament and of the Council (25 November 2015) on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation 1093/2010/EU and repealing Directive 2007/64/EC (generally known as PSD2, hereinafter: Directive II on payment service in the internal market) was presented at the plenary meeting, the introduction of which extended its scope to additional market participants as the result of which the market presumably will become more liberalised, competition will increase, motivation for innovation will increase, and it will encourage the participants of the financial market to reduce prices, which ultimately will benefit the consumers. The regulation opens the market to new service providers, and it has also set the goal to make online payments safer. In the case of new market participants new, online complaint resolution rules also appear hence they are also obliged to inform consumers on the alternative dispute resolution forums having authority and competence. In connection with this, the Member States must ensure that proper alternative dispute resolution forums for judging the petitions are available to consumers in relation to the submitted complaints. Last but not least, the Single Digital Market Gateway project was also presented, for which the relevant regulation is expected to be published in 2018; this will be a shared European digital interface that will help users in an integrated manner identify the appropriate information for finding their way in any EU country in the labyrinth of legislation.

For the experiences related to the cross-border FIN-Net cases commenced at the Financial Arbitration Board see Chapter 2.3.

INFO NETWORK

The Board is also a full member of INFO Network, incorporating the world's financial ombudsmen, at present having over 50 member organisations from five continents, since 1 January 2012. It regularly publishes information on its website on each of its members, thus also about the Hungarian Financial Arbitration Board (www.networkfso.org). The organisation was established in London on 26 September 2007 with the cooperation of the USA, Great-Britain, New-Zealand, Ireland, Canada and Australia, with the goal to harmonise the alternative dispute resolution mechanisms – mainly in the financial sector – in the member states, and to develop a comprehensive system. The members of the organisation constitute four regions: Eurasia, Africa, America, and Australia. It operates in accordance with the 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, to elaborate codes of conduct, enhance the use of information technology, to handle certain recurring issues and problems at systemic level, to resolve cross-border complaints in a uniform and smooth manner and also to share in-service training opportunities and directions. The organisation puts the emphasis on the enforcement of the 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 2017 INFO Network held its annual conference, offering a forum for members to meet, in Melbourne, where the Board had also been invited. As a member of INFO Network, the Board regularly contributed in 2017 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 enquiries and cooperated in answering a detailed questionnaire on members' activity, sent by the Secretariat of the international organisation in May 2017.

1.4 ALTERNATIVE DISPUTE RESOLUTION CONFERENCE II.

After the success of the first alternative dispute resolution conference organised in 2016, the Board held yet another conference on the topic on 28-29 September 2017. This time the event was hosted at the headquarters of the Hungarian Academy of Science with the participation of 300 invited guests, representing almost 170 organisations and institutions. The first day of the event – organised jointly by the Magyar Nemzeti Bank, the National Office for the Judiciary and the Financial Arbitration Board and supported by Wolters Kluwer Kft. – was titled *"Alternative dispute resolution in the economy"*. The participants had the opportunity to see and hear professional presentations on the topic, panel discussions and view a demonstration of a simulated case.

The opening address was delivered by Dr. Erika Kovács, the 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.

Dr. Tünde Handó, President of the National Office for the Judiciary, emphasised in her opening speech that the courts were committed to alternative dispute resolution, where the parties enjoy equal rights, the procedure is less formal and more relaxed, where the objective is to focus on the future and to find a solution rather than to look for a scapegoat. She also mentioned that with a view to making alternative dispute resolution more popular, important changes would be introduced to the legislation as well; the new Code on Civil Procedure, entering into force from 2018, also supports the resolution of disputes between the parties based on an agreement.

Dr. László Windisch highlighted the significance of stability in his speech, not only for the country, but also in our everyday life. In view of this, he emphasised the importance and awareness raising role of this conference, highlighting the creation of new opportunities. He mentioned that the resolution of disputes at the earliest and fastest possible way was extremely important, as this served the economic and financial interests of the undertakings and the individuals alike.

The opening presentation of the conference was delivered by **Ildikó Gaal-Baier**, lawyer and mediator, titled *"Perceptions and milestones – conflict management in the German economy"*. The expert, practising in Germany, presented the road leading from the recognition of the opportunities inherent in alternative dispute resolution to its practical application, which resulted in the "Round Table Mediation and Conflict Management" initiative among German corporate enterprises. This was created with the cooperation of 40 major participants of the Germany economy, who meet regularly and settle

their disputes at the negotiation table rather than at the court, as they have realised how much time, energy and money they save in this way, and perhaps it is even more important that it serves as a foundation for their mutually advantageous economic cooperation in the future. By now this practice has fundamentally refashioned the dispute resolution approach in Germany and it should be a model to be followed by Hungary as well.

During the panel discussion titled *"Learn how to make a wise settlement agreement"*, Chair Dr. Erika Kovács, acting as moderator, tried to find answers to the questions "When is it worth going to court and when is it more expedient to follow a different route to find a solution?" and "How to make a wise *settlement agreement*" from the aspects of the judge, the attorney, the entrepreneur and the liquidator. The representative of the judicial side, **Dr. Katalin Turcsánné Molnár**, professional leader of the Court Mediation Working Group of the National Office for the Judiciary and Chair of the Székesfehérvár Tribunal, among the important points of interest of the alternative dispute resolution highlighted cost efficiency, the closing of the dispute with a favourable result, the preservation and enhancement of good business relations, and last but not least, the importance of protecting business secrets in relation to an alternative dispute resolution. From the attorney's point of view, **Dr. Orsolya Görgényi,** partner of the Szecskay Law Office, highlighted in her answer to the question: her experience gained during her work as an attorney evidence that as a result of the consultations between the attorneys in most cases the dispute is not taken to the court at all, and even when no compromise is reached between the parties with the attorneys' contributions, she recommends to apply other, alternative dispute resolution methods, and often applies to the courts of arbitration for cooperation. **András Avidor,** director of BNI Hungary, representing the entrepreneurs' side, stressed in his response: he deems it necessary to make entrepreneurs understand that by resolving conflicts along the win-win approach, as high as 20 per cent of the costs can be saved. Often there is no time for going to court, but even if it is not the case, it is unlikely that the court is the most expedient solution. Time is money for an entrepreneur, hence the sooner he settles a conflict, the better he can position himself for the future. The fourth participant of the discussion, **Dr. István Molnár**, representing the Hungarian Association of Insolvency Practitioners (HAIP), approached the question from the liquidators' point of view. He said that in the insolvency proceedings the relation of the parties was characterised by discord, it was difficult to change the attitude of creditors and convince them not to opt for litigation. This is the situation at present, when it is a known fact that the average rate of return of the companies in liquidation is merely 10 per cent. It would be desirable to choose some form of alternative dispute resolution in these special proceedings as well.

Dr. Tibor Kertész, in his presentation titled *"Prospects of economic mediation in an international outlook",* placed the emphasis on presenting the mechanisms hindering the practice. In his experience enterprises tend to underestimate the economic consequences of conflicts, in the case of internal conflicts they are slow to recognise and admit to mistakes, and managers primarily regard conflicts outside the organisation as conflicts. As an obstacle to the wider penetration of mediation he mentioned exaggerative expectations towards mediation, where the parties hope for the full solution of the problem by the mediator without the parties' active participation. He mentioned a few cases from his practice in Austria, where he had found almost exclusively that it had been only during the mediation that the parties to the conflict had recognised their real interest and understood what they would gain by avoiding litigation that may last for years.

The presentation titled *"Do, create, enrich – or else the value creating impact of economic mediation reconciling mutual interests"* was inspired by the famous lines of Kölcsey's epigram, which also summarise the essence of mediation. In the first half of her presentation, **Dr. Ágota S. Horváth,** representing the S. HORVÁTH LAW AND MEDIATION OFFICE, explained which conflicts, according to their economic mediation experience and litigious court practice, are suitable for mediation and which ones call for litigation. In the second half of the presentation, **Dénes Horváth,** talked about one of their application areas pursued based on the SIT "Solve it together" methodology, elaborated by the office in several years together with the representatives of various social science areas, namely the mediation and advisory results and experiences of the issues related to family businesses.

Dr. Áron Vikor, attorney, in his presentation titled "*Don't embark on it unless you are really well-prepared – mediation, the way it is worth doing it",* took the position that the question is not only whether a lawsuit can be won formally, but also what is perceived as a win. Answering this question necessitates the same preparation as if the customer wanted to go to court. At present in Hungary the use of a mediator is not yet generally accepted by the economic agents, whereas if the manager of the company retains an attorney, his decision will not be disputed. In a critical situation, the lawyer may shed light on the benefits of alternative dispute resolution. Mediation should become part of corporate culture, which can be fostered by practices if the lawyers also perform mediation instead of relying on the classic solutions only, not planning for the short term and not seeing the solution in persuading their clients to years of litigation – he closed his presentation.

Dr. Zsolt Hajnal, in his presentation titled "*Alternative dispute resolution in the focus of efficient client policy"*, tried to find out how enterprises pursuing conscious client policy may capitalise on the benefits provided by alternative dispute resolution to strengthen their competitive position, to improve and enhance the quality of their services. Citing a survey, he took the position that for prospective customers it may be an important consideration whether certain enterprises rely on alternative dispute resolution forums. By raising consumers' awareness and involving the economic agents, with their cooperation – with the motion that they wish to resolve the dispute at an independent board – the alternative dispute resolution possibilities will broaden.

The programme of the first day of the conference was closed by a simulation presentation of the court mediation procedures related to economic litigation. Prior to the presentation, **Dr. Kata Tolnai**, member of the Court Mediation Working Group of the National Office for the Judiciary and national coordinator of mediators, described the facts of the simulated case and introduced the actors. The simulation took us to the second session of a mediation procedure in an economic dispute, with **Dr. Virág Vándor** and **Dr. László Andódi** as litigants**, and Krisztina Hunyadi as** mediator. In the simulation the parties reached an agreement after revealing the interests and needs.

The professional programme of the second day of the conference received the title of *"Role and responsibility of higher education in the shaping of alternative dispute resolution culture".* In her opening address, Dr. Erika Kovács, Chair of the Financial Arbitration Board emphasised: it is extremely important to make young people aware of and like the alternative dispute resolution so that later they would use it in practice. **Dr. László Vass,** President of the Private Institution Section of the Hungarian Rectors' Conference, emphasised in his welcome address that the preparation of the National Core Curriculum is the suitable moment to raise the idea of teaching alternative dispute resolution. He believes that it would be important to include alternative dispute resolution skills in education as soon as possible, and higher education also has a lot to do in this area.

In her presentation, **Nikoletta Keszthelyi**, deputy under-secretary of state in charge of consumer protection, provided information on the direction and achievements of consumer protection and the recent changes in the regulation of consumer protection. She emphasised that the conciliation boards represent an important pillar of the institutional system of consumer protection, offering to consumers a real opportunity and an alternative to court procedure. She closed her presentation by encouraging higher education students to deal with alternative dispute resolution, as there is a need for the rising generation and for the new approach of young people.

The participants of the second panel discussion titled *"Teaching of alternative dispute resolution in the faculties of law"* included Dr. Erika Csemáné Váradi , Deputy Dean of the University of Miskolc, Chair of the Alternative Conflict Management and Dispute Resolution Interdisciplinary Research Centre of the Faculty of Law at the University of Miskolc, Prof. Dr. Judit Lévayné Fazekas, Dean of Deák Ferenc Faculty of Law and Political Sciences at the Széchenyi István University, Dr. Krisztina Rúzs Molnár, assistant lecturer of the Department of Labour and Social Law of the Faculty of Law and Political Sciences at the University of Szeged and Dr. Éva Inzelt, senior lecturer of the Department of Criminology of the Faculty of Law and Political Sciences of the Eötvös Loránd University. The panel discussion was moderated by Erika Kovács, who asked the

participants of the discussion about the survey of the educational framework of alternative dispute resolution, as well as about the future plans and further development opportunities.

Dr. Erika Csemáné Váradi said that the students at the Faculty of Law at the University of Miskolc acquired the knowledge necessary for having the approach and information in relation to the topic as part of several subjects, such as civil law, civil procedural law, financial law, administrative law, criminal law and criminal procedural law. **Prof. Dr. Judit Lévayné Fazekas** deems it important that the students become familiar with alternative dispute resolution already during their studies, when they are still very receptive, to be able to apply the methods learnt later in practice. During the education the requirements are based on competence and it is the duty of higher education to prepare the students for this. **Dr. Krisztina Rúzs Molnár** emphasised: it is the speciality of the education in Szeged that the students may choose economic, criminal law and general modules during the education, and alternative dispute resolution forms part of the general module. She emphasised that due to the paradigm shift and the emerging mass demand we can witness a historic moment. The educational institutions that are committed to alternative dispute resolution, must decide as to what kind of example they can demonstrate in the field of practical implementation. In her comment, **Dr. Éva Inzelt** emphasised that the lectures on alternative dispute resolution at the Faculty of Law of the Eötvös Loránd University were available not only to the law students, but also to the students of the justice administration, labour and social insurance faculties. She said that in the case of facultative subjects a wide range of courses related to alternative dispute resolution are offered (e.g. mediation theory and practice), and also noted that – uniquely and for the first time in Hungary – a university ombudsman would work at the Eötvös Loránd University from 1 January 2018 to settle conflicts at work.

The conference also hosted lectures presenting the award-winning essays of the *ADR AWARD 2017* competition, fostering individual and collective thinking. The Financial Arbitration Board called for the application of students and graduated career-starters of universities to support researches on alternative dispute resolution.

Klára Stekler, the winner of the ADR JUNIOR AWARD 2017 (individual category), in her presentation titled “Alternative dispute resolution in the 21st century, with special regard to the online dispute resolution platform of the European Union”, presented the most relevant EU consumer protection and alternative dispute resolution directives and regulations underlying online dispute resolution and provided an overview of the statistics of online and cross-border purchases having relevance in this respect, paying special attention to the operation of and the results achieved to date by the recently launched online dispute resolution platform of the European Union.

Diana Mosonyi, with her essay titled “Conflict management relying on the ombuds office” won the ADR SENIOR AWARD 2017 (individual category). In her lecture she presented the university ombuds system, proven in the United States as a method of managing conflicts at work, thereby also facilitating the expansion of the alternative conflict management tools in Hungary. She touched upon the impact of conflicts at work and described the functions of the various ombuds offices, then compared the functioning of the ombuds offices in Hungary and in the University of New Mexico, by presenting practical aspects.

Martina Gajdos and Dorina Prekup, winners of the ADR JUNIOR AWARD 2017 (group category) met the recognition of the jury with their essay titled “Opportunities hidden in alternative dispute resolution, with special regard to the activity

of the Financial Arbitration Board". In their presentation they emphasised that alternative dispute resolution was the thing of the future and that the results of their research evidenced that the benefits of ADR are the most obvious in the field of financial consumer protection. After a general introduction on alternative dispute resolution, they presented the legal practice of the Financial Arbitration Board and then outlined a package of proposals aimed at the fostering of financial alternative dispute resolution.

The other award-winning essay of the ADR JUNIOR-AWARD 2017 (group category) was the result of the collective thinking of Fanny Ökrös, Viktória Harta and Dániel Szilágyi. The lecture titled "Alternative dispute resolution at family businesses" was delivered by **Fanny Ökrös**, the topic of which was the internal functioning of family businesses. It focused on the fact that at this form of undertaking family and working life is intertwined, according to the comparison they used, as the two stems of the DNA. Upon making decisions, the pure logic of law and economic rationality are blended with emotions. The sensitive points (change of generation, internal relations and conflicts), which ruin many family businesses, are manageable problems. The authors concluded that the solution for all three cases is mediation.

The participants of the panel discussion titled "*Success at the 2017 mediation competition of the International Chamber of Commerce – experiences and lessons learnt by the team of the Eötvös Loránd University*" included the members and coaches of the Eötvös Loránd University team, which achieved the prestigious 12th place at the 2017 mediation competition of the ICC (International Chamber of Commerce).

In relation to the competition, **Dr. Éva Inzelt** informed the audience that the ICC organised its international competition related to the mediation procedure for the 12th time in 2017, where the team of the Eötvös Loránd University participated for the sixth time. **Viktória Bíró,** team member, said in connection with signing up for the competition, that as a first-year law student she had been keen on getting involved in a task that helped her acquire knowledge beyond the narrow curriculum and enhance her English skills. **Kálmán Varga** (coach) believes that the pledge of good performance is the selection of the team members, which was an excellent success this year. During the preparations they had put great emphasis on improving problem resolution, argumentation and technical English skills. **Csaba Varga** primarily emphasised the importance of the English legal terminology and the presentation skills and mentioned the enhancement of and the progress achieved in these fields as the most important benefits of the competition. He said that during their work special attention had been paid to the development of debate skills and the increasingly conscious building of the applied arguments. **Juan Efrain Rocha** stressed that it had been a very important step for him to learn to trust his teammates and recognise that there were times when he had to abandon his personal conviction and heed the opinion of others. Finally, to the question "Why would it be important to spread alternative dispute resolution even more in Hungary and in the world?" **Annamária Balogh** responded that mediation might aid business development, the parties to the dispute were interested in being able to look at each other as partners even after settling the dispute, to make efforts to prevent disputes and conflict situations.

The last programme of the conference was a panel discussion on the experiences of the Hungarian ELSA-BCCI Alternative Dispute Resolution competition organised on 17 March 2017, where the audience could hear about the events and opinions also from the sponsors', organisers' and contestants' point of view.

Dr. Dóra Horváth, attorney (Réti, Antall and Co. PwCLegal Law Office) stressed that the students participating in the competition could acquire skills that they can benefit from later and utilise when they enter the labour market. **Dr. András Szilágyi** (Department Chair, BCCI Mediation and Legal Coordination Department) introduced the competition organised with the support of the Budapest Chamber of Commerce and Industry as the "little brother" of the ICC international competition, which is also important because it raises talented young people, and it is the youth that satisfy the needs of the enterprises of the future. **Péter Tüttő** (President, ELSA Hungary) illustrated for the audience with his short video presentation how the competition was going in 2017. He said that ELSA, as the international organisation with the highest number of members, pooling law students, had initiated the organisation of this type of competitions across Europe. This is a competition that focuses on unique skills and capacities that can be used in all areas of life and come in handy for all not only at work, but also in private life. Finally, the winners of the competition **Krisztina Szokol and Veronika Heiszer** talked about their experiences gained during the preparations and the competition.

The conference ended with the closing speech of **Dr. Veronika Szikora,** dean of the Faculty of Law and Political Sciences of the University of Debrecen. The dean stressed that the conference had been organised in an inspiring environment and with inspiring contents. The presentations on the first day of the conference focused on the economy, while those on the second day dealt with education. She emphasised that higher education had a key role in awareness raising, and in the development of negotiation and dispute resolution skills and capacity, and instead of providing students with academic knowledge only, also enhancing talents. The conference had several messages and it also made us aware of the fact that conflict management and resolution play an important role also in paying attention to others, accepting the culture of others and it develops our personality.

The press showed great interest in the conference; in addition to the news published in the printed and online media, radio and television interviews and discussions had also been organised.

1.5 PROFESSIONAL ASSISTANCE TO LAW STUDENTS

FIRST ELSA – BCCI ALTERNATIVE DISPUTE RESOLUTION COMPETITION

The first national alternative dispute resolution competition was organised jointly by the European Law Students' Association (ELSA) Hungary and the Budapest Chamber of Commerce and Industry (BCCI) on 17 March 2017. The prestigious competition was organised with the support of the Financial Arbitration Board and the Réti, Antall and Co. (PwC Legal) Law Office. One of the purposes of the competition was to ensure that law students, supplementing their university studies, acquire proper practical skills that later they can efficiently use in business negotiations and everyday life, and on the other hand by making the sessions of the competition public, providing the invited participants with an insight to the world of negotiations applying alternative dispute resolution methods.

The students of the faculty of law and political sciences of all Hungarian universities had the opportunity to enter for the competition in teams of two. More than one hundred students entered and 40 of them (twenty teams) were selected for the national competition from six faculties of law. During the competition the teams could match their skills in a real environment, i.e. at a business negotiation – meanwhile mutually learning from each other – where the goal was to approach their interest mutually rather than to enforce their opinion, as a result of which the parties can reach an agreement that is favourable for both of them and that later they will comply with automatically. The contestants had to resolve two disputes taken from the practice of international law offices, applying, in addition to their civil and economic substantive law knowledge, a negotiation method within the alternative dispute resolution methods – being the first level of the dispute resolutions methods – which was assessed by a 5-member professional jury.

The final result of the competition was as follows:

– First place: Krisztina Szokol – Veronika Heiszer (Eötvös Loránd University)

– Second place: Boglárka Dobos – Márton Angyal (Eötvös Loránd University)

– Third place (shared): Gergely Szécsényi – Diána Galambosi (Eötvös Loránd University) and – Martina Gajdos (University of Debrecen) – Fruzsina Pellei (University of Miskolc)

The winners were offered intern positions by the Budapest Chamber of Commerce and Industry, the Réti, Antall and Co. (PwC Legal) Law Office and the Financial Arbitration Board; of them Márton Angyal, Martina Gajdos and Fruzsina Pellei chose the Board.

SZÁSZ PÁL SUMMER UNIVERSITY

The 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 for the fourth time in 2017, the purpose of which is to enhance the education of trans-border Hungarian economic lawyers. The Szász Pál Summer University was organised also as part of this, with the participation of twenty ethnic Hungarian law students, mostly from Transylvania and Serbia. The event was organised jointly by the Institute for the Protection of Minority Rights and the Budapest Bar Association with the support of the Magyar Nemzeti Bank.

The participants of the Summer University attended various informative lectures, which helped them better orientate in the Hungarian environment, learn about the functioning of the Hungarian financial institutional system and the activity of the actors in the various sectors of the economy. The Financial Arbitration Board also made an appearance in this year's three-day programme. Dr. Erika Kovács, Chair of the Financial Arbitration Board, presented to the students the history and legal status of the Magyar Nemzeti Bank, while Dr. Zsolt Sinkó, Office Director of the Board, outlined the activity of the FAB and its role in the assistance provided to financial consumers.

CREATIVE FINANCIAL CASE COMPETITION

As the result of the cooperation among KPMG, the Financial Arbitration Board and the European Law Students' Association Hungary (ELSA Hungary) a case competition of financial topic was organised on 10 November 2017. The competition organised for economic and law students received the name of **Creative Financial Case Competition.** The tasks to be resolved at the competition included real-life cases and matters taken from the practice of the supporting organisations, for which the members of the jury expected creative solutions without demanding effective legal knowledge.

Almost 50 students entered for the tradition setting competition in teams from all faculties of law of Hungary, and from several faculties of economics. In the finals the best ten doubles had the opportunity to match their case solving and presentation skills. The contesting doubles had two hours to solve and process the cases in the most creative way and find solution for the problem, which then they could present to the jury. At this competition the awards included internship opportunities and cash awards.

Of the teams finishing at the first three places the following teams obtained the opportunity to spend their internship at the Financial Arbitration Board:

First place András Zsingor – Ferdinánd Bolvári (Eötvös Loránd University, Faculty of Law)
Second place: Dorina Prekup – Gajdos Martina (University of Debrecen, Faculty of Law)
Third place: Krisztina Lendenmayer – Csenge Tihanyi (Faculty of Law and Political Sciences of the Pázmány Péter Catholic University)

2 Professional activity of the Board in 2017

2017 was the third year in the history of the Board when it performed its activity in accordance with two types of proceedings. In most of the cases it acted based on the rules pertaining to conciliation proceedings, as specified in the MNB Act, but it still had tasks arising from the Settlement Act, which contains somewhat different and also special provisions.

2.1 CONCILIATION ACTIVITY IN FIGURES

On 1 January 2017 there were 651 pending conciliation cases that had been launched back in 2016. In addition, 3,644 new petitions were received, thus the total number of cases managed during the year was 4,295.

Aggregate statistics of conciliation cases

	Domestic cases	Cross-border cases	Total
Previous cases in progress on 1 January 2017	648	3	651
New cases received during 2017	3,616	28	3,644
Cases closed until 31 December 2017	3,671	23	3,694
Pending cases on 1 January 2018	593	8	601

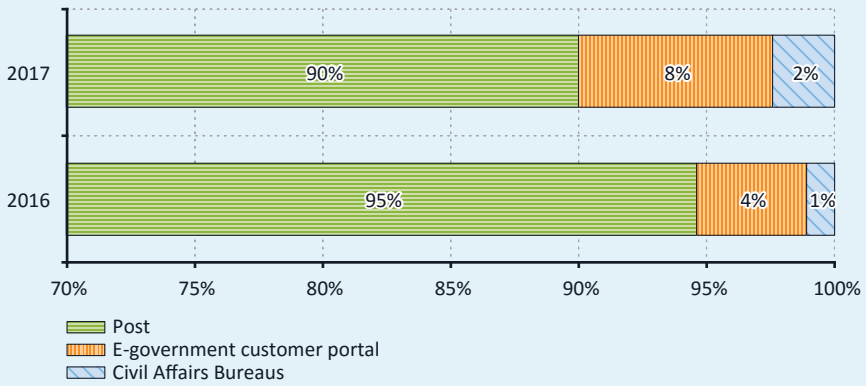
2.1.1 RECEIVED PETITIONS

METHODS OF SUBMITTING PETITIONS

The majority of petitioners submitted their petitions via the post but compared to the previous year there was a rise in the number of those who relied on the service of the e-government customer portal or the Civil Affairs Bureau to launch their petition.

Compared to the 2016 figures, the number and ratio of petitions received in electronic form via the e-government customer portal increased by almost one and a half times. The Civil Affairs Bureaus forwarded 80 per cent more petitions to the Board than in the previous year.

Methods of submitting petitions

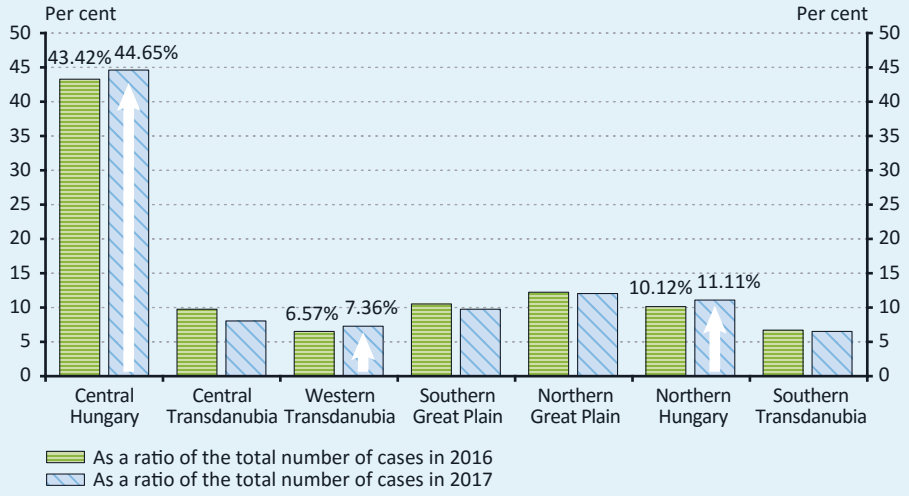


Petitions were also received through the Network of Financial Advisory Offices; however, it could be established unambiguously only in a few cases that the submission reached the Board through this channel or as the result of the financial advisors' activity. Based on the feedback from the advisors, substantially higher number of petitions were made with their help than reflected by the figures. Negotiations are underway with the organisations running the offices so that these could be established accurately. The situation is similar also in respect of the intermediary activity of the other cooperating partner, i.e. the Hungarian Charity Service of the Order of Malta regarding the HitelS Programme.

BREAKDOWN OF THE PETITIONERS BY THEIR 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 dispute. Their ratio to all petitioners was 44.65 per cent, representing an increase of 1.23 percentage points compared to 2016. Compared to the previous year, the ratio of the petitioners residing in the Western Transdanubia and North Hungary regions also rose.

Breakdown of received petitions by regions of the petitioners' place of residence



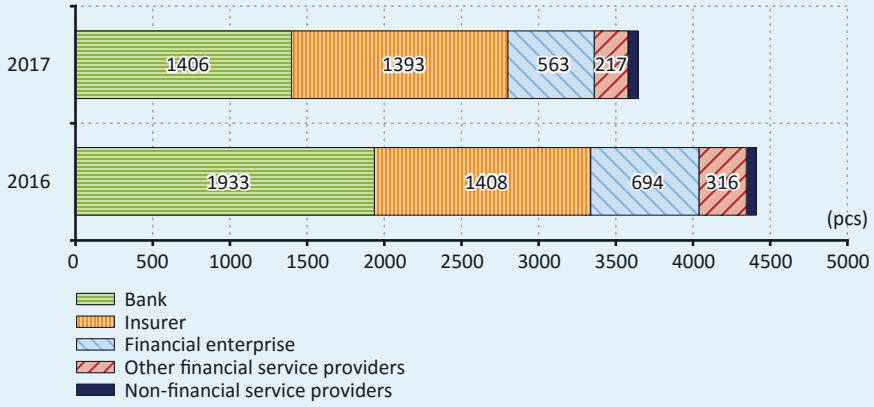
The ratio of the submissions by petitioners residing in Budapest and Pest County exceeded the total population ratios calculated by HCSO every year since the Board had been established. In 2017, in addition to the consumers of Central Hungary, the same was experienced in the case of those residing in Nógrád County.

Received petitions by the petitioner's place of residence	Number of cases (pcs)	As a ratio of the total number of cases	As a percentage of the total population (HCSO data)
Bács-Kiskun	130	3.57%	5.27%
Békés	107	2.94%	3.93%
Baranya	107	2.94%	3.66%
Borsod-Abaúj-Zemplén	218	5.98%	6.91%
Budapest	**1,018**	**27.94%**	**17.28%**
Csongrád	120	3.29%	4.22%
Fejér	126	3.46%	4.26%
Győr-Moson-Sopron	107	2.94%	4.47%
Hajdú-Bihar	154	4.23%	5.40%
Heves	101	2.77%	3.11%
Jász-Nagykun-Szolnok	109	2.99%	3.90%
Komárom-Esztergom	91	2.50%	3.12%
Nógrád	**86**	**2.36%**	**2.04%**
Pest	**609**	**16.71%**	**12.26%**
Somogy	88	2.41%	3.20%
Szabolcs-Szatmár-Bereg	179	4.91%	5.59%
Tolna	45	1.23%	2.33%
Vas	74	2.03%	2.59%
Veszprém	77	2.11%	3.58%
Zala	87	2.39%	2.88%
Non-resident	11	0.30%	
Total number of cases	3,644	100.00%	100.00%

SERVICE PROVIDERS CONCERNED WITH CONSUMER DISPUTES

In 3,362 cases of the 3,644 petitions received in 2017, the disputes brought to the Board were against banks, insurers and financial enterprises. In terms of their ratio to the total number of cases this amounted to 92.3 per cent, representing a growth of 0.8 percentage point.

Types of financial service providers in the petitions (pcs)



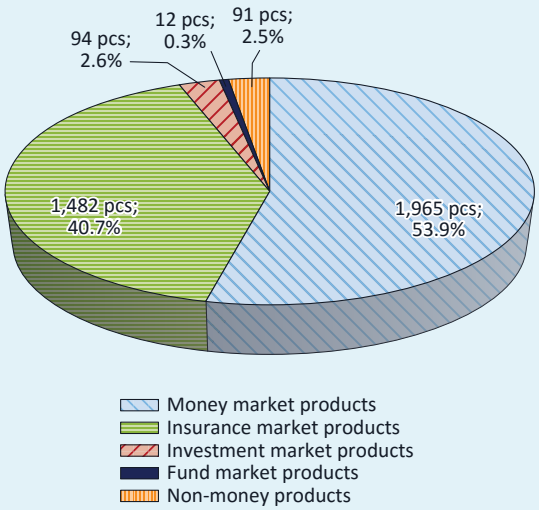
Compared to previous years there have been a major change in the internal ratio of the petitioned service providers. The number of the petitions where the petitioners disputed the activity of various banks decreased by 527 compared to the previous years, which is a 5.3 percentage point decrease at this type of service provider. There was a decline of only a few pieces in the claims against insurers, nevertheless their ratio to the total number of petitions increased by 6.3 percentage points. The change in the case of financial enterprises (including debt management companies) and other service providers is merely about 1 percentage point.

In the category of other financial service providers, the cases of insurance associations, investment service providers, multiple insurance agents, cooperative credit institutions, building societies, brokers, pension funds, health funds, intermediaries and mutual fund managers were taken into account.

PETITIONED PRODUCTS

53.9 per cent of the received petitions – 1,965 cases – were concerned with the products of the money market, which represents a decline of 6 per cent compared to the previous year. The 40.7 per cent ratio of the insurance market products and services – with 1,482 petitions – outstrips last year's ratio by 5.6 percentage points. The capital market cases still represented a ratio of 2.5 per cent and the ratio of petitions related to the funds market has not changed either.

Petitioned products by sectors

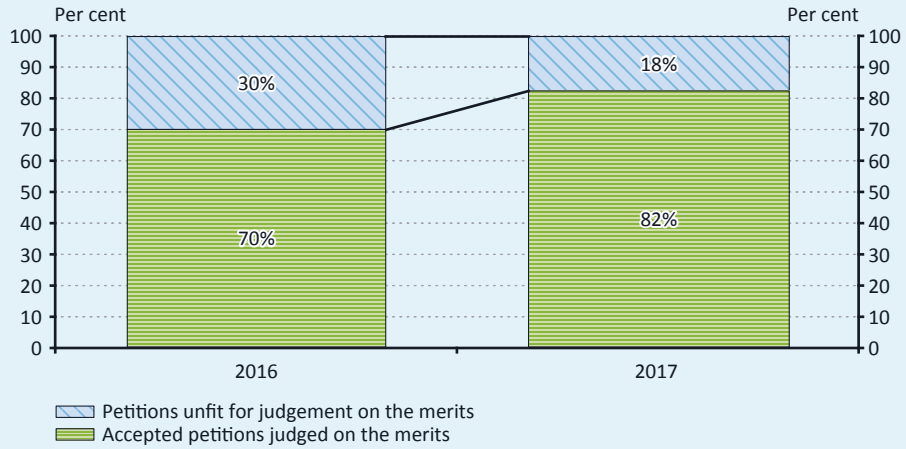


2.1.2 CLOSED CASES

ACCEPTANCE RATIO

The Board closed 3,694 cases during the year. Within these, in 668 (18 per cent) cases, petitions were rejected without a hearing, as unfortunately they did not comply with the requirements set forth in the MNB Act. 82 per cent (3,026 cases) of the cases were suitable for acceptance, and thereby for judgement on the merits. This is a 12 percentage point growth compared to the figures of the previous year.

Acceptance ratio in 2016-2017



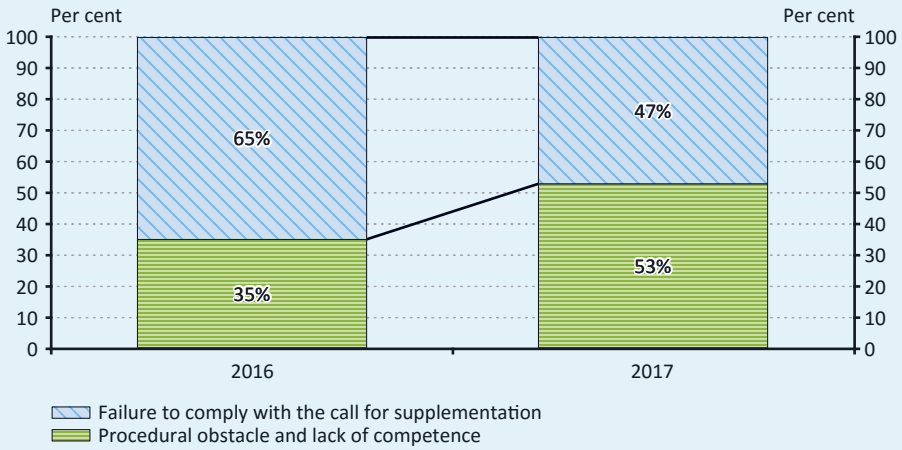
PETITIONS UNFIT FOR JUDGEMENT ON THE MERITS

Rejection without a hearing took place in 18 per cent of the cases, i.e. in 668 cases, due to the following reasons:

Reasons for closing		Number of cases	Ratio
1.	**Closed due to procedural obstacles, of which:**	142	21.26%
1.1	prior to submitting the petition, the consumer failed to try to settle the dispute or did not submit a petition of equity (Article 102 (1))	84	59.16%
1.2	the parties commenced, for the same right arising from the same factual base		
1.2.1	a) proceeding at the Financial Arbitration Board (Article 107, point aa)), or	20	14.08%
1.2.2	b) mediation procedure (Article 107, point ab)), or	1	0.7%
1.2.3	c) there is a pending litigation or a final judgement has already been passed on the subject (Article 107, point ac))	9	6.34%
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 (Article 107, point b))	25	17.61%
1.4	the dispute lacks in seriousness or is vexatious (Article 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 (Article 126 (1))	3	2.11%
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 (Article 107, point d)	**215**	**32.18%**
3.	the petitioner failed to comply with the call for supplementation, specified in Article 104 (5), within the deadline (Article 107, point e))	**311**	**46.56%**
	Total	**668**	**100.00%**

As the result of the acting board members' efforts to formulate the calls for supplementation as simply as possible, the Board managed to reduce the ratio of cases rejected due to the failure to comply with the call for supplementation by 18 percentage points compared to the previous year. The prepared documents contained substantially fewer references to the legislation, to make them more easily understandable, adjusted to the financial knowledge and preparedness of the petitioners.

Ratio of cases unfit for judgement on the merits by reasons of rejection



NUMBER OF CASES CLOSED AFTER ACCEPTANCE

Result of cases closed after acceptance		
Result of closed cases	**Number of cases (pcs)**	**Ratio**
Settlement agreement	872	**28.82%**
Binding resolution	6	**0.20%**
Recommendation	7	**0.23%**
Resolution to terminate	2,141	**70.75%**
Total	**3,026**	**100.00%**

28.8 per cent of the 3,026 cases that reached the substantive phase, namely cases that were accepted, ended with a settlement agreement between the parties and the approval thereof by the Board.

54 per cent of the settlement agreements were reached in money market cases (472), as the number of petitions was also the highest in this sector. In the insurance, capital market and funds cases the acting Board members approved 381 (43.7 per cent), 18 and 1 settlement agreements, respectively.

The statutory regulation related to disclosure entered into force on 1 July 2016, according to which the annual report on the activity must contain the data related to the fulfilment of the recommendations, binding resolutions and resolutions approving the settlement agreement, if those are known.

Accordingly, during 2016 the Board had prepared its case registration system for the collection of these data and developed a system for the monitoring of the fulfilment of the resolutions.

Since 7 July 2015 Article 120(3) of the MNB Act contains the provision, according to which 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 on the failure to fulfil, as well as on the fulfilment or failure to comply with the actions provided in the recommendation within sixty days.

Most of the financial service providers complied with this obligation, which was also stipulated in the resolution; the acting panels or Board members had to call upon them to confirm fulfilment after the expiry of the deadline only in 18 per cent of the cases.

Of the 872 settlement agreements issued, the 60-day deadline for the confirmation of the fulfilment expired in 825 cases, while in the remaining 47 cases the deadline will expire in 2018. In further 3 cases the parties agreed from the outset to fulfil the resolution in 2018, thus in these cases the fulfilment is in progress.

The Board knows only of 5 resolutions approving a settlement agreement that were not fulfilled by the service providers. This is also partly due to the petitioner's failure to comply with his undertaking, while in one case the service provider has gone into liquidation. In further 7 cases no answer has yet been received to the call for fulfilment.

Overall, in the case of the settlement agreements – apart from the pending cases – 839 of the 844 cases were fulfilled, representing a ratio of **99.4 per cent**.

7 recommendations and 6 binding resolutions were issued, of which 6 recommendations and 2 binding resolutions affected the money market sector, while in respect of the insurance sector 4 binding resolutions and 1 recommendation were issued.

Two-thirds of the recommendations related to the money market sector had been concerned with credits and loans, and in particularly mortgage loans, car purchase financing loans and personal loans, while one-third of them related to payment services. Binding resolutions were issued in respect of housing mortgage and car purchase financing loans. The respective financial service provider contested the recommendation – related to payment services – at the court and applied for the repeal thereof in two cases. In one of the cases, the judgement passed by the court of first instance rejected the action of the financial service provider, and the latter did not resort to further remedy, but rather fulfilled the recommendation. In the other case the litigation has not been closed by the end of the year.

With regard to the recommendations, the Board made two recommendations in relation to the rendering of payment services. In one of them the acting panel found that the petitioner's bank account had been opened contrary to the laws and the banks' regulations, the financial service provider delivered the personal security elements necessary for disposal above and the use of the bank account not to the petitioner and during the procedure it failed to prove that the disputed payment transactions had been approved by the petitioner, although pursuant to the relevant legislative provisions the burden of proof with regard to the foregoing lay with the financial service provider. The subject of the other dispute was a cash withdrawal by bankcard in the branch, where the acting panel had to decide whether based on the contract concluded between the parties, the financial service provider had the right to debit the petitioner's bank account with the amount of the presumed or real difference determined by the financial service provider and disputed by the petitioner. The acting panel took the position that the procedure of the financial service provider had not complied with the contract, thus it recommended to the financial service provider that it should credit the disputed amount to the petitioner's bank account. After the closing of the litigation brought by the financial service provider, it complied with the recommendation.

In one of the cases related to real estate mortgage, the Board recommended the financial service provider to repay the amounts charged under the title of actual exchange rate difference and the insurance premium of the collateral property, and the default interest charged for these amounts, while in the other case to restore the condition that had prevailed prior to converting the pre-financing loan contract into a credit. The issue described first is not a general phenomenon, thus the recommendation was issued in view of the provisions of the contract concluded between the parties. The acting panel found that the petitioner had no insurance premium payment obligation in the period that followed the termination of the loan contract, and the petitioner could not be late with the payment of the insurance premium, thus he was not obliged to pay default interest either. The acting panel was of the opinion that the contractual provisions referred to by the financial service provider had not been applicable to the transaction between the financial service provider and the refinancing entity and to the risk arising therein from the change in the CHF/HUF exchange rate. The petitioner's will and intention at the time of concluding the contract did not and could not extend to a refinancing legal relationship, which according to the contractual provision referred to was "likely" to happen and the subject of which was an entity other than the petitioner. The financial service provider fulfilled the recommendation. In the dispute related to the pre-financing loan contract, the acting panel examined whether the petitioner had fulfilled the conditions specified in the relevant Government Decree and in the pre-financing loan contract for the conversion of the pre-financing loan contract into a house purchase allowance, and also whether the financial service provider had acted correctly upon the conversion of the loan into a credit. As explained in the recommendation, the Board did not share the position of the financial service provider and found that the petitioner had fulfilled the conditions. The fulfilment of the recommendation by the financial service provider is in progress, the measures necessary for that have already been taken by the financial service provider.

In respect of the car purchase financing loan contracts one recommendation was issued, aimed at the release of the vehicle registration card. The acting panel concluded that the financial service provider withheld the vehicle registration

card of the collateral vehicle without a legal basis, hence it recommended the release thereof, which was fulfilled by the financial service provider.

The subject of the dispute related to a personal loan contract was a petition for the repayment of the collateral deposit. During the procedure it was found that the amount of the loan had been duly repaid, and pursuant to the contract between the parties the collateral deposit serving as security was to be repaid to the petitioner, hence the acting Board member recommended to the financial service provider to repay the collateral deposit. During the procedure the financial service provider was not cooperative, it submitted no response and its representative made no appearance at the hearing. The financial service provider did not contest the recommendation and did not fulfil it either.

As regards the binding resolutions, the Board issued a binding resolution based on statutory submission in a dispute related to a housing mortgage loan, where it obliged the financial service provider to prepare a statement that complies with the provisions of the Act on Credit Institutions and Financial Enterprises. The Board found that after termination of the contract, the financial service provider failed to fulfil its obligation to prepare a comprehensive clear and easy-to-understand written statement corresponding to the payment data, and it also failed to remedy this omission in the complaint management procedure, as well as in the procedure at the Board aimed at the settlement of the financial consumer dispute. According to the Board's experience the subject of the consumers' complaint is often the financial service providers' failure to provide them with a statement on the settlement of the amounts paid on the basis of the loan contract or the provided statement is incorrect, but usually in the procedure at the Board the service providers do not refuse to fulfil such requests. The financial service providers often attach the requested statement already to the response or undertake the preparation and sending thereof in the agreement concluded with the petitioner. In this specific case, the financial service provider fulfilled the request based on the Board's binding resolution.

A dispute that was launched in respect of the repayment of the casco premium and the related exchange rate difference in connection with a car purchase financing loan, which had been repaid in full by the petitioner before the maturity thereby terminating the contract and which resulted in the issue of a binding resolution, also ended with fulfilment by the financial service provider. During the procedure the acting panel found that the amount that the financial service provider had undertaken to pay under a unilateral commitment and the payment obligation after the deduction of the incurred interest difference are the same, while according to the contract this amount would have also contained the casco insurance premium until the maturity. Based on this, it could be established that the total payment made by the petitioner and accounted for under the contract also included the insurance premiums for the full tenure and for further 7 months, of which in respect of the specific period (7 months) – in view of the termination of the loan contract and thereby of the insurance collateral – the casco insurance premium had not been and could have not been paid to the insurer. The acting panel established that the petitioner's claim for the reimbursement of 7 months' insurance premium and exchange rate difference related to the insurance premium was substantiated.

In the disputes launched against the participants of the insurance market, the Board passed four binding resolutions and issued one recommendation. All condemning decisions were made in non-life insurance disputes; within that three binding resolutions related to accident and health insurances, one to goods insurance, while the recommendation was made in respect of a claim submitted in relation to a thunderbolt damage reported under a home insurance.

The basis of one of the binding resolutions related to accident insurance was a dispute whether the Achilles tendon injury suffered by the insured petitioner when playing basketball had been of accidental origin or it had occurred as the result of other factors (e.g. degenerative processes). Based on the evidence submitted during the procedure it was proven that the Achilles tendon injury occurred against the will of the petitioner, as insured, as the result of a sudden external stress. Pursuant to the General Insurance Terms and Conditions, the respective injury qualifies as accident, thus the resolution obliged the financial service provider to pay the accidental daily hospitalisation costs and the surgical intervention cost, which was fulfilled by the financial service provider.

In another case, the petitioner – in his capacity as the insured of a group life, accident and health insurance taken out by his employer – submitted a claim for benefit to the financial service provider due to his incapacity for work resulting from a road accident; however, the financial service provider rejected it, citing that the insured event related to an injury, illness or accident caused by the petitioner wrongfully and by gross negligence, hence the insurer must be exempted from its obligation to pay the insurance benefit. The insurer cited the content of the resolution on misdemeanour, which established that the petitioner, by failing to observe the safety distance, had committed a misdemeanour of minor breach of traffic

rules. In the procedure the Board took the position that in terms of the occurrence of the insured event the respective act had not reached the degree of gross negligence being close to the level of wilfulness, and in view of this it obliged the financial service provider to pay the insurance benefit specified in the contract, which fulfilled the binding resolution.

In the third case related to accident insurance, the petitioner turned to the financial service provider under her surgical intervention supplementary insurance linked with her life insurance, applying for the payment of the cost of a breast correction surgery performed in the National Institute of Oncology after a mastectomy. The financial service provider rejected the claim citing that the respective surgery had been necessitated not by an illness or accident, but it rather served aesthetic purposes. During the procedure, the petitioner confirmed by an oncologic medical expert opinion that the respective symmetrisation surgery forms part of the correction after mastectomy in all cases, which in the case of the petitioner could be performed only by a separate surgery due to the fact that the petitioner had been undergoing active oncological treatment. During the procedure the financial service provider maintained its previous position; the Board obliged the financial service provider to pay the reimbursement for the surgical intervention.

In the case related to goods insurance, the petitioner turned to the financial service provider with a claim based on his extended warranty insurance for a mobile phone, because during an excursion the phone had dropped from his pocket on a stone and had become unusable. The financial service provider rejected the petitioner's claim for benefit citing that the defect does not qualify as accidental defect and the petitioner had failed to comply with his loss prevention obligation. During the procedure, the Board disagreed with the financial service provider's opinion that the petitioner's conduct had been grossly negligent and he had failed to act with due diligence, and in view of this it established that the insured event of accidental defect had occurred and obliged the financial service provider to fulfil the insurance service related to the replacement of the phone, who complied with the binding resolution.

In the case of a thunderbolt claim reported under a home insurance, the Board made a recommendation to the respective financial service provider, in which case the financial service provider paid the claim of the petitioner, since his television set had been damaged as the result of a thunderbolt. The petitioner noticed one month later that as the result of the previous claim event his laptop had also become unserviceable. The financial service provider rejected this claim citing that in view of the delayed reporting of the claim the causal relation between the damage and the thunderbolt cannot be established. During the procedure the petitioner confirmed by expert opinion that the damage was the result of an overvoltage from the electric network. The Board did not find the financial service provider's excuse for exemption substantiated, as in its opinion the delay in the reporting of the claim had been realistically justifiable and had not resulted in the impossibility to identify the material circumstances of the insured event; accordingly, in the recommendation it called upon the financial service provider to reimburse the reported claim, who fulfilled the recommendation.

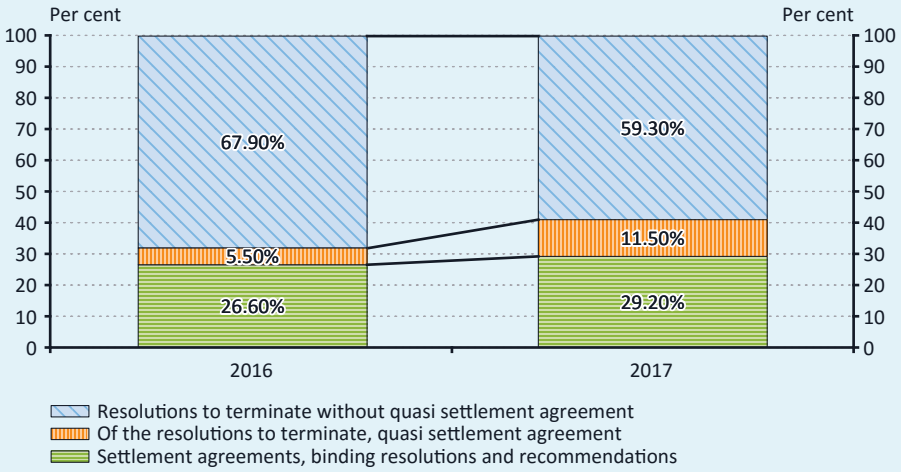
Resolution to terminate was issued in 2,141 cases. The most frequent cause of the resolution to terminate was the lack of grounding, in 630 cases, and the impossibility to conduct the procedure, in 450 cases.

Reasons for terminating the procedure:	**db**	**%**
A) Article 112(3)a) of the MNB Act – the petitioner withdrew his petition, of which	561	26,2%
... the reason for withdrawing the petition was unknown	*323*	*15,1%*
... the petition was withdrawn, because the parties reached an agreement or the financial service provider made a commitment in the minutes (quasi settlement agreement)	*238*	*11,1%*
B) Article 112(3)b) of the MNB Act – the parties agreed to terminate the procedure, of which	90	4,2%
... the reason for the joint request to terminate the procedure was unknown	*50*	*2,3%*
.... the parties requested that the proceeding be terminated, because they reached an agreement, or the financial service provider made a commitment in the minutes (quasi settlement agreement)	*40*	*1,9%*
C) Article 112(3)c) of the MNB Act– it is impossible to conduct the procedure, of which	451	21,1%
... impossible	*450*	*21%*
... the service provider performed, the petitioner provided no feedback (quasi settlement agreement)	*1*	*0,1%*
D) Article 112 (3) d) of the MNB Act – the petition is unfounded, or it is not necessary to conduct the procedure, of which	997	46,6%
... the petition is unfounded, or it is not necessary to conduct the procedure	*930*	*43,4%*
... it is not necessary to conduct the procedure, because the service provider granted the full request included in the petition (quasi settlement agreement)	*67*	*3,2%*
E) Article 112 (2) e) of the MNB Act – existence of the circumstance specified in Article 107	42	2%

There were 346 cases within the terminated cases where out of the procedure some kind of arrangement, intention to continue the conciliation or a specific agreement was reached between the parties.

The ratio of those terminated cases where the agreement between the parties came to the knowledge of the Board or the service provider fulfilled the full claim stated in the petition, accounted for 11.4 per cent of all accepted cases. Taking this also into account, the ratio of cases with positive ending for petitioners rose to 40.7 per cent, representing a growth of 8.5 percentage points compared to the previous year.

Result of accepted cases



NUMBER OF HEARINGS

The Board held 2,979 hearings in 3,026 accepted cases and scheduled 381 continued hearings. The ratio of continued hearings rose by 2 percentage points compared to the previous year. This also indicates that the acting panels or Board members resorted to this option more often with a view to clarifying the facts of the case and reaching a settlement agreement.

Number of hearings held in 2017 in conciliation cases

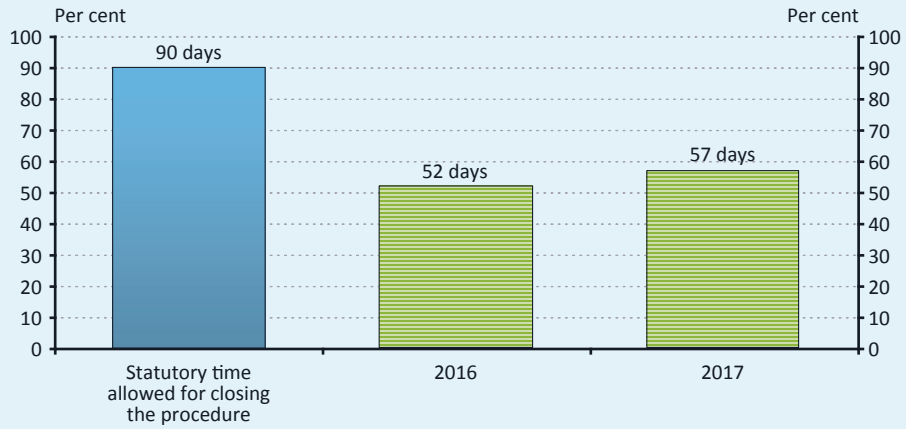
Month	number of hearings	number of continued hearings	Total
January 2017	257	30	287
February 2017	225	35	260
March 2017	308	35	343
April 2017	237	46	283
May 2017	286	32	318
June 2017	269	36	305
July 2017	250	35	285
August 2017	104	15	119
September 2017	289	34	323
October 2017	306	37	343
November 2017	292	35	327
December 2017	156	11	167
Total	**2,979**	**381**	**3,360**

AVERAGE PROCESSING TIME

Article 112 (5) 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 not more than thirty days.

In 2017 the closing of the financial consumer disputes brought to the Board took 57 days on average, which was 5 days longer compared to the processing time in the previous year. This was due to the fact, that with a view to clarifying the facts of the case and facilitating the conclusion of an agreement, the acting Board members scheduled continued hearing more often. It also happened more often that after the hearing the procedure was continued in writing to modify and approve the proposed settlement agreement.

Average processing time

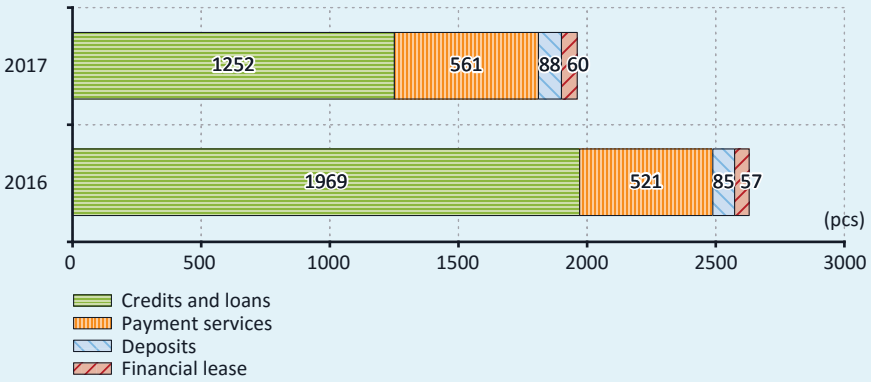


2.2 ANALYSIS, RECOMMENDATIONS AND WARNINGS BY SECTORS WITH A VIEW TO PREVENTING OR RESOLVING FUTURE PROBLEMS

2.2.1 DISPUTES RELATED TO MONEY MARKET SERVICES

Similar to the previous year, the number and ratio of consumer petitions related to money market services were the highest in 2017 as well. On the other hand, the 1,975 cases represent a 25 per cent decline in the petitions in this field compared to the previous year, which was attributable to the fall in cases related to credit and loan transactions. However, there was a minimal increase in the number of cases related to payment services, deposit collection and financial lease, compared to the previous year.

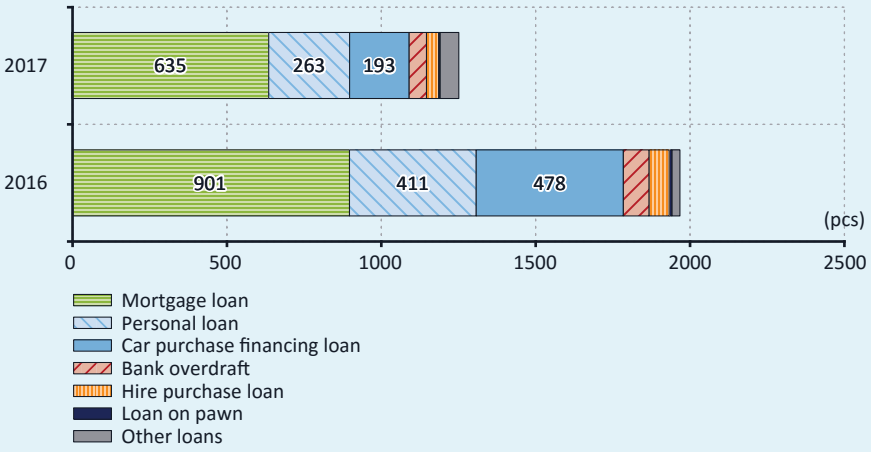
Number of money market cases received (pcs)



2.2.1.1 CREDIT AND LOAN TRANSACTIONS

This product type has been appearing in the largest proportion within the petitions received by the Board for years; however, compared to the 2016 figures, the number of petitions received dropped to two-thirds, i.e. 1,252 pieces. In the vast majority of the cases, the petitioners still intended to resolve their disputes related to mortgage loans, car purchase financing loans or personal loans.

Number of credit and loan cases received (pcs)



In 2017 the Board members judged 1,327 such cases. The ratio of settlement agreements approved by resolution was 25 per cent, that is, every fourth case closed with an agreement. Binding resolution was issued in two cases, while in 4 additional cases a recommendation was made. In further 172 cases although the procedure was terminated, in fact the underlying reason for this was the agreement between the parties. Overall, the ratio of cases with positive ending for petitioners rose to 42 per cent, compared to the 32 per cent registered in 2016.

Mortgage loans

While formerly the majority of **mortgage loan** cases were launched because the petitioners disputed the validity of the foreign currency-denominated mortgage loans, by now – taking into consideration the settlement and the conversion into forint that took place in 2015 – substantially fewer petitions were received with regard to the validity of the contracts. The vast majority of mortgage loans is still linked with the foreign currency denomination of the contracts, but now petitioners complain about the change in the amount of the debt, the rise in the instalment amount or the reason thereof. The petitioners compared their outstanding principal debt after the conversion of the formerly foreign currency-denominated loans into forint with the forint amount disbursed and stated in the underlying contract or in other bank confirmation, and in all cases they found that their principal debt had not decreased, or in most of the cases it even increased. Several petitions were received in this respect, disputing the amount of the debt, as well as the bank statements. In such cases the acting panels provided information on the special features of the foreign currency-denominated loans and touched upon the fact that the exchange rate applied upon the disbursement of the loan and the statutory exchange rate to be applied by the bank, prescribed for the conversion into forint, were not identical, which resulted in the difference. In the majority of the cases the petitioners understood the reason for the increase in the principal debt and in these cases the Board was able to provide assistance in the settlement of the debt. The parties had the opportunity to discuss the characteristics of the respective scheme, and by revising the payment schedule or restructuring the instalments with a view to reducing the debt as soon as possible they also agreed.

The number of disputes related to the **accumulation account loans** or other loans resulting in the reduction of the instalment to the bank, but linked with foreign currency-denominated contracts, was also rather high. The instalment to be made by petitioners using the accumulation account substantially changed upon the maturity of the accumulation account loan, as this was the time when the financial service provider started to charge the accumulated but not yet paid exchange rate difference. The higher instalment represented a substantial burden for the petitioners, thus they looked for

a solution that would be affordable in the long run. In several cases, upon the termination of the accumulation account loan the petitioners missed the deadline and failed to initiate (free of charge) the undertaking of the higher instalment under the original maturity within 30 days from the materialisation of the statutory contract amendment. In such cases the financial service providers were extremely flexible and concluded an agreement for the maintenance of the original maturity without charging the contract amendment costs to the petitioners.

In the case of mortgage loans, petitions where according to the attached methodology and detailed calculation the petitioner had settled his debt to the financial service provider or perhaps had even made a surplus payment or compared to the receivable in the records of the financial service provider he only had a minimum outstanding debt, often served as basis for the dispute. In these cases, the settlements performed on the basis of the statutory settlement laws also had to be considered. Namely, in a large number of cases the petitioners specified the settlement acts and MNB Decree issued for the implementation of the settlement as the legal basis of the petition. In these procedures the Board members emphasised that different proceedings applied to the review of the settlement, subject to strict deadlines and that the review of the settlement cannot be performed in a conciliation procedure. In these cases, the petitioners also complained of the non-compliance of the financial service providers' records with the provisions of the accounting laws. However, in the absence of competence, the Board was not in the position to verify the records.

The intention to review the settlement also arose in other cases in addition to those mentioned above. This suggests that despite the information provided earlier, some of the consumers failed to act with due diligence in respect of the review of the settlement and missed the statutory deadlines.

Recommendation to petitioners

They should read the information received from the financial service providers thoroughly and ask for help if they have questions in connection with the content thereof, as those also contain statutory deadlines, missing of which entails forfeiture of rights.

Several mortgage loan cases were aimed at **easing the payment terms.** The petitioners often cited the invalidity of the contract; however, during the procedure it was revealed that the underlying cause of these cases was a payment difficulty. The financial service providers were partners in the conciliation during the financial consumer disputes, nevertheless they were not always able to reach a settlement agreement with the petitioners. The forgiving of the principal debts was possible only in a few exceptional cases. Some of the financial service providers made an offer to the respective consumers for the closing of the transaction at preferential terms as part of a promotion, but after the promotion, citing the principle of equal treatment, they no longer permitted the forgiving of the debt based on individual decision.

The impact of **Recommendation 1/2016 of the MNB** issued in 2016, which formulated proposals for the financial service providers with regard to the proceeding related to the restoration of household mortgage loans with payment delinquency, could be felt at the beginning of 2017 as well. The financial service providers complied with the recommendation. Where the Board noticed the omission of the financial service providers, the service providers undertook to examine the case also on the basis of the recommendation and provided the petitioners with the opportunity to restructure the debt. In relation to **terminated loans** we found that essentially it was not the objective of the financial service providers to initiate the enforcement procedure based on the notarial deed or to sell the collateral property through auction, but in several cases the sale thereof in the open market was unavoidable for the settlement of the debt.

In one case the conciliation had a special subject. The service provider voluntarily permitted that the debt can be settled through the sale of the collateral property. During this, the service provider commissioned an undertaking that had a cooperation agreement with it to prepare the property appraisal. The petitioner complained that the appraised property value was too low, thus the potential proceeds from the purchase price would have not covered the discharging of the loan. The intention of the petitioner was to settle the loan in full from the proceeds of the sale, thus he hired an independent appraiser, who assessed the market value more than twice as high as the one assessed by the appraiser appointed by the service provider. The service provider did not accept the position of the appraiser hired by the petitioner, thus based on the conciliation the procedure was terminated at the joint request of the parties, as they agreed that a different appraiser appointed by the service provider would repeatedly appraise the property and examine based on the expert opinion whether it was possible to modify the draft cooperation agreement in favour of the petitioner and change the asking price of the property.

Attention!
If the consumer sees no other opportunity for the repayment of the loan but the sale of the property, he is obliged to cooperate with the mortgagee financial institution in the sales, but this does not mean at all that the consumer cannot sell his property on his own.

The number of cases related to **debt consolidation loans** was negligible. In one case the problem was that the petitioner's former loan, in respect of which he took the debt consolidation loan with a view to repaying it in full, did not cease, in view of the fact that upon the drawdown of the debt consolidation loan the amount of the debt specified by the petitioner, but not confirmed, did not correspond to the full amount necessary for the final repayment. The same problem also arose in the case of final repayments where the final repayment was made not from a debt consolidation loan. This could have been avoided, had the petitioner applied to the previous financial service provider for an official debt confirmation for the purpose of final repayment, thus the other financial service provider would have been able to transfer the full amount necessary for the final repayment. If the payment is not for the amount specified in the official notification issued by the financial service provider, it will be accounted for only as a partial prepayment rather than a final repayment. In most cases of this type of cases a settlement agreement was reached and the service provider forgave the interest and cost accumulated after the prepayment by the petitioner and the petitioner had to pay only the outstanding principal debt. It was a frequent shortcoming during prepayments and final repayments that the petitioners disregarded the fact that this banking transaction usually incurs a fee in accordance with the announcement, hence they often complained of this.

The Board received a large number of petitions in relation to **state subsidy for housing purposes (pre-financing loans)**. The petitioners often submitted petitions of equity to the financial service providers in this area as well. The eligibility criteria for state subsidy and the cases of repayment obligation are stipulated by law, which the payment service providers are not in the position to depart from, even on an equity basis, in view of the fact that the state subsidy is not financed by the financial service providers from their own funds. Several petitions were received where the petitioners complained that their pre-financing loans had been converted into loan contracts, and they had to repay the state subsidy, or they lost it. In the vast majority of these cases the petitions were unfounded. It was found in one case that on the second day after the expiry of the deadline for having a child, the financial service provider converted the pre-financing loan into a credit contract before the petitioner's obligation to confirm the birth of the child has set in. The Board issued a recommendation in this case. In relation to the pre-financing loan and the tax refund allowance, the petitioners also criticised that the financial service providers paid the amount of the tax refund allowance to the petitioners not in accordance with the level of completion, but rather they took the position that they would pay the tax refund allowance after the full disbursement of the pre-financing loan and the utilisation of the full own contribution undertaken by the petitioner.

The participation in the **NET programme** of the National Asset Management Fund was the subject of the financial consumer dispute on several occasions. The NET Act (Act CLXX of 2011 on the Housing Provision of Natural Persons Unable to Meet their Obligations Arising from the Loan Contract) regulates the conditions of participating in the programme in detail, and it is not permitted to interpret it on an extended or equitable basis. Most often the petitioners criticised the financial service providers' business decision on the rejection, due to which they were unable to participate in the NET programme despite the fact that they satisfied the personal and objective conditions of the participation. There was also a petition that was submitted as a petition of equity aimed at the participation in the NET programme. The petitioners complained in several cases that after the participation in the NET programme the financial service providers continued to keep claims against them in their records, which was due to the fact that based on the NET Act when the debtor participates in the NET programme only his debt arising from the mortgage loan contract is forgiven, while his debt from other contracts (e.g. personal loan) will be maintained.

Attention!
Although the NET Act regulates the personal and objective conditions of the participation in the programme, beyond that there is no statutory prohibition for the financial service provider with regard to making a negative decision based on business considerations even if the conditions are satisfied.

In connection with mortgage loans, **claims related to the settlement of inherited debts** appeared as typical cases. These types of financial consumer disputes were closely related to the probate procedures and the legally binding grant of probate. In relation to the inherited debts, the legal judgement of the situation treated as "renouncement" appears to be a general problem, i.e. the heir after the accrual of the inheritance wishes to dispose over it in favour of a third party with

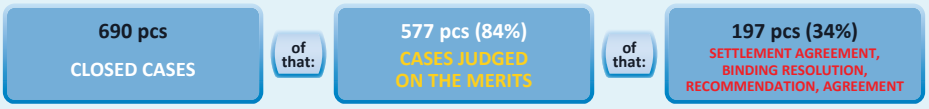
the proviso that the respective person receives the loan debt as well together with the property estate, thus the heir may be exempted from the payment of the debt liabilities. Pursuant to the relevant laws, in terms of its essence the situation is not a renouncement, but rather the acceptance of the inheritance with the simultaneous giving away of the property. The notaries put down these legal statements in an agreement, transfer the assets of the estate to the acquiring party under the title of the agreement, establishing the heir's interim accrual of right under the title of inheritance. According to the position of the financial service providers, despite the fact that during the probate the heir renounced his estate, in view of the interim accrual of right, he is not exempted from the payment of the debt liabilities.

Attention!

The heir or heirs are liable for the inherited debt up to the value of the estate rather than of their total assets. If a burden also forms part of the estate, consideration should be given to the legal consequence of accepting or disclaiming the bequest. If during the probate the heir gives away the inherited assets, it also means the acceptance of the bequest.

It happened several times that the petitioners commenced a procedure in respect to a dispute related to a **recently concluded contract** rather than to a contract concluded several years ago. In one of the housing mortgage cases the petitioner complained that instead of the prospective instalment specified in the contract, the disbursement notification contained an instalment the amount of which was higher than expected. In another housing mortgage loan case the petitioner claimed that despite the fact that he had concluded the contract with preferential interest rate, the second instalment had been calculated without the discount.

Result of mortgage loan cases closed in 2017 in figures



Personal loan

Personal loans are available at higher lending fees and may entail additional significant interest and fee amounts upon delay or termination. Thus, the vast majority of financial consumer disputes concerned with personal loans related to the existence or the disputing of the debt, on several occasions against debt management companies, after the assignment of the already overdue debts. A number of petitions were submitted specifically as petitions for easing the payment terms on an equitable basis, and the parties often managed to agree in the mutually advantageous settlement of the debt during the conciliation procedure.

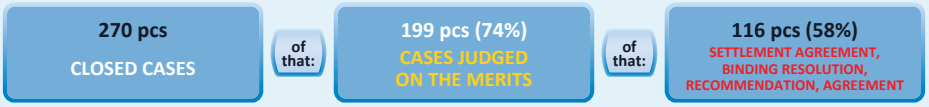
In relation to personal loans, the petitioners complained in several cases that certain service providers placed the loan with higher costs than the interest amount they claimed. In these cases, the service providers reduced the cost burden of the petitioners and made efforts to conclude an agreement.

In the case of the equity petitions, the petitioners were often unable to formulate a real, quantified petition either in the procedure at the financial service providers or at the Board. They also failed to confirm the amount of their income and expenses, which resulted in the rejection of the equity complaints by the financial service providers prior to the procedure at the Board. At the hearing these petitioners were already able to prove their income and they also specified the amount of the monthly instalment they were able to fulfil or pay in one sum, thus most of the disputes could be closed with an agreement.

Incorrect information or the degree of the debt was complained of by several petitioners in the case of personal loans. Although these loans usually showed a smaller outstanding debt in terms of their amount than e.g. the mortgage loans, after the termination of the loan and the assignment thereof to the debt management company the debt often multiplied due to the charging of default interest, which the petitioners did not understand and accordingly they were not able or were unwilling to accept. They stated that they had received no information at all or received incorrect information on the legal consequences of the delay and the impact of thereof on their debt.

Petitioners also often cited that the debt had been **barred by limitation.** They complained that in spite of this the financial service providers had called upon them to pay the debt. The financial service providers, unless they were able to document the interruption of the period of limitation, in the vast majority of the cases acknowledged in the response or at the hearing that the receivable had been barred by limitation and declared that they would not initiate legal action for the enforcement of the claim.

Result of personal loan cases closed in 2017 in figures



Car purchase financing loan

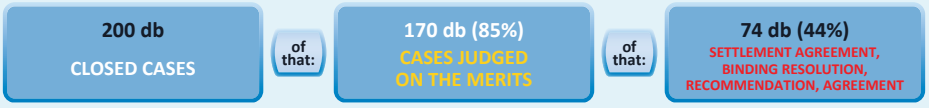
In relation to car purchase financing loans the petitions received by the Board mostly disputed the validity of the contract. The applicability of the option and in connection with this the question of releasing the vehicle registration card came up in almost all cases. The petitioners took the position that upon the expiry of the option, the vehicle registration card must be released, but they were unable to substantiate this allegation by the provisions of the contract. As regards the possibility of releasing the vehicle registration card, the financial service providers consistently maintained their position that they would withhold the vehicle registration card until the full settlement of the outstanding debt, and the conditions thereof could be determined from the contractual provisions regulating the legal relationship of the parties (including the terms and the conditional sale and purchase contract). This practice of the financial service providers was confirmed by several legally binding court judgements as well. In these cases, the Board established that the option and the depositing of the registration card with the service provider had been stipulated as two independent collaterals. It also follows from this that since there are two collaterals the expiry of one of them does not entail the automatic expiry of the other one. In the disputes launched in relation to the applicability of the option the financial service providers issued their declaration with regard to the cancellation of the option already in the complaint procedure. When no agreement was reached in these disputes in respect of the outstanding debt, the petitioners stated that they would take their dispute to court for the declaration of invalidity.

The Board received a large number of petitions that were submitted in connection with the contract amendments performed in respect of the **conversion** of the receivables from certain consumer loan contracts into **forint** (forint conversion). The forint conversion generated major financial difficulties for the petitioners particularly in respect of such loans that had been extended under very low own contribution as part of a variable maturity fixed scheme. In such cases the principal debt also included the already earned but not yet due receivable (essentially the exchange rate/interest difference), which substantially increased the initial principal amount determined upon the forint conversion, which also impacted the instalments. The debts that rose this way often led to the omission of the individual instalments and to the termination of the contracts. In the consumer disputes, the financial service providers – maintaining their position – showed willingness to negotiate in order to settle the outstanding debts.

The circumstance that petitioners complained that they had paid a substantial amount for the car purchased almost 10 years ago and in spite of which the service providers' records still showed significant liabilities, while the value of the car decreased over time instead of increasing, also belonged to the group of petitions disputing the amount of the debt. Petitioners often proposed that the service providers should repossess the car as collateral, thereby closing the transaction and forgiving the debt. In these cases, the Board pointed out that the parties had concluded a loan contract for the purpose of purchasing a car, which also serves as collateral, but the sale of the car and the use of the proceeds for repayment – if it does not settle the full debt – did not entail the termination of the loan debt.

Attention!
The depreciation or destruction, or the theft of the car has no effect on the liabilities arising from the loan legal relationship, which unfortunately continue to exist.

Result of car purchase financing loan cases closed in 2017 in figures



Overdrafts

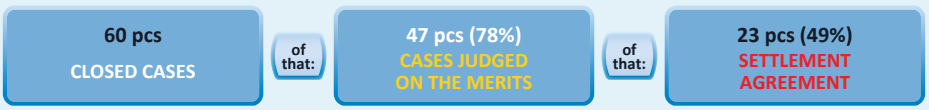
In respect of overdrafts the petitioners most often disputed their outstanding, overdue debt, or with a view to settling the debt they made efforts – mostly in their disputes initiated already against the debt management company – to reach an agreement.

It was disputed whether the financial service provider's other receivable – beyond the balance of the current account – may be enforced through **set-off** even against the full amount of the overdraft facility. One of the petitioners had an overdraft and another loan as well at a certain service provider, and he failed to fulfil his repayment obligation, thus the service provider "used" the full amount of the overdraft for the repayment of the unpaid loan. There was also a case when the overdraft facility was linked to a jointly owned account, and the full overdraft facility was used for the reduction of one of the account holder's debt.

There was an increase in the number of overdraft-related cases, where the obligation to repay the overdraft, as the **debt of the estate**, burdened the heirs (there were several heirs on the petitioner's side). The settlement of the dispute was complicated by the difference of opinions among the heirs in respect of the debt and the settlement thereof. In addition, the heirs complained that the loan debt had not been included in the grant of probate, they obtained knowledge thereof only from the reminder sent by the service provider several years after the distribution of the estate, as a result of which large amount of costs and interest had been charged. In these cases, the service providers were flexible and forgave large amounts of interest, but they were not in the position and did not want to waive the payment of the principal.

The petitioners also complained that the regulations of the financial service providers had contained no clear provisions on the procedure to be followed in respect of the current account (payment account) upon the death of the account holder, including the case of the termination of the overdraft facility. The petitioners criticised the fact in several cases that with the cancellation of the overdraft facility the overdraft debt had not been cancelled. They cited on several occasions and in several cases that the claim had become barred, as it occurred that the financial service provider called upon the heirs to settle the debt 10 years after the death of the testator. In these cases, although the heirs had reported the fact of the death to the service provider, the legally binding grant of probate had not been handed over, thus the service provider took the position that unless it obtains knowledge on the identity of the heirs the limitation period is suspended, as it would become entitled to enforce its claim against the heirs only in possession of such information.

Result of overdraft cases closed in 2017 in figures



Trade credits

The vast majority of disputes related to trade credits were linked with the fee and cost elements of trade credits. The identification of the individual fee and cost items, the understanding the settlement thereof, and consequently the verification thereof as well, represented particularly great difficulty for the petitioners. The additional fee, cost and interest items charged to the transaction upon late payment further complicated the interpretation. The acting panels found in several cases that the records of the financial service providers were not accurate and up-to-date either.

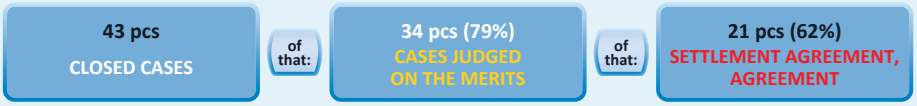
Trade credits usually appeared as combined products, occasionally linked with a credit card or loyalty card. In the case of combined products, the separation of each individual legal relationship was not always clear for the average consumer. The

petitioners usually found the management of the matters related to the trade credit cumbersome, and often declared during the procedure that they had not intended to apply for a credit card, they had wanted to conclude a trade credit contract only. There was a case when the petitioner could not identify whether his complaint had been submitted to the financial service provider or to the merchant. An insurance (mostly payment protection insurance) was linked to the trade credit in almost all cases, which most of the petitioners regarded as an unjustified fee. During the procedure these insurance premiums were often cancelled. In relation to trade credits it was a general experience that the drawdown of the trade credit had not always been weighed carefully; these transactions would still require more attention and due-diligence from consumers.

Unfortunately, still several procedures were launched in connection with the credits or quick loans granted during direct selling to elderly consumers, but the financial service providers already showed much greater willingness to settle the matter amicably through an agreement than before.

The Board found that in several cases the petitioners complained not about the loan but rather about the faulty performance related to the sale of the product, i.e. the underlying legal relationship. It often happened that the petitioners returned the product they bought on credit and with that they also deemed the trade credit settled; however, the cancellation did not automatically terminate the credit relationship, i.e. the loan between the financial service provider and the petitioner, and the repayment obligation continued to exist.

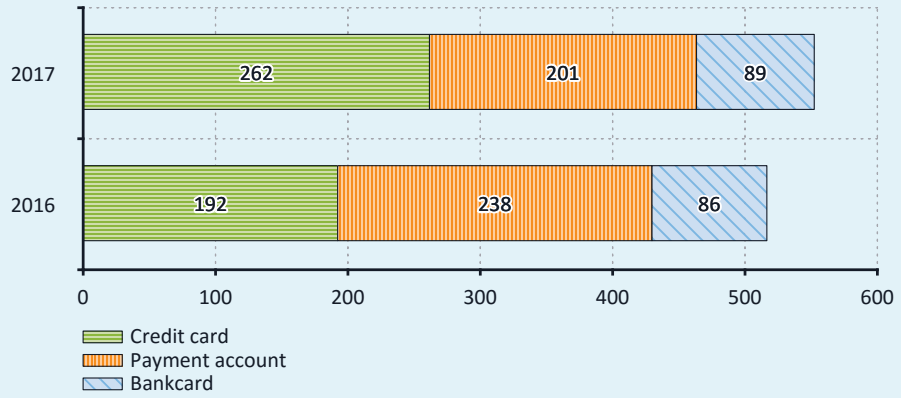
Result of trade credit cases closed in 2017 in figures



2.2.1.2 PAYMENT SERVICES

Within the cases related to money markets, the highest number of petitions, after the credit transactions, were received in respect of payment services (561 pcs), representing an increase of almost 6 per cent compared to 2016. While in 2016 the payment account cases accounted for 46 per cent of the petitions, in 2017 the credit card cases represented the highest ratio.

Number of payment service cases received (pcs)



The Board closed 552 cases related to payment services. Of the 475 cases judged on the merits, the ratio of the agreements approved by a resolution was 34 per cent; in addition, 2 recommendations were also issued. In further 64 cases although the procedure was terminated, in fact the underlying reason thereof was an agreement between the parties. Overall, the ratio of cases with positive ending for petitioners amounted to 48 per cent.

Credit cards

The number of disputes related to credit card contracts rose by 36 per cent compared to 2016. The "functioning" of the credit card essentially differs from that of the debit card. The loan account is linked to the credit card, and upon using the card the financial service provider grants a loan to its customer on the expense of the credit facility and up to the amount of the credit line. The advantages of the credit card include that the service providers undertake to make a refund from the value of the purchases made by the card subject to certain conditions, furthermore, if during the grace period the customer settles the full amount used during the settlement period, he receives an interest-free loan.

Within the financial service providers' products offered to consumers, the credit card is one of the most complicated products; consumers still do not understand the functioning thereof in full. In the vast majority of disputes it was found that the understanding of this scheme still posed difficulties to the petitioners and they were not aware of the fact that the proper use of the card generates no cost if the full amount of the utilised credit line is repaid during the grace period. On the other hand, if the cardholder uses his credit card limit for the covering of his everyday needs and ignores the interest-free period and in addition accumulates a high balance of unpaid debt, he may soon become indebted for a high amount. Even when paying the minimum instalment stated in the monthly loan account statement, the financial service provider rightfully charges interest on the full utilised balance, thus the principal debt decreases very slowly, and the consumer may roll it forward for years. In the procedures brought to us it was often required that the financial service provider should provide the petitioner with a detailed statement and explain why the debt has not decreased even after years.

It was the subject of several financial consumer disputes that in the petitioner's opinion he had settled the full outstanding debt by the deadline, but the financial service provider had not regarded the credit entry resulting from the refund of the purchase amount (merchant credit) as an instalment on the loan account, and had charged interest to the petitioner's loan account. The financial service provider's general terms of contract contained an itemised list of the methods of instalment, which did not include the refund by the merchant, thus the credit entry resulting from the refund of the purchase amount does not qualify as a payment to the credit of the loan account. In these cases, the financial service provider did not propose a settlement offer, nor did it credit the amount of the interest charged. Its procedure was legitimate, but not consumer-friendly.

Attention!

The credit card is a type of loan, namely a credit line that can be drawn down repeatedly after repayment (revolving credit). It is an important attribute thereof that the utilised loan amount can be repaid in one sum or by instalments. When the repayment is made in one sum by the deadline, the utilised amount incurs no transaction interest. However, when only the minimum instalment or a higher amount, but not the full utilised amount is repaid, it is subject to interest at a high rate.

Inheritance of accumulated credit card debt by petitioners also often gave rise to disputes. In these cases, the heirs usually complained of having been informed about the debt only years later, by when large amount of transaction and default interest had accrued. The vast majority of the cases ended with a settlement agreement, as the service providers waived the accrued interest and their claim was limited to the payment of the principal debt. The petitioners accepted that they were liable for the credit card debt up to the value of the estate, thus the agreement of the payment of the principal debt could be concluded.

Some of the disputes related to credit card products arose from the fact that upon the purchase of goods, the financial service providers also conclude a contract for the usage of a credit card combined with the trade credit, in such a way that the credit assessment with regard to the credit card and then the dispatch of the credit card take place after fulfilling the instalment. It was still common that upon concluding the contract the petitioners were not aware of the fact that they had concluded a contract for two products, and we still found that they had not understood the attributes, functioning and interest conditions of credit cards. It also gave rise to disputes that based on the general terms of contract the financial service provider raised the credit line linked to the credit card as part of the review, of which it notified the petitioners in the loan account statement. The petitioner took the opportunity and used the higher credit line, but later he did not understand why his outstanding debt had not decreased after discharging the minimum amount payable. These disputes were usually closed with an agreement, as the financial service providers permitted preferential or interest-free instalments for the settlement of the debt.

In one of the cases the petitioner disputed the charging of the default interest related to the loan account, in view of the fact that it submitted a standing order to the financial service provider for the collection of the full outstanding balance of the credit card from his payment account, on which the necessary balance had been available on each due date, nevertheless the collection of the credit card debt had not been executed. The financial service provider proposed a compromise, according to which it would repay the default interest charged to the petitioner.

Recommendation to petitioners

The use of the credit card is only recommended, cheap and expedient, when the utilised amount is repaid monthly by the due date specified in the account statement. We recommend to all consumers to scrutinise the conditions applicable to the use of the credit card, be aware that they use the most expensive loan and monitor their spending to prevent their over-indebtedness.

Upon using credit card products, it is extremely important to know the scheme in full, and particularly to scrutinise the contractual conditions of the interest-free card usage and the refunds on purchases, as well as the fees and costs related to the possession and use of a credit card.

There were a number of disputes in relation to the portfolio transfer between financial service providers, as after the transfer the credit card statement differed from the previous statement and the functioning of the credit card product and the supplementary loan belonging to it was not clear. Also in connection with the succession between financial service providers it gave rise to disputes that the legal successor financial service provider charged default interest and late payment penalty on the first loan account statement issued by it despite the fact that the petitioner had been informed by the legal predecessor financial service provider that the postal money order for the payment of his last balance would be sent by the legal successor financial service provider. After this, the petitioner failed to pay the default interest for several months and the financial service provider charged a late payment fee each month. The parties concluded an agreement, where the financial service provider agreed to credit 50 per cent of the default interest and late payment charges to the petitioner's account.

It also gave rise to a dispute that the financial service provider phased out one of its credit card products, and in connection with this it offered the (euro-denominated) card of another card company, which was not acceptable for the petitioner, as he wanted to have his previous (USD-denominated) card. In fact, the solution promised during the complaint management between the parties did not materialise, thus the petitioner terminated his credit card contract with the service provider.

Recommendation to financial service providers

We recommend that financial service providers provide their customers with much clearer information on credit cards in a more direct way, and describe the particulars of the functioning of the credit card in more detail, in a way that is understandable to customers. Upon the phase-out of one card type and introducing a new one, they should make the differences clear for the consumers and call their attention also to the differences in the fees and costs payable, the applied exchange rates, etc.

There was a rise in the number of disputes arising from the theft of bankcards (debit and credit card). The petitioners usually did not accept the financial service providers' position that they incurred the loss, because they acted with gross negligence. They cited that they had not made a note of the bankcard's PIN code, it could not be known for the unauthorised user and they must have obtained it by a novel technical tool upon the use of the bankcard. It is also important that if a consumer has both debit and credit cards, the PIN code of the two cards should not be identical, as in this way the unauthorised users can cause higher losses with the stolen card. In the disputes regarding the transactions made with stolen cards, the financial service providers usually refused to reimburse the loss; however, there were also instances when they reimbursed the amount over the statutory limit of HUF 45,000 burdening the petitioner, or part of the incurred loss on an equitable basis.

Result of credit card cases closed in 2017 in figures

Payment accounts

The number of disputes related to the management of payment accounts decreased by 16 per cent compared to 2016. The account opening continued to be free from problems, while a large number of disputes were initiated in respect of account closing. The dispute was often generated by the fact that according to the petitioners' allegation, they gave the instruction to close the payment account simultaneously with another instruction orally, when they made a personal appearance in a branch, they did not submit it in writing, and the payment account was not closed due to a reason that was subsequently not possible to identify. As the result of this, the provider kept charging the account management fee and it recorded a continuously increasing debt on the bank account, the amount of which, in extreme cases, could be amounted to several hundred thousand forints. In several cases this was further exacerbated by the fact that the petitioner had internet bank access, the bank sent the account statement in electronic form, which he did not monitor, as he believed that he had closed his account. Indeed, the debt may originate from the accumulated account management fee or the fees related to the bankcard belonging to the payment account. The disputes related to account closing usually ended with a settlement agreement, the financial service provider either forgave the debt or permitted payment by instalments.

Disputes related to the closing of the account also arose in respect of the payment account opened by the petitioners formerly as an instalment account with the lending bank, as they assumed that by closing the loan account, the instalment account belonging to it would be also closed automatically. However, in view of the fact that upon closing the loan, it is only the loan amount that is repaid and only the loan account is closed, not the bank account, the fees and costs related to the management of the bank account continued to be debited. The petitioners usually did not understand that there were two legal relationships between them and the financial service provider, namely the loan contract and the payment account contract, thus until the closing of the payment account the financial service provider had the right to debit the fees in accordance with the effective announcement, forming part of the contract.

It also gave rise to disputes that the petitioners assumed that upon the expiry of the bankcard belonging to the payment account the bankcard contract is automatically terminated. They noticed after a long time that despite the fact that they had no bankcard or they had one, but had not activated it, the annual bankcard fee had been debited to the payment account. In the respective cases the general terms of contract applicable to bankcards provided that prior to the expiry of the bankcard – in the absence of the customer's written notice to terminate – the financial service provider issues a new bankcard to its customers. The conditions also stated that if the customer of the financial service provider did not receive the bankcard prior to the expiry of the existing one, he was obliged to notify the financial service provider without delay and that the charging of the annual bankcard fee was not conditional upon the activation of the card. In the aforementioned cases the acting panels took the position that the financial service providers had debited the annual bankcard fee to the petitioners' payment account in accordance with their terms and conditions.

In the disputes taken to the Board in relation to foreign currency transactions affecting the payment account, in the case of crediting foreign currency, the petitioners complained of receiving a smaller amount than they expected, while in the case of debiting foreign currency they complained of debiting an amount higher than they expected. In certain cases, the petitioners attributed the loss they had suffered to the high fees and costs charged by the financial service providers, although the transactions involved a single or multiple currency conversions, in the course of which the consumers suffered an exchange rate loss.

Disputes were also generated partially due to disregarding the foreign currency conversion in the case of crediting pensions sent from abroad when the consumers blamed their account-keeping bank for the deductions. During the hearings it was proven that the account-keeping bank had made no deduction upon the credit entry, the disputed fees and costs had been charged by the sender foreign bank, and a conversion had been made due to the difference in the currency of the incoming funds to be credited and that of the account. The respective petitioners realised at the hearing that the pension – as any other foreign currency amount transferred from abroad – was exposed to the fees charged for the transfer and to the impact of exchange rate fluctuations. The petitioners were also informed that although they could have not avoided the fees charged for the credit transfer, they could have prevented the potential loss from the foreign currency conversion had they selected an account in the same currency as the currency of the credit entry, and upon cash withdrawal they could have freely decided whether they convert the amount into forint at the foreign exchange rate applied by the financial service provider or by using another service provider at the exchange rate applied by that provider. In the latter case they should have reckoned with the potential costs of foreign currency withdrawal or foreign exchange transfer. Based on their experiences obtained here, these petitioners will be able to act more prudently when handling their finances.

The Board received several petitions where the petitioner complained of the more onerous conditions impacting his account resulting from portfolio transfer. These procedures usually ended with a settlement agreement.

The financial service provider's mistake led to a dispute, when in the probate conducted in respect of the account holder testator's bequest it had erroneously informed the notary on the currency of the testator's foreign currency account and due to this the petitioner had filed a claim for damages. The essence of the mistake was that in its declaration sent to the notary, the financial service provider specified the balance of the account in a certain EUR amount, but in fact the currency of the account was CHF. The petitioner complained of the erroneous information provided by the service provider in view of the fact that the arrangement as to the partition of the estate among the heirs was made based on such information. The petitioner claimed that as a result of the mistake he incurred financial loss and requested that it be reimbursed. The financial service provider acknowledged the fact of the erroneous information but emphasised in its declarations made in the procedure that the mistake did not create a title for a higher amount. In view of the fact that the proving of the occurrence of the loss and the amount thereof would have required substantial evidence, the procedure on the specific case was terminated due to this reason. In connection with the specific cases it became obvious that it was not known to the petitioners that the writ of payment to be fulfilled based on the law and upon the transfer of funds based on court order, the financial service provider has no discretionary powers, but had to fulfil them in accordance with the provisions of the law.

The payment service providers offer a variety supplementary services to the payment account, in respect of which procedures had also been launched. One of these is the internet banking service, in respect of which the petitioner complained of not being able to use it, because in the USA, being his habitual abode, he did not receive the log-in password in SMS. He requested that the financial service provider should send the initial password to him through another channel. The case was terminated in view of the fact that the systems of the financial service provider do not support the sending of individual log-in codes to its customers through channels other than SMS, and the petitioner can reach all services provided by the internet bank also through the call centre. That is another matter that as part of its obligation to provide preliminary information the service provider could have informed its customer of this.

Another supplementary service is the SMS service, based on which the financial service provider immediately sends notification to the phone number specified by the account holder on the transactions performed on the payment account. The subject of the disputes in relation to this service in most of the cases was that when purchases were made by bankcard the purchase amount was effectively debited to the bank account not in the value date specified in the SMS message the petitioners received upon the payment. Usually this circumstance represented a larger problem when the petitioner initiated forint purchases from a foreign currency account or used his bankcard abroad for payments or cash withdrawal in a currency other than his account currency. If the purchases were made on a weekend, the crediting thereof could only be done on the next working day, thus an exchange rate other than specified in the SMS had been applied, or due to the change in the exchange rate, when the merchant sent the transaction data the bank account may have been debited by an amount that differed (positively or negatively) from that specified in the SMS.

It was found during the procedures that the financial service providers' general terms and conditions stated: the SMS message is of informative nature, the data included therein may differ from the values stated later on in the account statement, and the financial service providers take no responsibility for the errors arising from the malfunctioning of the IT system used for sending the messages. In these types of disputes, the acting panel always reminded the petitioners that it was necessary to review the bank account statement regularly to check the exact date and amount of the credit and debit entries to the bank account.

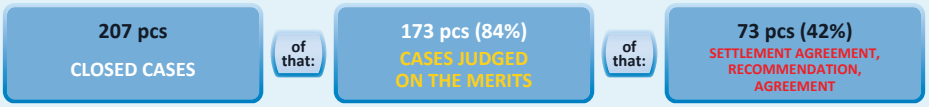
There were still cases when the petitioners, in addition to the specific request, also complained of the behaviour or impoliteness of the service provider's staff or the inaccuracy of the information they had received in the branch.

Recommendation to financial service providers

Financial service providers should continue to make efforts to provide consumers with accurate and complete information and serve them in a consumer-friendly manner. It would be useful if in respect of all transactions performed by consumers in person, the financial service providers issued written confirmation on the content of the transaction requested by the consumers and executed by the financial service providers.

The petitioners often made no sufficient effort to scrutinise the contract concluded with the financial service provider, although in the knowledge of the contract they would have been able to manage their finances in a way more favourable for them, bearing in mind the service quality and cost saving. It should also be noted, as a general experience, that the petitioners fail to review the bank account statements on a continuous basis usually sent monthly by the financial service provider, although from those they can fully monitor the transactions on their payment accounts and notice the events that may be contrary to the contract, thereby preventing the difficulties of proof later on.

Result of payment account cases closed in 2017 in figures



Bankcards

The number of disputes related to debit card transactions has not changed substantially compared to 2016. As regards the use of debit cards, the number of disputes related to **cash withdrawal from ATM** was still rather high. In a significant number of cases the initiation of the transaction by the petitioner was not disputed; the basis of the dispute was that according to the petitioner the banknotes had not been dispensed in the full amount or not at all during the transaction, while the full amount had been debited to the payment account. In most of the cases the petitioners did their best to notify the financial service providers of the problem in a timely and accurate manner, describing the circumstances of the transaction in detail, often also specifying witnesses to confirm the content of the complaint. During the complaint procedure the financial service providers initiated internal investigations when self-operated ATMs were involved, while in the case of ATMs operated by other banks, they initiated the start of the investigation at the operator of the ATM.

Citing the obligation to protect bank secrets, financial service providers consistently took the position that they had not been in the position to issue the full documentation of the investigation to the petitioners. In the procedure the financial service provider revealed the full documentation of the investigation, including the shift log of the ATM related to the period when the disputed transaction occurred, as well as the stocktaking protocol and the journal tape. Based on these it could be established whether the cash withdrawal had been made with the correct PIN code, the error log contained an error message, or the ATM stocktaking revealed any surplus that could have been related to the disputed transaction. In the absence of a proposed settlement agreement, the acting panel made its decision in possession of the above data.

There was also an example when based on the video recording of the respective ATM, the financial service provider, in view of the good customer relations, undertook to pay the difference specified by the petitioner at the hearing.

Financial consumer disputes related to bankcards comprised disputes originating from the unauthorised use of the card and could be allocated to two groups. The first group includes the cases when access to the bankcard's data was realised due to reasons not imputable to the payer (cardholder), while the second group contains the cases when the data of the bankcard became available to unauthorised persons due to reasons imputable to the cardholder. In the case of the disputes belonging to the first group, payment transactions had been initiated with the petitioner's bankcard – typically from abroad – followed by a successful transaction. The petitioners provably were not abroad, they did not initiate and approve the transaction, nevertheless it still materialised. In these cases, the financial service providers reimbursed part of the loss exceeding the limit of HUF 45,000 stipulated in the Payments Act.

In the cases belonging to the second group, the cardholders provided their bankcard data to unauthorised persons themselves, acting in an imputable manner with gross negligence. These include the phishing e-mails, which often requested the cardholder that he should provide the card data for the purpose of e.g. data reconciliation through internet sites very much resembling the account-keeping institution's website, but the attempted phishing over the phone also belong to this category. There was also a case when the petitioner had been contacted over the phone on behalf of the Pension Disbursing Agency for the purpose of crediting the compensatory pension bonus, during which the petitioner provided all data of his bankcard. After the phone call a high-value purchase had been executed over the internet to

the debit of his payment account. In these cases, loss sharing could be applied, in view of the fact that the data of the bankcard had been acquired by unauthorised persons due to a reason imputable to the petitioner.

The cases when petitioners provided their bank data, later used for fraudulent transactions, on unsafe sites, were judged in the same way. It was also rather common when petitioners consciously used the card data, because they indeed wanted to use a paid service over the internet, but they did not act with due care, and the ordered service was not for a single occasion, but a recurring one (e.g. charging of annual fees, which did materialise). In these cases, the financial service providers were not obliged to and did not accept responsibility for the loss suffered by the petitioner.

It also happened several times that petitioners, as victims of a crime, disclosed their bankcard data via a link to a known website, which resulted in the execution of bankcard transactions by unknown people. In these cases as well, financial service providers cited the petitioners' gross negligence as prior to disclosing their bankcard data they failed to ascertain that they were doing so on a real website, hence they refused to reimburse the loss without exception.

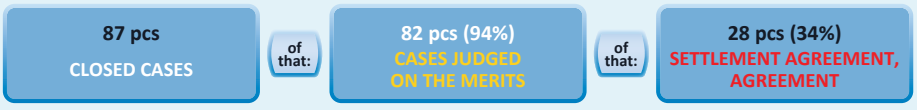
Several petitions were received in connection with foreign currency-denominated purchases made by card, where the petitioner objected that compared to the value of the purchase their account had been debited with a higher amount. In these cases, we found that the petitioners had set out from the exchange rate applied by the account-keeping bank prior to the purchase and they executed the transaction in the knowledge of that. They had no problem with the foreign currency conversion, but disputed the higher amount debited after the purchase and applied to their account-keeping bank for the reimbursement of the difference. In these cases, the petitioners realised at the hearing that card transaction initiated in EUR had been settled by the card company, rather than by the account-keeping bank, in USD at the exchange rate specified by the card company, differentiating purchases initiated within and outside the euro area. The card company forwarded the thus settled transaction to the account-keeping bank, which then performed an additional conversion depending on the currency of the account. Since the card company settles – apart from a few exceptions – the transactions initiated from outside the euro area in USD, irrespective of the transaction currency, this led to a dispute in such cases also when the currency of the purchase initiated by the consumer and the currency of the account to be debited were identical, thus the petitioner did not expect to suffer an exchange rate loss due to foreign currency conversion. In view of the fact that in these cases the foreign currency conversion and the charging of fees take place independently of the account-keeping bank, no compromise could be reached between the parties. The petitioners learnt about the underlying processes of the transactions and hopefully they can plan their future transaction in the knowledge thereof.

Recommendation to petitioners

Obtaining bankcard data by unauthorised persons is usually possible upon purchases over the internet or log-in to the internet banking portal through a WI-FI network not protected by password, thus it is recommended not to make financial transactions through such networks.

The usage of the bankcard, the safeguarding of the card and the identification data belonging to it, require special care from the cardholder. It should be always borne in mind that the cardholder cannot expect the reimbursement of his potential loss if the card was used with the correct PIN code, and that upon making purchases for an amount less than HUF 5,000 by paypass (contactless) cards, the system does not ask for a PIN code. Recommended "protective elements" include the setting of daily purchase and cash withdrawal limit for the bankcard.

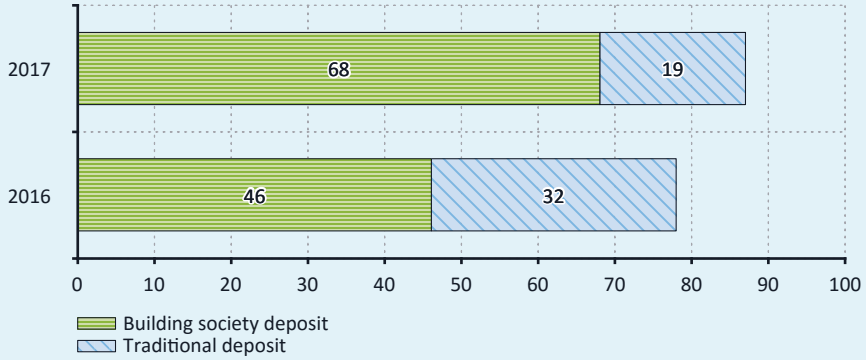
Result of bankcard cases closed in 2017 in figures



2.2.1.3 DEPOSITS

The number of cases related to deposit collection accounted for merely 5 per cent of the money market cases; however, compared to the 2016 figures, more petitioners applied to the Board for dispute resolution in 2017. The growth in case numbers was registered in the building society cases.

Number of deposit cases received (pcs)



In 2017 the Board closed 89 cases related to payment services. Of the 76 cases judged on the merits, a settlement agreement was approved in 36 cases (47 per cent) and further 5 cases were terminated because the parties agreed. Overall, the ratio of cases with positive ending for petitioners amounted to 54 per cent.

Building societies

In the reporting year, disputes related to building societies accounted for two-thirds of the deposit cases. The deposits placed based on the home advance savings contract represent a special type of deposits, as the home advance savings deposit is tied, on statutory basis, to a target.

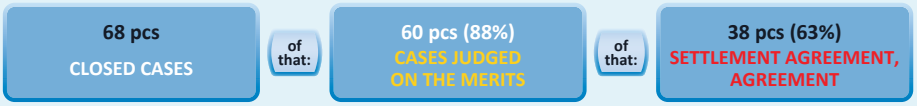
A significant number of cases related to disputes from home advance savings contracts were connected with combined loan products, and particularly with the use of contracted savings for the instalment of the loan. The combined product consists of a loan contract and a home advance savings contract tied to it, and its main feature is that during the savings period of the home advance savings contract the borrower performs only cost and interest payment and no principal payment, and then upon the expiry of the savings period, the full amount is used for the repayment of the loan, thereby reducing the outstanding principal. The petitioners complained in several cases that they had received contradicting or incomplete information on the instalment, and they disputed the amount of the savings. We found in several cases that the petitioner had been late with the payment of the undertaken deposit amount or had not paid it all, thus the savings had not increased significantly.

The petitioners often cited that upon concluding the contract they had not received proper information on the account-keeping fee, the length of the saving period and the conditions of the remittance. They often disputed the fees charged in relation to the conclusion or termination of the contract, and disputes also arose between the parties due to losing the benefits connected with the conclusion of the contract. It was also a frequent source of dispute that the account opening fee is one-off fee connected with the opening of the account, as it is also implied by the title, and it is not reimbursable upon the termination of the account. The petitioners cited that they had not been informed of such characteristics of the account-opening fee, and had they known of it, they perhaps would have given more thoughts to the conclusion or the termination of the contract. In view of the fact that the reconstruction of the conversation at the time of concluding the contract runs into difficulties and also bearing in mind the range of evidence available to the Board during the procedure, these cases could have a positive outcome only through the parties' constructive attitude, and fortunately we saw many examples of that.

In respect of the disputes arising from the loss of benefits, the services providers often encouraged petitioners to conclude home advance savings contract by providing benefits (e.g. waiving the account-opening fee). Using one of the benefits, the petitioners concluded the contract in view of the benefit, but later they did not wish to maintain it after all and cancelled it before the expiry of the period they committed to, thus the service provider debited the amount of the benefit to their account. Upon the termination of the contract, the cancellation of the benefit was legitimate, as the conditions thereof had been stipulated clearly in the contract; nevertheless, in view of the good customer relations, in certain cases the financial service providers waived the enforcement of their claim later on.

Fewer disputes arose from the obligation to confirm the usage of the state subsidy for housing purposes. The subject of the dispute was the type of invoice accepted by the financial service provider based on the relevant laws. Some of the petitions were connected with the home advance savings contract being the subject of the bequest. As the assets of the estate, the accumulated deposit can be inherited, but the contract may be continued, and the state subsidy can be utilised only according to the statutory conditions.

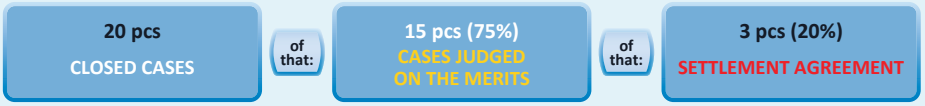
Building society cases closed in 2017 in figures



Traditional deposits

The number of disputes related to traditional deposits was negligible. The petitioners usually disputed the applied interest rate, and the withdrawal of the deposit amount by the beneficiary or applied for payment based on disposition applicable upon the death of the depositor. The attributes of the traditional deposit facilities are well-known for consumers. This is also suggested by the fact that last year only a few disputes were initiated in this area and the number of disputes decreased compared to 2016.

Closed traditional deposit cases in figures



Cases of debt management companies

In respect of the receivables purchased (obtained through assignment) by the debt management companies, a procedure could be launched in cases that arose from an underlying financial service legal relationship between a financial service provider supervised by the MNB and a consumer.

The subject of these procedures were almost exclusively claims arising from receivables originating from contracts terminated by the legal predecessor financial service providers due to the petitioners' default, thereby becoming due and payable in one sum, originating from mortgage loan (property mortgage, mortgage equity withdrawal and housing mortgage) contracts, personal loan contracts, credit card and overdraft contracts, but there were also petitions connected with car purchase financing loan and lease, trade credit, payment account and bankcard usage.

Disputing the amount of the outstanding debt was the most common; in certain cases, the petitioners did not accept the legitimacy of the charged interest or cost, while in other cases they questioned the rightfulness of the accounting for the payments. When the petitioner initiated the procedure against the legal predecessor but based on the documents submitted by him the fact of the assignment could be established, with a view to the conducting the procedure successfully, the Board took measures to involve the debt management company.

It also occurred in several cases that the petitioner initiated the procedure against the legal successor debt management company, but the debt management company – although it became the sole beneficiary of the receivable as a result of the assignment – citing that only the legal predecessor company has information on the debt and the full documentation relevant to the period prior to the assignment and the debt management company does not – failed to make a declaration on the merits with regard to the questions related to the period prior to the assignment, even despite the call to this effect. In such cases the legal predecessor was also involved in the procedure to ensure that it helped the successful closing of the procedure and conclude a mutually beneficial compromise for both parties by making a comprehensive declaration with regard to the period prior to the assignment.

The Board also received many petitions of equity, requesting the Board that is should intervene to facilitate an agreement in the settlement of the debt. The petitions of equity were usually aimed at the full or partial forgiving of the registered debt, or the repayment thereof by interest-free or preferential interest instalments.

The petitioners raised the defence of the statute of limitations in several cases, to which the financial service providers in the vast majority of cases responded positively for the petitioners, albeit in a different manner. In some of the cases, presenting their legal opinion in detail, according to which the limitation does not cancel the receivable, or without presenting their legal opinion, already in the written response submitted upon the call of the Board, they undertook to close the case, stating that based on that they would not enforce any further claim against the petitioner. In other cases, they made this declaration based on the consultation at the hearing. It also happened that the financial service provider did not dispute the limitation and declared that in view of the statutory nature of the legal institution it would not institute proceedings for the enforcement of the claim, nevertheless it did not undertake to close the case and cancel it from its register.

The debt management companies were usually cooperative with a view to settling the debt, they were open for allowing payment by preferential instalments or forgiving the whole debt or part of it. When the parties agreed in payment by instalments, they were mostly flexible when determining the amount and due date of the monthly instalments.

Of the almost 200 procedures of this kind only five procedures were terminated due to the lack of grounding. 59 procedures ended with a settlement agreement, in 66 cases petitioners withdrew their petitions or the parties jointly requested that the procedure be terminated. In several cases it was not necessary to conduct the procedure due to, for example, the financial service provider's performance.

In a significant number of cases the petition was withdrawn or the procedure was terminated at the parties' joint request or due to the lack of necessity to continue the procedure, because the parties reached an agreement, or the financial service provider had already fulfilled the request of the petitioner, or either party undertook further actions, in particular the petitioner to prove some circumstance for the decision of the financial service provider or the financial service provider to perform further investigation.

In summary it may be stated that in 2017 the debt management companies were cooperative, they attended the hearings through their knowledgeable representatives and contributed to the closing of disputes in a constructive manner. However, some service providers made it more difficult to reach an agreement by delegating a representative to the hearing who was not authorised to make a settlement agreement and was unable to make a decision on the merits of the petitioner's proposed compromise presented at the hearing, thus in most of these cases the petitioners withdrew their petition with a view to submitting their proposal directly to the debt management company, and upon the rejection thereof repeatedly initiating conciliation at the Board.

At the hearings the petitioners complained several times of the expressly aggressive and harassing conduct of the debt management company during the collection of the debt.

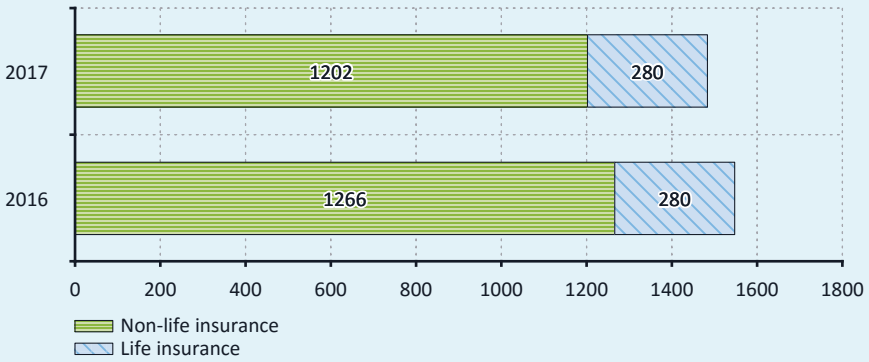
Recommendation to the debt management companies

With a view to settling the outstanding debt they should always do their best to cooperate with their customers and immediately provide them with the relevant information they possess, inform them accurately about the volume of the claim, the titles underlying the claimed amount and whenever it is possible propose a compromise to settle the debt as soon as possible. This is also in the interest of the debt management companies.

2.2.2 DISPUTES RELATED TO INSURANCES

The Board received 1,482 petitions against the participants of the insurance market, accounting for 40 per cent of all cases. No significant change or major fluctuation could be observed in the number of petitions compared to the past four years. No structural change could be noticed in the distribution of the petitions by insurance branches and the insurance sector either; the ratio of the two insurance branches relative to each other practically fully corresponds to the distribution observed in the past years. Disputes arising from non-life insurance contracts still accounted for the vast majority of cases (81 per cent); however, cases related to the life insurance sector also represented a high number (19 per cent).

Number of insurance cases received (pcs)



The petitions usually were against the insurers, while the number of proceedings launched against other actors of the insurance market (brokers, multiple agents, etc.) was negligible. Merely a total of 30 petitions were launched against these actors in insurance cases.

It is still typical that the distribution of the cases related to the insurance sector by providers practically reflects the market share of individual financial service providers. The majority of procedures were launched against the largest actors of the insurance market, i.e. the composite insurers (those dealing with both life insurance and non-life insurance). Almost 54 per cent of the petitions were submitted against four service providers (Allianz Hungária Biztosító Zrt., Groupama Biztosító Zrt., Generali Biztosító Zrt. and Aegon Magyarország Általános Biztosító Zrt.).

The Board heard 1,293 cases i.e. 88 per cent of the cases received in respect of insurances on the merits, while it had to reject the petition without a hearing only in 173 cases due to the lack of competence, procedural obstacle (absence of complaint procedure, non-appealable court ruling, etc.) or failure to comply with the call for supplementation. In 30 per cent of the accepted petitions, i.e. in 381 cases, the parties concluded a settlement agreement approved by the Board, which – according to Article 120 (1) of the MNB Act is an enforceable resolution. During the year 4 binding resolutions and 1 recommendation were issued. In 88 cases, as the consequence of the procedure conducted at the Board, a settlement agreement was reached outside the procedure or the financial service provider, having revised its former position, voluntarily fulfilled the petitioner's request in full. In these cases, as formally no agreement was reached, the procedure was terminated at the parties' joint request or due to the withdrawal of the petition unilaterally by the petitioner, nevertheless the dispute was settled in a reassuring way for the petitioner. Taking these cases also into consideration, 37 per cent of the accepted petitions related to the insurance market ended with a positive result for the petitioners.

On 132 occasions there were such preliminary questions in the cases that did not permit the successful conducting of the procedure. Of these the most typical one was when the insurer in view of its position of rejecting the legal basis, did not perform the claim assessment and the inspection with regard to the amount of the claim. In these cases, the parties often agreed during the procedure to conduct further consultations – outside the procedure – on the claim, and that the insurer would perform the claim assessment and the claim settlement on the merits. In view of this the petitioner withdrew his petition 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 break the dispute deadlock and restart communication between the parties. The Board has no information as to the result of the continued conciliation between the parties in

these cases. However, the fact that the dispute was taken to the Board repeatedly only in a few cases suggests that the petitioner's problem has been solved in one way or another. Based on the settlement agreements reached at the Board in the cases related to the insurance sector, the binding resolutions and recommendations, as well as on the unilateral performance of the financial service providers, in 2017 the financial service providers paid almost HUF 120 million to consumers in search of remedy.

It can be stated that a large number of petitioners are not aware of the insurance law principle that based on the insurance contract the insurer is obliged to provide cover for the risks specified in the contract and upon the occurrence of the event specified in the insurance contract after the risk inception date, i.e. the insured event, to pay the benefit specified in the contract. Namely, the insurance contract does not cover all incurred damages and does not necessarily provide coverage for the claims regulated by insurance events.

In all areas of the disputes related to the insurance contracts, irrespective of the sector and product, it is still a general phenomenon that the consumers conclude their insurance contract, often entailing major financial consequences, without perusing, prior to concluding the contract, the general contractual terms (insurance regulations or insurance conditions) becoming part of the insurance contract. As the result of this they realise only later which risks are covered by the insurance and subject to what conditions, what exclusions the respective insurance contains and which events and circumstances it excludes from reimbursement. In these cases, if the handover of the insurance terms and conditions is properly documented, the petitioner has no basis to claim that in fact he had not received or had not obtained knowledge of the conditions despite his written declaration in the proposal documentation.

Recommendation to service providers

The number of disputes between the parties could be substantially reduced, if upon concluding the insurance – on the proposal form – service providers called consumers' attention much more markedly than now and in a provable manner that the basic conditions of the concluded insurance are included in the general insurance terms and conditions, thus it is in the consumer's essential interest to peruse them effectively prior to concluding the contract.

The insurance market as well increasingly capitalises on the opportunities inherent in modern technologies; hence the Hungarian insurers as well are increasingly open to the so called InsureTech solutions. In addition to making the proposals online, electronic notification of claims, the computerisation of the claim settlement process and online administration of insurance matters through the insurer's customer portal have become increasingly common. The insurers often motivate the consumers with preferential premium to use these cost-efficient solutions. The online solutions and those realised through electronic communication – particularly in the case of compulsory motor third-party liability insurance contracts – are often used by consumers not adequately prepared for it, thus the insurer's legal declarations – occasionally of major legal consequence – do not reach the consumer in due course, because – for example – he does not check his e-mail messages or checks them only rarely, or cannot use his smart phone properly, etc.

In a large number of insurance cases the dispute between the parties specifically concerns the fact whether the claim event (insured event) has indeed occurred and the factual circumstance thereof. Based on this, in these cases the laws governing proof bear special significance, according to which the facts necessary for deciding the dispute must be proven by the party who has vested interest in the Board's accepting those as true. According to the judicial practice related to insurance cases, it is the insured who must prove that the insured event did occur, the causal relation between the insured event and the loss incurred, as well as the sum of the damage, while the proof of the existence of the circumstances giving rise to exemption burdens the insurer. The Board also must apply the aforementioned principles, but in a number of cases it causes problems that the petitioners are unable to substantiate the circumstance of the insured event they refer to by proper evidence.

Recommendation to petitioners

In order to prevent future difficulties of evidence, the insured should document the condition of the insured property (e.g. by photos) when they take out the insurance and thereafter periodically. This particularly applies upon the occurrence of claim events for the own documentation of the damage view, thereby subsequent contradictions could be eliminated.

Very often essential issues arise, relevant for making the decision on the merits of the case, the assessment of which is the competence of an expert (technical, pricing or medical expert, etc.). In the procedure it is not possible to appoint an independent forensic expert and hear comprehensive evidence, thus the Board members are unable to decide on the merits in these cases, hence they must terminate the procedure. Since the insurers are represented in the procedure by a lawyer, in these technical issues even the insurer's legal representative is unable to express an opinion and make a declaration on the merits, thus it is not possible to conduct a real dispute at the hearing. The Board can obtain the official position of the financial service provider in respect of the particular technical issue only by postponing the hearing.

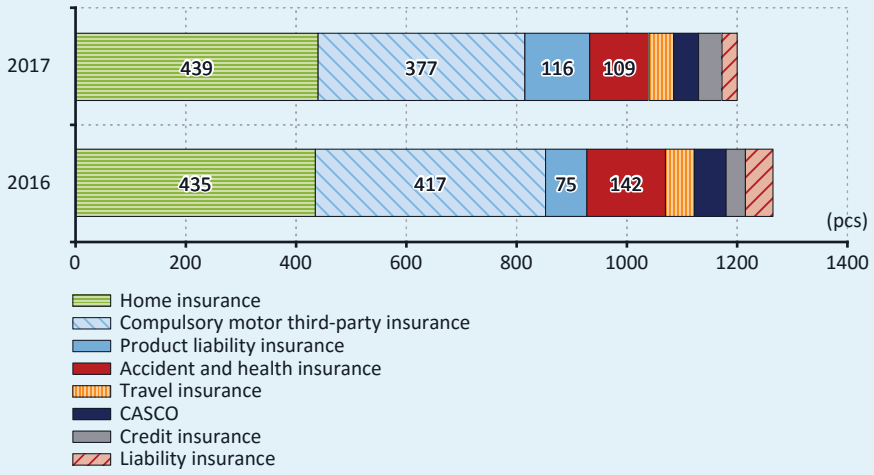
The practice of those insurers to include a technical, medical or claim expert beside a legal representative at the hearings held in the proceedings aimed at the settlement of financial consumer disputes is particularly progressive and exemplary. This type of cooperation by the financial service providers eases the dialogue between the parties, fast consultation on the merits in expert issues and facilitates the efficient conduct of the procedure at the Board.

2.2.2.1 NON-LIFE INSURANCE CASES

87 per cent of non-life insurance petitions, i.e. 1,041 cases were concerned with fire and property damage, compulsory motor third-party liability insurances, goods insurance, accident and health insurance.

The Board closed 1,205 cases, in 88 per cent (1,061 pcs) of which a decision on the merits could be made. In 331 cases (31 per cent) a settlement agreement was approved, in 1 case the acting panel formulated a recommendation, while in 4 cases binding resolutions were issued. 81 of the terminated cases were closed by the parties' preliminary agreement, which overall raised the ratio of the cases with positive ending for the petitioners in this category to 39 per cent.

Number of non-life insurance cases received (pcs)



Home insurances

The largest part of the received insurance cases, similarly to previous years, originated from fire and other property damages related to household liability insurance contracts, and within that from disputes related to home insurances. These disputes accounted for 30 per cent of all insurance cases. The vast majority of the cases comprised fire and explosion damages, and burglary, in addition to the storm, cloud burst, and hail damages caused by violent tempests and other elemental losses (natural hazards).

In these cases, the basis of the dispute was the question whether the occurred claim event reported by the consumer qualified as an insured event under the insurance terms and conditions (insurance regulations) of the given insurance product. During the proceedings the 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 insurers often modified their position formulated during the claim settlement concerning the legal basis or the amount of the insurance benefit.

It served as a basis for a number of disputes to establish whether the respective claim event had occurred prior to the risk inception date or when the insurer had already underwritten the risk. The deciding of the question often ran into major difficulties. Irrespective of the limited scope of evidence available in the conciliation procedure, often neither the claim assessment, nor the expert inspection permits proving this issue beyond reasonable doubt.

Recommendation to insurers

It could represent a progress in the enforcement of consumer rights if customers were reminded in the insurance terms and conditions that it is expedient to document the condition of the property (e.g. by photos) at the commencement of the insurance and thereafter periodically. The same applies to the self- documentation of the damage view upon the occurrence of claim events, as in this case as well the subsequent evidentiary difficulties could be eliminated in a number of cases.

There were 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 the periodic (annual) indexation the insurer declares the property to be underinsured. If the sum insured is lower than the value of the insured interest, the insurer reimbursed the loss as a proportion of the sum insured relative to the value of the property item.

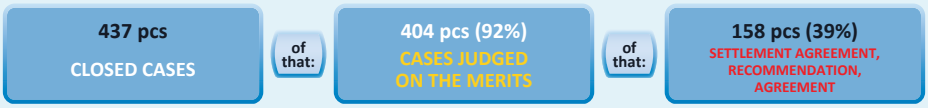
Recommendation to insurers

With a view to avoiding the legal consequences of under-insurance, it would be a consumer-friendly solution, if the insurance terms and conditions clearly described the principles of defining the sum insured and the legal consequences of under-insurance, taking into consideration the attributes of the individual asset groups. It is also necessary to stress that correct designation of the sum insured, the application of value adjustment and the reporting of changes in value is in the interest and the responsibility of the insured. It is a progressive and exemplary practice followed in the case of those insurance products, where during the proposal – upon determining the sum insured in the property group of buildings – the insurer provides the opportunity to apply a recommended (proposed) unit price with the proviso that upon accepting the sum insured proposed by the insurer, it will not apply under-insurance and pro-rata reimbursement.

In the case of burglaries, in addition to defining the value of the stolen chattels and whether the individual chattels had indeed been insured, the most frequently debated question is the protection level of the real property. The vast majority of the home insurance products provides reimbursement for the stolen chattels depending on the protection level of the property. It could be often observed that the contracting parties were not aware of the exact nature and quality of the protection to be applied to the insured property to ensure that the protection level satisfies the insurance terms and conditions.

Modular insurance products of certain insurers appear increasingly often. Modular insurances are combined, multi-coverage, complex insurance products comprising of the basic property insurance related to a building (and the movable property inside it) and the related optional supplementary insurances and coverage freely selectable by the customer. It is beyond doubt that these insurance products provide the 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 coverage does not satisfy the purpose intended by the contracting party and it may not cover risks that the contracting party would have liked to insure.

Home insurance cases closed in 2017 in figures



Motor insurances

In addition to home insurances the largest number of disputes taken to the Board originated from motor insurances. Within this the disputes originating from compulsory motor third-party liability insurances and casco insurances accounted for 24 per cent and 3 per cent of all insurance cases, respectively.

Disputes arising from **motor third party liability insurances** *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 the accidents (claims) caused by motor vehicles.

Non-coverage premiums arose due to taking out the insurance without due care (e.g. incorrect content of the proposal), the annual switching of insurers and the termination of insurance under the cause of premium non-payment. A substantial number of contracts terminated under the cause of premium non-payment – representing an outstanding number in the case of motor third party insurance – related to electronic (internet-based) contracting and electronic communication, applied due to cost efficiency considerations and encouraged by premium discount. Based on the agreement related to electronic communication, the insurer is entitled to send the legal declarations related to the creation of the insurance contract, premium payment, termination of the contract and other legal declarations with material legal consequence, in electronic form (by e-mail or via its own customer portal) to the contracting party. Many of the disputes taken to the Board still arise from the consumer's failure to check regularly the e-mail messages sent to him or disputing that it had been sent to him at all. It was revealed 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 and e-mail address. The cases where the e-mail address of the broker was indicated as the communication channel and the registered keeper of the vehicle did not receive the insurer's message in due course formed a separate group of problems. The financial service providers were mostly able to confirm by authenticated system messages the time when the legal declarations were sent electronically and the success of the sending. In view of this, settlement agreements were concluded between the parties only in cases when it could be established beyond doubt that the legal declaration sent by the insurer was returned to the service provider with an error message or when it was proven that the legal declaration was sent in a manner not complying with the law.

Recommendation to the service provider

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

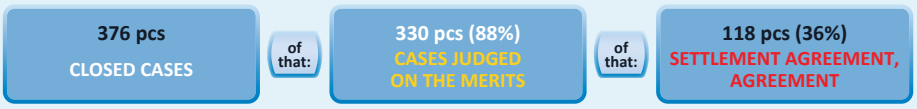
The number of disputes received in respect of the insurers' tariff announcements and the calculation of insurance premiums applicable to the subsequent year was smaller than in previous years. In respect of this it should be noted that based on the amendment of the MTPL Act by Act CCV of 2015, which entered into force in 2016, insurers may apply discounts only to continuous contracts that are not terminated by notice and this clearly resulted in a breakthrough in respect of the insurers' tariff announcement. Since the amendment's entry into force it is no longer the case that those who concluded a new contract received a more favourable tariff than the insurer's existing customers. This change also resulted in the simplification of premium tariffs announced by insurers, thereby becoming more transparent.

As regards the insurance premium disputes, in the cases related to the sending of the notification on next year's insurance premium, 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 motor third party liability insurance at a different insurer, perhaps with better conditions.

The proceedings initiated by injured parties of accidents (claims) caused by motor vehicles, in the course of which the injured parties file claims for damages, based on Sections 12 and 28 of the MTPL Act, directly with the insurer of the registered keeper of the claim causer vehicle, represented an increasing number of the disputes related to compulsory

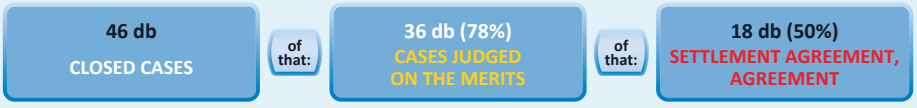
motor third-party liability insurance. This category of cases differs from the other insurance cases in such respect that in these cases, the insurer becomes obligated, based on the substantiated obligation for claims arising from the loss caused by its insured, to exempt the insured perpetrator, in the manner and to the degree stipulated in the MTPL Act, from the reimbursement of the damages or the payment of monetary compensation. In these disputes the insured perpetrator's liability for damages is a regular subject of dispute between the parties. On a number of occasions, the dispute can be decided by comparing the documentary evidence recording the accident (police protocol, accident reconstruction drawings, accident reporting forms) and the traffic regulations applicable to the given traffic situation. In connection with this it happened in a number of cases that in the accident reporting form completed after the accident the insured customer of the insurer clearly acknowledged his responsibility or the police established the insured's liability for the infringement, but the insurer rejected the claim of the petitioner, as the injured party. In relation to the rejection the insurer cited that based on the inspection of the mechanism of the accident it had found that its insured had incorrectly assessed his civil liability, the insured had withdrawn his declaration and the liability for infringement does not substantiate the simultaneous civil liability of the claim causer. In these cases, the procedure often ended with the parties' settlement agreement based on the insurer's reconsideration of the evidence.

Compulsory motor third-party liability insurance cases closed in 2017 in figures



The two typical problems in the cases related to **CASCO insurances** still include damages due to own fault and car thefts. In the cases taken to the Board, 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 benefit. In the disputes related to the legal basis the insurer usually rejected the claim due to the fact that – in its view – the mechanism of the accident stated in the claim description could not be matched with the place and nature of the damages in the vehicle. In the 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 that belongs to the competence of a motor vehicle technical expert. Nevertheless, 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 ultimately – its value at the time of the claim and the amount of the costs incurred in relation to repair, confirmed by an invoice.

Closed casco cases in figures



Accident and health insurance

As regards accident and health insurances, no new case type was taken to the Board. The subject of the dispute was still the extent of disability (decreased capacity to work) arising from an accident, as well as the existence or absence of the causal relation between the disability and former existing diseases. The decision of these specific issues belongs to the competence of medical experts hence the Board was unable to take an official position. Accordingly, the ratio of terminating the procedure under Article 112 (3) c) of the MNB Act is the highest at these cases (56 per cent), as it is impossible to conduct the procedure.

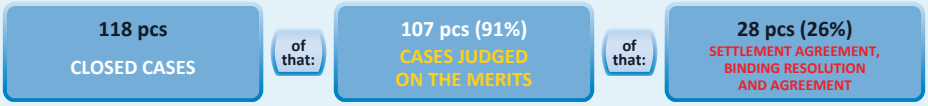
Group insurances account for a large part of accident insurances. The key feature of group insurance is that the insurance contract is made between the insurer and a company with vested interest in insurance rather than between the insurer and the insured. In the case of these insurance contracts the insured persons become the subject of the insurance contract by

a declaration of joining or in certain cases they automatically become insured under the insurance contract based on the legal relationship they have with the contracting party, e.g. employee, subscriber or other contracting legal relationship. A special type of these contracts includes those group insurances that create an insurance relationship between the insurer and the insured in relation to a bankcard (usually credit card) contract. The insured becomes an insured party to the group insurance made between the bank and insurer merely by concluding the bankcard contract. Such insurances also may include life insurances, accident insurances, payment protection insurances and travel insurances.

The general experience of the disputes initiated in respect of group insurances is that the insured are 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 claim events suffered by them. Often the insured do not even know that by concluding the respective contract (credit card contract) they simultaneously also become the insured party of the insurance contract. The new Civil Code maintained the rule – which existed in the previous legal practice as well – that in the case of group insurance the insurer must fulfil its obligation to provide information only to the contracting party (i.e. not to the insured), thus insurers do not have the same obligation to provide information to the insured as in the case of other insurances. The problem arising from the foregoing was obvious, namely that the insured or their legal successors enforcing the claim are not in possession of the information they need for filing or enforcing the claim successfully.

However, in practice the parties concluded a settlement agreement in several cases in which it could not be established unambiguously whether the party that contracted with the insurer had provided the insured with the necessary information or the scope thereof or it was not documented properly that the information had been provided or it was ambiguous.

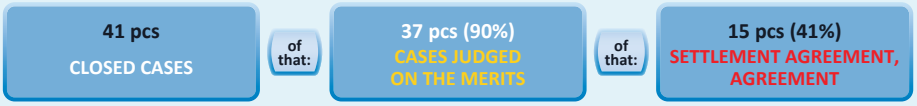
Accident and health insurance cases closed in 2017 in figures



Other non-life insurance cases

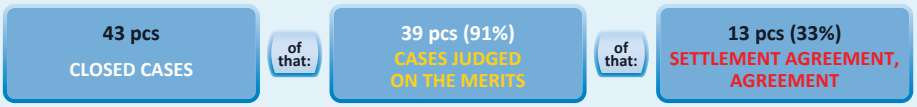
Several disputes arose also in the area of **passenger insurances,** related to travel insurances and trip cancellation insurances. In the past three years the number of travel insurance cases has been practically unchanged, accounting for merely 3 per cent of all insurance cases. Travel insurances provide 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 insurer 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 the travel insurances, according to which the concluded travel insurance provides cover for the perils and risks stipulated in the general contractual terms (insurance terms and conditions or insurance regulations), which become an integral part of the insurance contract. Accordingly, only those claim events give rise to the insurer's obligation to pay the insurance benefit that were stipulated in the contract. Disputes between the parties occurred in several cases as to whether the insured event stipulated in the insurance terms and conditions had materialised as the result of the claim event. It continues to be 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 petitioners based their claim on the theft of chattels excluded by the insurance terms and conditions (electronic equipment, jewellery, cash), in respect of which – in view of the exclusion clause of the given contract – the soundness of the claim could not be established. The **trip cancellation insurances** represent a special type of travel insurances. These insurances provide insurance protection for the event 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. It is a typical dispute whether the passenger's incapacity to travel existed at the time when the trip was cancelled and when the reason thereof occurred.

Travel insurance cases closed in 2017 in figures



Credit insurances, i.e. the credit or payment protection insurance may be taken out for various credit products, personal loans or credit cards, typically in the form of group insurance. Based on the instalment insurance upon the debtor's incapacity for work or unemployment, the insurer undertakes to assume the payment of the instalments from the insured for a specific period, which is usually six to twelve months, i.e. during this period payments to the bank are made by the insurer. A number of credit insurance products also include life or health insurance coverage, where upon the disability or death of the insured the insurer may assume the entire debt. The disputes arising due to the death or disability of the insured carry the characteristics of accident and health insurances. Accordingly, the usual subject of the dispute is whether the death or the permanent disability of the insured is attributable to an illness or injury that already existed prior to the start of the insurer's risk inception or there is no causal link between them. The disputes related to these insurances accounted for merely 3 per cent of all insurance cases.

Credit insurance cases closed in 2017 in figures



Goods insurances

Recently, the sales of certain types of goods insurance products (equipment insurance and extended warranty insurance) by insurers have been on the rise. With the market penetration of these insurance products, the number of equipment insurance cases has been also rising at the Board year by year. Consumers took 116 goods insurance cases to the Board, already accounting for close to 8 per cent of all insurance cases.

The equipment insurance reimburses the unforeseen damages suddenly occurring during the use of technical devices, equipment and mobile telecommunication equipment, as a result of claim events impacting the equipment externally, not falling within the manufacturer's warranty repair obligations (damage, breakage or destruction) in the cases stipulated in the insurance contract. The equipment insurance taken out for high-value technical equipment, particularly for mobile phones, often includes coverage for theft as well. Within the goods insurance product type the extended warranty insurance provides coverage for the internal failure of the equipment beyond the manufacturer's warranty period.

The equipment insurance products are sold via mobile telephone service providers, larger technical department store chains and online merchants of technical goods. Equipment insurance include traditional product types, in the case of which the insured takes out the insurance directly from the insurer. However, in the practice of large mobile phone providers the equipment insurances are concluded as group insurances. The key feature of them is that the insurance contract is made between the insurer and a company with vested interest in insurance (in this case the mobile service provider) rather than between the insurer and the insured. In these equipment insurance contracts, the insured persons become the subject of the insurance contract, i.e. insured under the insurance contract by a declaration of joining.

Although equipment insurances provide insurance protection for a number of situations in life, this not in the least means that any damage or loss of the equipment would trigger the insurer's reimbursement obligation. The cases and claims covered by the insurance, the types of claims and the existence of which conditions and circumstances substantiate the insurer's reimbursement obligation are regulated in detail in the terms and conditions of all equipment insurance products. These are the insured events. The insurance terms and conditions also regulate the claims included in the insurance coverage in detail and the circumstances that substantiate the exemption of the insurer.

The cases taken to the Board included a large variety of the forms and circumstances of damages. Within the equipment insurance cases a variety of damages caused by leaks during excursions, meals or bathroom usage are quite typical. In these cases, the most frequent issue of the dispute is whether the occurred claim event can be mapped with any of the insured events specified in the insurance contract and whether it is covered by the insurer's reimbursement obligation. In many cases the insurer cites that the insured has been instrumental in the occurrence of the claim event by his gross negligence or by not acting with due diligence expectable in the given situation. These questions may only be decided based on all circumstances of the case and arbitrary estimation also plays an important role.

As regards the equipment insurance it is the standard practice of insurers to maintain a claim reporting hot line, where the insured can report the incurred damage and describe the circumstances of the claim event. Although the notification of claims over the phone is a convenient solution for the customers, it has its limitations. The customers, being in the state of agitation after the claim event, describe the circumstance of the claim event with insufficient detail and may omit important information that could help the positive assessment of the claim for insurance benefit. However, during the procedure at the Board it is often possible to clarify such circumstances of the claim that might substantiate the insurer's reimbursement obligation.

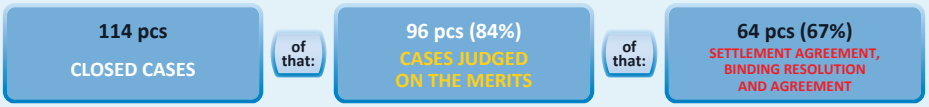
Within extended warranty insurances the cases, in which the subject of the dispute was the relation between the manufacturer's warranty and the extended warranty formed a specific, distinct group of the disputes. In many cases the prolonged warranty provided by the manufacturer (subject to registration 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 whether the temporal effect of the extended warranty commences from the date of the contract or from the expiry of the manufacturer's warranty.

Recommendation to service providers

Within extended warranty insurances the Board deems it expedient to define the temporal scope of the insurance cover in the terms and conditions related to the product and in the insurance policy.

In the procedures related to goods insurances the affected insurers' willingness to cooperate was outstanding; the conciliation between the parties yielded a positive result in 67 per cent of the petitions taken to the Board and judged on the merits, where the parties concluded a settlement agreement or the insurer granted the consumer's request outside the procedure, which was the highest ratio in the cases taking the insurance sector as a whole.

Goods insurance cases closed in 2017 in figures

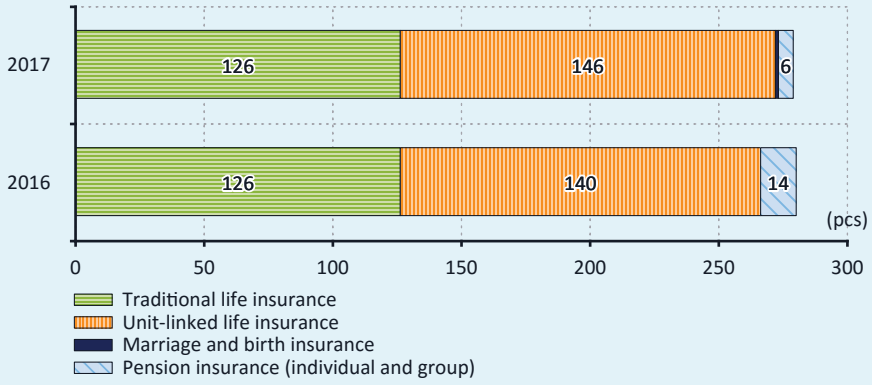


2.2.2.2 CASES CLASSIFIED AS LIFE INSURANCE CASES

The petitions related to life insurances accounted for 19 per cent of the petitions concerning the insurance sector. Among life insurance cases the ratio of unit-linked life insurances, traditional life insurances and pension insurances relative to each other roughly corresponds to the ratios observed in 2016.

The Board closed 261 cases, in 89 per cent (232 pcs) of which a decision on the merits was made. A settlement agreement could be approved in 50 cases (22 per cent), while 7 of the terminated cases closed with the parties' preliminary agreement. Overall, the ratio of the cases with favourable ending for the petitioners was 25 per cent.

Number of life insurance cases received (pcs)

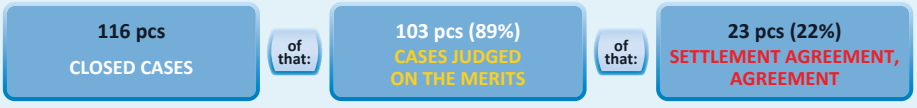


Traditional life insurance

As regards traditional risk life insurances, similarly to the previous years, the vast majority of disputes still 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 applied to the Board requesting that it should establish the insurer's obligation to provide the benefit. At traditional death risk insurance products it is defined as an exclusion risk when the death of the insured is attributable to an illness or injury that already existed prior to the start of the insurer's risk inception. In the cases taken to the Board, in this product group the insurers rejected the beneficiaries' claim for payment of the insurance benefit based on this reason. Since, in the vast majority of cases, the protocols of post-mortem examinations state general illnesses – impacting a significant part of society after a certain age (high blood-pressure, cardiovascular diseases) – as the indirect cause of non-accidental death, which already existed at a substantial number of insured when the contract was concluded, this circumstance serves as an evident cause of rejection in the insurers' claim settlement practice. The insurers maintain the official position of their medical expert, and change occurs compared to the previous opinion only in those cases when it can be clearly established from the medical documentation that the illness of the deceased insured, also stated in the protocol of the post-mortem examination, has no causal relation to the death. Whether the death of the insured has any causal relation to the respective, formerly existing illness may only be definitively established by a medical expert, thus most of the disputes arising from risk life insurances were terminated in view of the impossibility of judging an expert issue and settlement agreement was reached only in a small ratio of the procedures.

In the field of traditional life insurances, the disputes related to mixed life insurances, i.e. those providing both risk and endowment benefits, account for the second largest group of cases taken to the Board. The majority of petitions related to mixed life insurances related to the amount of the endowment. It was a typical problem that the yield calculation applied for determining the endowment is based on the life insurance premium reserve, the rate of which – due to its nature – cannot be established in advance, and the contracting parties cannot obtain knowledge of the exact calculation method thereof. The yield calculation and the exact rate of return cannot be verified by the consumers. The calculation method of the technical interest, the projection basis thereof and the degree of expenses enforced on the life insurance were typical subjects of the disputes between the parties.

Traditional life insurance cases closed in 2017 in figures



Unit-linked life insurances

Unit-linked insurances represent the most complex product group within insurance products sold to consumers, which usually also assumes investment skills. Although in the past one and a half decade of several legislative changes have been introduced protecting consumers' interest and prescribing the obligation to provide continuous and proper information, in the case of expiring contracts the shortcomings in the regulations of the former period are evident. In the case of long-term contracts, typically concluded for 10-20 years the feature that due to the low yield environment, the yields on the investments made from the paid in premiums are unable to offset the high deduction of costs, is becoming obvious now.

The *ethical life insurance concept* announced by the Magyar Nemzeti Bank, and *Recommendation No. 8/2016 (VI.30)* on unit-linked life insurances issued within the framework thereof, generated major changes in the regulation of unit-linked life insurance products. As the result of the specific transparency of costs, the TCI limit system and other rules aimed at providing the consumers with proper information, the cost structure of unit-linked life insurances became fully transparent for the customers and comparable with other products, and the range and maximum rate of the applicable costs have been determined for all products.

The impact of the aforementioned concept is clearly reflected in our procedures. Contrary to the practice of the previous years, no disputes related to recently concluded, i.e. within 1-2 years, unit-linked life insurances are taken to the Board. The submitted petitions were linked with insurance products sold earlier, in the period preceding the regulation. Petitioners still often cited that during contracting they had not received proper information on the characteristics of the insurances, particularly on the rate of deductions, the calculation of the surrender value and that they had to bear the investment risk. It poses difficulties in these cases that the recorded proposal documentation contains the consumer's declarations in full, according to which he was familiar with and accepted the conditions of the product in full, as part of this also the surrender table and his assumption of the investment risk. The paid insurance premium is also burdened by considerable costs and deductions at the vast majority of unit linked life insurance products. One of the most significant items of this type is the cost charged by reducing the initial units, serving as coverage for the acquisition costs. In addition, the insurance is burdened by further deductions, specified in the conditions, such as e.g. the premium of risk insurance, handling fee, conversion charges, fund management cost, etc. The petitioners often disputed the rate of the costs charged, the rightfulness thereof, as well as the fairness of the cost structure.

These insurance products are made for long term, for 10-20 years, and the surrender value, as a remainder right, is determined depending on the time elapsed from the term of the insurance. Thus, it was always a problem in the individual cases that when the insurance is terminated due to the surrender of the insurance or the premium non-payment before the maturity, the contracting party often receives a substantially lower amount than he had paid in; in extreme cases even the total deposited amount may be lost.

During the procedures of the Board, it was often observed that the business management and actual investment activity of asset funds created in relation to unit-linked life insurances were not transparent for the contracting parties, and often not even for the staff of the insurers. Compared to the previous years a new type of consumer dispute has unfolded in this area. The consumers filed complaints to the financial service providers on the ground that the yield level of the asset funds underlying their life insurance contracts was way below their expectations. The financial service providers rejected these complaints citing that the investment risks had to be borne by the contracting party and that the financial service providers had no influence on the performance of the asset funds. The Board tried to inspect in detail whether the functioning of the assets funds was in line with the content of the product information sheet and investment policy of the financial service providers. The inspection covered, among others, the structure of the assets funds and the analysis of their correlation with the reference yields specified in the product information sheets. The inspection often ran into difficulties due to the statutory limits of our procedure; however, some of the financial service providers revised their position and within the framework of a settlement agreement subsequently recalculated the performance of the asset fund in accordance with the specified reference yield and reimbursed the petitioner for the difference accordingly as part of the settlement agreement.

Unit-linked life insurance cases closed in 2017 in figures

137 pcs CLOSED CASES — of that: — 122 pcs (89%) CASES JUDGED ON THE MERITS — of that: — 33 pcs (27%) SETTLEMENT AGREEMENT, AGREEMENT

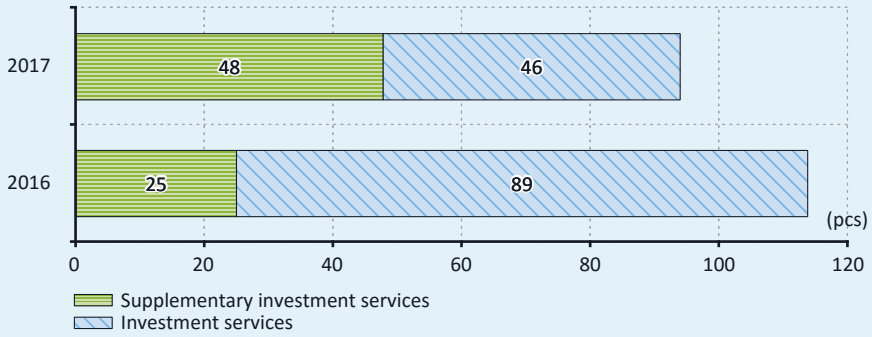
Pension insurance

Merely 6 petitions were received in relation to pension insurances. Disputes related to the amount of maturity benefit, the enforced tax allowance and the calculation of the surrender value. No settlement agreement was reached in relation to pension insurances.

2.2.3 DISPUTES RELATED TO CAPITAL MARKETS AND INVESTMENT SERVICES

94 petitions were received against financial service providers falling within Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers, and on the Regulations Governing their Activities. There was a minor decline in the number of submitted petitions compared to the previous years, but the ratio of consumer disputes related to supplementary investment services rose more significantly.

Number of capital market cases received (pcs)



In previous years the disputes concerned the fulfilment or non-fulfilment of orders, where the objective of the customers was to have the market losses suffered by them reimbursed or partially compensated. In relation to long-term investment accounts and securities accounts keeping the petitioners also turned to us with taxation issues, concerning the tax consequences of the transactions carried out on the long-term investment account and of the exchange rate gain realised on foreign currency-denominated investments.

The disputes related to supplementary investment services typically concerned the account-keeping fees, where the customers disagreed with the level of the fees or the rate of increase. The disputes can essentially be allocated to two groups: in one of them the customers' request that their market loss arising from the financial service provider's – in their view – improper investment advisory services be reimbursed, while in the second group they apply for damages due to improper fulfilment of the orders.

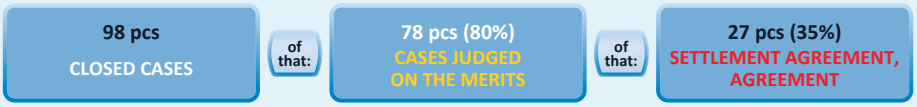
In the cases belonging to the first group it often happened that there was no contract between the customer and the financial service provider for investment advisory services, but the employee of the financial service provider recommended some investment products based on the information received from the customer, as a result of which the customer incurred a loss or selected an investment vehicle unsuitable for his current situation of life and therefore suffered a disadvantage. One typical case of the disputes within this group was that the petitioner contacted the financial service provider to purchase mutual fund shares. The petitioner told the employee of the financial service provider that he was looking for a short-term investment opportunity as he intended to purchase a home. The petitioner purchased the recommended mutual fund share, and then, when he wanted to sell his mutual fund shares due to purchasing a home, he noticed that an excessively high commission had been deducted, of which the employee of the financial service provider

failed to inform him; the petitioner applied for the reimbursement of the commission. In the response sent before the hearing, the financial service provider rejected the request of the petitioner, but at the hearing it partially acknowledged that its employee may have committed a mistake, and finally the parties concluded a settlement agreement for the partial reimbursement of the commission.

In the cases belonging to the second group, the major cause of the consumer dispute was that the customer's order had not been fulfilled or it had been fulfilled contrary to the customer's expectations. This could be attributable to technical problems at the financial service provider's end, such as the temporary halt of the internet trading system, due to which the customer is unable to submit stock exchange orders or modify the existing ones. The customer may submit an order through multiple information channels, hence in these cases the financial service provider did not find the customer's claim substantiated and rejected to grant it.

The relationship between the customer and the investment service provider has certain elements of trust, as the result of which the financial service provider can and wants – even in the absence of infringement or breach of contract – to propose a compromise in the interest of the customer with a view to maintaining long-term business relations. In one of the cases, the petitioner submitted a stock exchange limit order for a specific investment vehicle to the financial service provider. The sell order of the petitioner was not fulfilled and thereafter the price of the investment vehicle started to decline. The petitioner believed that the price of the investment vehicle he had wanted to sell had also been above the specified limit price, thus his order should have been fulfilled. The financial service provider proved in his response sent before the hearing and also at the hearing that the petitioner's allegation had not been true, the price of the investment vehicle had not been above the specified limit price thus the sell order could not be realised. Bearing in mind their mutual interest the parties commenced negotiations at the hearing, with the contribution of the acting member of the Board, as the result of which the financial service provider proposed to reimburse part of the loss suffered by the petitioner, while the petitioner undertook to remain the customer of the financial service provider in the longer run as well.

Capital market cases closed in 2017 in figures



In summary, it can be stated that financial service providers were cooperative in our procedures with a view to resolving consumer disputes. Based on the content of responses and also upon attending the hearings, they showed high professional competence. When there was an opportunity they made efforts to conclude a settlement agreement with the petitioners or explained in detail why it was not possible to conclude a compromise. Their willingness to conclude a settlement agreement was influenced by the degree of the petitioner's rightfulness in the respective consumer dispute and also by the degree of commitment and interest in maintaining the business relationship with the petitioners.

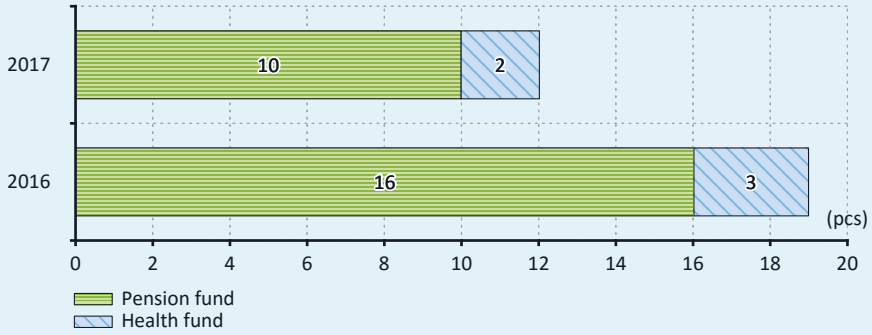
Recommendation to petitioners and service providers

The analysis of consumer disputes on the merits shows that petitioners' financial awareness and level of information related to the transactions concluded by them has not changed compared to previous years. A large number of consumer disputes are still generated by the fact that upon concluding their transactions petitioners fail to put sufficient emphasis on familiarising themselves with the conditions applicable to their transactions. We recommend to all financial consumers to act with due care when they conclude their contracts with financial service providers and when they submit their specific orders. Financial service providers are also often characterised by the absence of due care when concluding the contracts with the consumers or when accepting their orders. Hence we also recommend to them that their employees providing information to customers should act more prudently, provide the consumer with more accurate information in an easy-to-understand way, and to cooperate not only in supplying consumers with written information, but should also stress and emphasise the special features of the respective product orally, highlight the risks and their procedure should be governed by customer-friendly solutions.

2.2.4 DISPUTES RELATED TO FUNDS

10 of the fund-related cases concerned pension funds and 2 petitions were received in respect of health fund services.

Number of fund cases received (pcs)

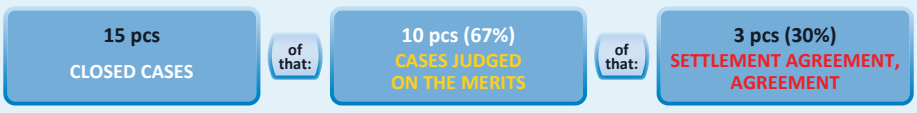


The petitions heard on the merits were submitted against voluntary pension funds and one private pension fund.

In respect of voluntary pension funds it arose as a dispute that upon applying for a member loan the petitioner would have been already entitled to yields as well, but he did not receive this information, as a result of which – in the petitioner's opinion – he suffered a loss due to paying interest on the member loan. During another dispute, after reaching the retirement age the petitioner applied for the lump sum pension benefit but failed to apply for the termination of his membership, hence the fund expected him to continue the payment of the membership fee, which the petitioner objected to. There was a dispute when the petitioner applied for the payment to the legal successor financial service provider where he received the information that the legal predecessor service provider had paid the full membership fee to the petitioner earlier and closed his account simultaneously, hence the legal successor was not in the position to make any payment. In one case the petitioner complained of the fact that the financial service provider had the payment made by his employer reversed from his pension fund account under the title of adjustment when his employment relationship was terminated by mutual consent. During the procedure the financial service provider conducted repeated consultations with the former employer of the petitioner and the employer returned the amount of the adjustment to the petitioner's account with the pension fund. Thus, in the case of the voluntary pension funds the petitions were concerned with the settlement, payments, member loan and contribution payments.

Of the petitions submitted against private pension funds, one petition was aimed at the lump-sum payment of the full savings, as the petitioner retired. The financial service provider was unable to fulfil this request as the savings can be paid out only in the form of annuity. As possible solutions the service provider proposed that the petitioner could revert to the state pension scheme and then he is entitled to the real yield in one sum, while the savings part would be transferred back to the Pension Insurance Fund, or alternatively he may leave the amount on his pension fund account, which after the death of the petitioner will form part of the estate, or he should wait for the approval of the policy on annuity benefit and apply for the payment of the annuity. The procedure was terminated, no settlement agreement was reached, and no infringement occurred either.

Fund cases closed in 2017 in figures



The financial service providers were cooperative and focused on finding a solution, while at the petitioners' end we found that the majority of the disputes arose from the insufficient knowledge of the product and the related laws.

Recommendation to funds
They should inform their members in detail and in an easy-to-understand manner on all product types, since their customer relationship managers are expected to know the products in full. Disputes resulting from the absence of information or erroneous information should be prevented.

Recommendation to petitioners
They should obtain more detailed information on the usage of the fund's products, with special regard to the pay-out and contribution payment; they should scrutinise service providers' website, ask for information in person and find out more on the attributes of this product type, and in particular on the applied fees.

2.3 CROSS-BORDER FINANCIAL CONSUMER DISPUTES

As a member of the FIN-Net international organisation, since 2013, the Board is also available for the management of cross-border consumer disputes; accordingly, it helps the respective consumers resolve their disputes with a financial service provider (bank, insurer, investment firm, etc.) operating in a different member state, relying on the alternative dispute resolution forum of the given country or, if this is not possible, find an alternative dispute resolution forum that is able to resolve the case through conciliation or mediation. These cases are the cross-border consumer disputes, the Hungarian rules of which are described in Articles 124-129 of Act CXXXIX of 2013 on the Magyar Nemzeti Bank. These rules are applicable when the respective consumer's home address or habitual residence is in Hungary and the registered office, business site or permanent establishment of the service provider is in a different state that is party to the Treaty on the European Economic Area; or the respective consumer's home address or habitual residence is in another EEA state, while the registered office of the organisation subject to oversight by the MNB is in Hungary.

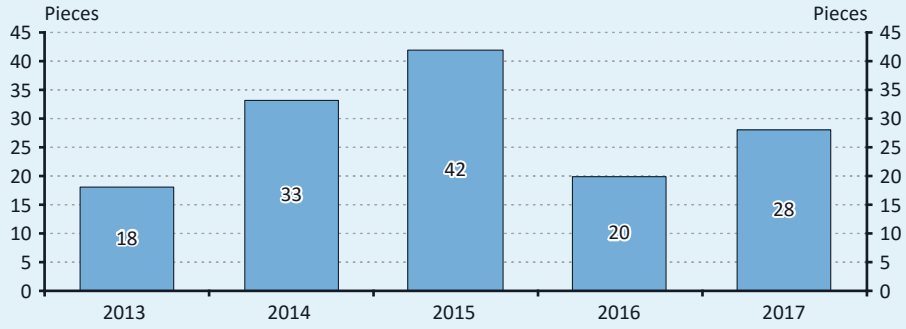
The rules pertaining to the initiation and conducting of the proceedings in the case of cross-border financial consumer disputes are slightly different from the general rules. If the consumer has a home address or habitual residence in Hungary, while the financial service provider is an organisation with registered office in another EEA state, the extra condition for the initiation of the proceedings is the existence of a submission declaration of the service provider, which jointly represents the submission to the proceedings and the preliminary acceptance of the decision. However, in the absence of a submission declaration the success of the resolution of the cross-border dispute is questionable; in such cases the Board's function is limited to providing information and – if the petitioner so requests – forwarding the necessary materials. 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. If the consumer so requests, 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.

Upon the existence of a submission declaration, the procedure is identical, with some exceptions, with the domestic procedure, the result of which – if the petition is substantiated – could be a settlement agreement, a binding resolution or, if the petition lacks grounding, the procedure is terminated. Contrary to the general, domestic procedures, as a general rule, cross-border procedures are always conducted 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 of the 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 translation costs represent the cost of the procedure thus the binding resolution must specify the party bearing them.

Cross-border cases may be initiated by consumers with a place of residence or abode in Hungary (who do not necessarily have to be Hungarian citizens) against financial service providers having their registered office in another EEA member state, or conversely, i.e. by consumers resident in another EEA member state (Hungarian or foreign citizens) against financial service providers with registered office in Hungary. The procedure is initiated by the FIN-Net official form, attached as Annex 3. The form may be downloaded from the official FIN-Net website, also available through the Board's website. https://ec.europa.eu/info/file/fin-net-complaint-form_en

The number of cross-border cases so far has been negligible in the practice of the Board compared to other cases, and this has not changed in 2017 either. After the continuously increasing trend seen in previous years, the number of cases declined in 2016, but in 2017 it once again rose, and the Board received 28 new petitions.

Number of cross-border petitions received



On 1 January 2017 there were 3 cross-border pending cases that commenced in 2016. 23 cases were closed until 31 December 2017 and 8 cases were pending.

Of the 28 new cases, the petition was submitted by consumers resident in Hungary in 21 cases and by non-residents in 7 cases. 15 submissions were against insurers, 7 against credit institutions, 5 against financial enterprises and 1 against an investment service provider. Procedures against Hungarian service providers were initiated in a large number of cases by Hungarian citizens working permanently abroad or by trans-border ethnic Hungarians. Service providers involved in the complaints and the nature of the complaints do not significantly differ from those experienced in the general proceedings, thus the received petitions related to transactions from credit or loan contracts, bankcard transactions, unit-linked life insurances, travel insurances and transaction fees charged.

The Board had no competence only in one case. Procedural obstacle arose in 4 cases; at one of them the consumer failed to send a complaint to the financial service provider prior to submitting the petition, in two cases the foreign financial service provider had made no submission declaration and in one case the petitioner had previously initiated a procedure at an alternative dispute resolution forum having powers and competence based on the residence of the financial service provider and the FIN-Net member board, as the competent forum, had made a decision in the case on the merits. No procedure on the merits commenced in respect of these petitions – with the exception of the absence of complaint procedure and the rejection due to prior judgement – and the procedure at the Board could only be closed with providing information to the petitioner of the fact that the financial service provider had made no submission declaration, hence it was not possible to conduct the procedure on the merits.

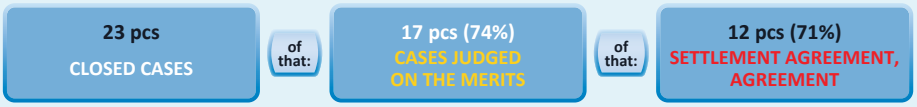
In one case the preconditions of the procedure on the merits were not fulfilled, because the petitioner failed to comply with the call for supplementation, hence the case could not be heard on the merits. In respect of those cases that were rejected due to the failure to comply with the call for supplementation, the petitioners are not prevented from further alternative dispute resolution procedures, as they are always informed that by submitting a complete petition they may initiate the proceedings of the Board repeatedly.

Decision on the merits was passed in 17 cases, of which the procedure was terminated in 7 cases. In one of the terminated cases it was impossible to conduct the procedure as further expert evidence would have been necessary, which is not

possible in the Board's procedure. In further two cases the petitioner withdrew his petition. In one case this was due to the fact that the parties did not reach a settlement agreement and the petitioner wanted to resort to another remedy, while in the other case the parties agreed outside the procedure. In two cases it proved unnecessary to continue the procedure, because the financial service provider fulfilled the full request stated in the petition in one of the cases, while in the other one the petitioner filed only a petition of equity, but during the procedure the parties made no settlement agreement, thus the procedure was terminated. In two cases the petition lacked grounding, because during the procedure the petitioner was unable to substantiate the grounding of his claim stated in the petition.

Of the decisions on the merits settlement agreements were concluded in 10 cases. The petitioners in all cases were Hungarian residents and all of them submitted claims against the same non-resident financial service provider in relation to unit-linked life insurances. Earlier the Board found that in the majority of cases the non-resident service providers had not submitted themselves to the Board's procedure, thus in these cases it was a positive change that the respective financial service provider declared that it would submit itself to the Board's procedure and accept the decision thereof as binding on it. The petitioners complained of not having received proper information from the dealer of the financial service provider on the costs and the annual indexation prior to signing the unit-linked life insurance contract, the cost and fee structure of the contract was not transparent or they obtained knowledge of the cost structure of the contract 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 applies cost deduction to the premium increment at the same rate as if they concluded a new contract and also complained of not having received proper information on the status and yield of the investments. During the procedure the financial service provider did not accept the legitimacy of the petitioners' claims, but with a view to resolving the case amicably, it proposed a settlement agreement according to which it undertook to repay the premiums paid by the petitioners to the contract and terminate the contract. The petitioners accepted the financial service provider's proposed compromise in all cases, hence a settlement agreement was concluded in all ten cases.

Cross-border cases closed in 2017 in figures



2.4 ACTIVITY IN 2017 RELATED TO SETTLEMENT CASES

The review of financial disputes related to the statutory settlement still formed part of the Board's duties in 2017. The number of settlement-related petitions received since 1 January 2015 and the new procedures launched rose to 16,775 by the end of the year from 16,651 registered in the previous year. 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 the 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 on 31 December 2017 (pcs)

	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	65	3	10	**78**
New and repeated cases	91	1	32	**124**
Closed cases	145	4	39	**188**
Number of pending cases on 31 December	11	0	3	**14**

In 2017 petitioners submitted 74 new petitions, and in further 50 cases the court obliged the Board to conduct a new procedure as the result of the remedy submitted against the resolution of the Board made in the respective case. These were the repeated procedures. Together with the 78 cases not closed in 2016, procedures were conducted in a total of 202 cases, of which 14 cases were not closed by the end of the year.

Closed cases by case type (pcs)					
Result of closed cases	Case type 151	Case type 152	Case type 153	Total	Ratio
Resolution on a settlement agreement	12	0	2	14	7.45%
Binding resolution	9	2	3	14	7.45%
Resolution terminating the procedure	124	2	34	160	85.1%
Total number of cases closed	**145**	**4**	**39**	**188**	**100.00%**

In view of the fact that Act XL of 2014 (Settlement Act) specified, as a general rule, 31 December 2015 as the final deadline for submitting complaints related to the settlement, and petitions for the review of the settlement could also be submitted to the Board only subject to strict compliance with the deadlines, the vast majority of the settlement-related cases were closed in 2015 and 2016. It follows from the foregoing that the new petitions submitted in 2017 were considered to be late.

Within the closed cases the ratio of decisions favourable for petitioners, i.e. the settlement and binding resolutions, was by 8.91 percentage points higher compared to the previous year. 65 per cent of the terminated cases (104 cases) ended with such result due to the petition's lack of grounding, and 12.5 per cent of them due the lateness of the petition.

Resolution terminating the procedure broken down by the cause of termination				
	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**
B) The submission of the petition was not preceded by a complaint procedure	1	0	1	**2**
D) Late submission of the petition	13	1	6	**20**
E) No response to the call for supplementation	5	0	5	**10**
F) The petition cannot be judged even after the supplementation	3	0	0	**3**
G) The petitioner withdrew his petition	5	0	2	**7**
H) The parties mutually requested that the procedure be terminated	2	0	1	**3**
I) The petition is unfounded	86	1	17	**104**
K) The petition was submitted citing a reason in respect of which the Board has already passed a decision	2	0	1	**3**
M) The financial institution prepared the settlement / conducted the complaint procedure	7	0	1	**8**
Total	**124**	**2**	**34**	**160**

Review of the cases on the merits was performed either due to the court rulings repealing the Board's resolution and obliging it to conduct new procedure (repeated procedures) or as a result of the procedures launched against debt settlement companies for the performance of the settlement.

Repeated procedures

It can be established from the court rulings repealing the Board's resolutions on the merits and obliging it to conduct new procedures that the courts deemed the ordering of repeated procedures justified, because in their opinion the Board failed to describe the justification for the rejection of the petition in an accurate manner, covering all aspects.

In each of the repeated procedures, conducted as a result of the court ruling passed on the basis of the petitions aimed at disputing the correctness of the settlement, personal hearings were held without exception to ensure that the parties can reconcile their positions and discuss their proposed settlement agreement, if any.

In these cases, the acting panels paid special attention to ensuring that at the hearing held during the repeated procedure the petitioner's objection with regard to the settlement are discussed in full and the resolution on the merits is taken in view of the facts (data, calculations) occurring as a result of the hearing. In the justification of the resolution they touched upon the facts relevant for passing the resolution and the evaluation thereof, as well as upon the causal relationship of all these with the operative part of the resolution.

Some of the court rulings, in addition to repealing the Board's resolution, obliged the financial institution to prepare new settlement, in the more prudent cases also defining the data and criteria considering which the new settlement had to be prepared. The service providers complied with the court resolution, but the petitioners in almost all cases filed complaints against the new settlement as well, because in their view the service providers prepared the new settlement not in accordance with the provisions of the court resolution. In these cases, the acting panels reviewed the new settlement and the grounding of the claim against the settlement, setting out from the court resolution. In the review procedure conducted at the Board against the "new settlement", the financial institutions did not rule out the amendment of the settlement data, if based on the court resolution the petitioner was able to specify the data and calculations to be corrected.

Procedures launched against debt management companies

The subject of petitions in cases initiated against debt management companies was the fact that the debt management companies failed to account for the consumers' overpayments determined by the financial institutions that were obliged to prepare the settlement statements (assignor of the debt). The main reason for this was that, pursuant to the relevant provisions of the Settlement Act, the settlement obligation of the debt management companies was not automatic. According to the Act, the debt management companies were obliged to prepare settlement only based on separate settlement requests submitted within the deadline of statutory limitation specified in the Settlement Act. In a number of cases the petitioners submitted their request to the debt management company after the expiry of the statutory deadline for the enforcement of claims. They often ignored the information provided in this respect by the financial institution assigning the receivable and they contacted the debt management company with their settlement request late. Nevertheless, relatively many settlement agreements were reached in these procedures, as although the debt management company usually did not recognise the petitioner's request related to the settlement obligation in respect of the unfairly charged amounts – citing the provision of the Act related to the lapse of the enforcement of claim – as a result of the personal consultations in several cases, in addition to permitting the payment of the registered debt by instalments, they also forgave the debt in excess of the unfairly charged amount.

3 Decisions of the Board contested at the court

The Act on the Magyar Nemzeti Bank provides two remedies against certain decisions taken by the Board, while in the settlement cases under the Settlement Act, a third type of remedy is also available.

Since the establishment of the Board, i.e. from 11 July 2011, under Article 116 (2) - (3) of the MNB Act, action for the annulment of the binding resolution and the recommendation may be brought at the Metropolitan Court of Justice. The respective party may do so within fifteen days from the delivery of the resolution, if

a) the composition or the procedure of the panel did not comply with the provisions of the Act,

b) the Board had no competence to conduct the procedure,

c) the petitions should have been rejected without a hearing.

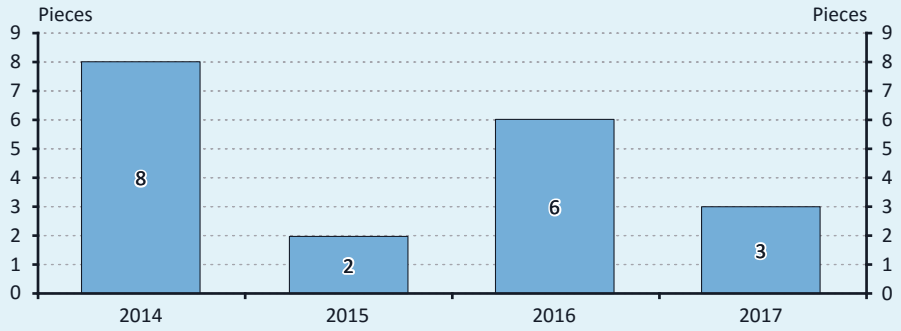
Since 1 January 2017, in the absence of a settlement agreement, the Board may pass a binding resolution even if the financial service provider made no submission declaration, but the petition is grounded and the amount of the claim that the consumer wishes to enforce does not exceed one million forints either in the petition or at the time of passing the binding resolution. This is the mandatory or statutory submission, and the remedy available against the resolution passed on the basis of this differs from the normal remedy. This remedy is provided by the rules in Articles 121-122 of the MNB Act, according to which the respective financial service provider may lodge an objection against the resolution within 15 days from the delivery thereof, and if it is received in due course and no reason for the rejection exits (i.e. the Board does not reject it), as a result of the submitted objection the procedure becomes a litigation without the Board being a party to it. Since the effective date of this provision of the law, the Board made a statutory binding resolution in 1 case against which no remedy has been sought.

Based on the Settlement Act, the third type of remedy specifies the non-litigious procedure conducted at the court in settlement cases as a possible remedy at the district courts operating in the territory of the court of justice having competence based on the consumer's place of residence. These non-litigious procedures take place in writing without personal presence, and they may end with upholding the Board's resolution, the abrogation thereof and obliging the Board to conduct new procedure (repeated procedure) or annulment and passing of new resolution.

3.1 LITIGIOUS PROCEDURES

On 1 January 2017 eight litigations were in progress. By 31 December the number of pending litigations fell to four, and in 1 of the 4 pending actions the Curia delivered judgement already in 2017. Of the 4 litigations pending at the end of the year, 2 cases were launched in 2017 and two in previous years. 1 action is at the court of first instance, 2 are at the appellate court, while the fourth one is at the Curia subject to a review procedure. During the year seven cases were closed definitively. In 2017 half as many actions were brought as in 2016, since there were six new actions in 2016 and three in 2017. All three actions launched in 2017 were initiated by banks.

Number of new litigations in 2014-2017



Two of the four litigations in progress on 31 December were initiated in conciliation cases, while the other two were brought against the resolutions passed in the review of the settlement.

The respective party in one of the actions contested a recommendation, which recommended to the plaintiff bank to disclose data to the petitioner third party. The ruling of the court of first instance, which annulled the recommendation, was upheld by the appellate court. The appellate court, sharing the position of the court of first instance, 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 – those provisions of the Credit Institutions Act that regulate to whom financial institutions may disclose bank secrets must not be interpreted in an extended way through analogy.

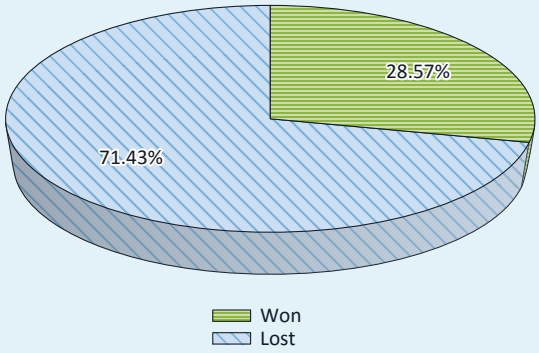
The financial service provider involved in the other action contested a recommendation. This recommended to the plaintiff bank to credit to the third person petitioner's account within 15 days the amount of the payment transaction, exceeding one million forints, unauthorised by him, executed to the debit of the bank account kept by the plaintiff under the petitioner's name. The Board based the recommendation on the fact that the account kept under the name of the petitioner had been opened in breach of the relevant laws and the regulations of the plaintiff bank. As the result of this, the relative of the petitioner had the opportunity to transfer the aforementioned amount by instalments to his own account without the petitioner's knowledge or the petitioner's prior approval of these transfers. The action is at the court of first instance, no court ruling has been passed yet.

The respective financial service provider requested that a binding resolution prescribing settlement be abrogated citing that the loan contract assessed in the resolution had been terminated before 26 July 2014, hence it did not fall within the Settlement Act. The court of first instance dismissed the action. The appellate court that proceeded at the plaintiff's appeal annulled the judgement and obliged the court of first instance to conduct new proceedings, establishing that based on the MNB Act the plaintiff could apply for the annulment of the resolution, not only for the changing of the resolution in the procedure conducted against the consumer at the district court. In the repeated proceeding the court of first instance repealed the Board's resolution, because the loan contract had been terminated on 21 July 2009, and in its opinion, we obliged the plaintiff to perform the settlement despite the fact that the statutory conditions thereof did not exist. The judgement is not final yet, as an appeal has been lodged against it.

In another case the plaintiff requested that a binding resolution prescribing settlement be annulled, because the consumer, after the rejection of his complaint, once again submitted the complaint to the bank and turned to the Board only within 30 days after the rejection of the second complaint. The court of first instance dismissed the action. The appellate court that reviewed the appeal of the plaintiff changed the judgement of the court of first instance and repealed the resolution. It established that based on Article 116 (3) of the MNB Act, the plaintiff had the right to apply for the abrogation of the resolution, not only for the amendment of the resolution in a proceeding launched against the consumer at the district court. The appellate court took the position that the petitioner's right to lodge the complaint does not recur and calculated from the rejection of his first complaint he was late to initiate the procedure of the Board. In this case as well the judgement is under review at the Curia.

Two of the ten court judgements received in 2017 are not yet final, while eight of them are legally binding.

Cases won based on final court decisions on the merits, received in 2017



Another recommendation of the Board suggested that the insurer should repeat the claim settlement procedure in respect of the equipment stolen in a burglary and pay the insurance benefit established in such procedure; however, the specific amount to be paid had not been established. The legal issue to be decided in the action was whether a recommendation that makes no decision in respect of a petition related to an amount, but rather – due to the fact that it finds the legal basis grounded – calls upon the financial institution to conduct a new procedure, is legitimate.

In the end the Curia stated that the insurer rejected the claim of the petitioner because it had not found the ownership duly proven. In his petition submitted to the Board, the petitioner applied for the recognition of his claim and the obliging of the insurer to pay his reported loss, the amount of which had not been designated, and he made a declaration on the amount only during the procedure, upon a call to this effect. In this respect the parties were asked to make a declaration with a view to reaching a settlement agreement, but the agreement was not concluded. In the Curia's opinion the declaration on the amount, made upon the call to this effect, did not change the fact that the dispute between the petitioner and the plaintiff insurer had all the time been in respect of the legal basis of the claim, hence the decision in the financial consumer dispute had to be made on this. It could be concluded from the available evidence that the ownership right of the chattels stolen during the claim event can be established. Since during the claim settlement procedure the plaintiff did not examine the claim amount, no decision could be made on that during the financial conciliation. Hence the Board rightfully called upon the plaintiff in its recommendation, not having any enforceability requirement, to conduct the claim settlement procedure and to pay the insurance benefit assessed in such procedure to the petitioner. Based on the foregoing the Curia did not deem it possible to establish that the continuation of the conciliation procedure would have become impossible and hence it should have been terminated. The Curia repealed the final judgement, changed the judgement of the court of first instance and dismissed the action.

Another contested recommendation called upon the insurer to consider that the compulsory motor third-party liability insurance in respect of the car in question had been validly created based on the insurance proposal made by the petitioner. According to the recommendation, the circumstance that the vehicle register had not been updated with the change in the person of the registered keeper of the vehicle did not influence the acquisition, thus the registered keeper was obliged to take out a compulsory motor third-party liability insurance for the vehicle and he duly did so. Since the financial service provider did not reject the petitioner's proposal within fifteen days, nor did it make any declaration, the contract must be deemed to have been validly instituted. As the result of this, at the time of the accident an effective compulsory motor third-party liability insurance, validly concluded between the parties, existed. The court of first instance rejected the action due to lateness, which judgement was upheld by the appellate court. Finally, the Curia as well rejected the plaintiff insurer's petition for review. The Curia found the parts of the judgements of the court of first instance and the appellate court related to the substantive legal nature of the deadline for bringing an action valid and stated that the deadline for bringing an action is of substantive legal nature, thus the court must receive the action on the last day.

In an action brought by an insurer, the insurer took the position that it had acted rightfully when it had denied the fulfilment of the customer's order to repurchase the mutual funds backing the asset fund underlying the unit-linked insurance, since the fund manager had not been in the position to make payments due to the suspension of the distribution of the investment units by the authorities. As the result of this, the redemption value of the real estate fund's mutual funds shares could not be determined, thus the insurer could not repurchase the mutual fund shares placed with the

asset manager either, as those were unmarketable. The court of first instance dismissed the action, but the appellate court changed the judgement of the court of first instance and repealed the recommendation. Repealing the final judgement, the Curia upheld the judgement of the court of first instance dismissing the action and shared the opinion that only the distribution of the mutual fund shares was suspended, the value of those could be established in that period as well, hence the redemption could have been fulfilled.

A lease institution criticised the recommendation made against it, because it differed from the calculation method specified in the MNB recommendation issued on the settlement related to the (integrated) casco insurance premium charged on foreign currency basis in the interest of the foreign currency-denominated loan. The Board proposed the application of a settlement more favourable for the customers, hence – as it cited – the recommendation is discriminative for the customers. The court of first instance dismissed the action and established that the MNB's settlement proposal was not a law hence the Board's decision – which was based on the financial service provider's own former calculation – did not infringe the law. In the absence of the statutory conditions the court did not establish the infringement of the principle of equal treatment either; it was of the opinion that by the defendant's making the recommendation in its procedure launched on the basis of the individual petition had not infringed the principle of equal treatment in respect of the rest of the consumers by making a recommendation that does not breach the laws, but is not effective on other persons concluding a contract with the plaintiff. From the aforementioned finding of the court it can be concluded that on its own it is not an infringement if the customer seeking remedy at Board gets into a different legal situation than the customers not initiating the procedure of the Board.

Another recommendation to a bank included a call to repay a certain amount as the debit entry made to the bank account had no legal basis. In the opinion of the third party petitioner, the bank had no right to deduct a certain amount from his bank account citing that previously upon a cash withdrawal in the bank's branch the bank erroneously paid a higher amount to the petitioner from his bank account than he requested.

The court of first instance dismissed the bank's action with its final judgement. It argued that the Board had correctly established the subject of the dispute when it examined whether the bank had any legal basis to debit the bank account rather than whether or not the bank had any claim toward the petitioner. The court also stated that it was established correctly that based on the contract between the bank and the petitioner, the bank may not have deducted the amount from the petitioner's bank account, and the plaintiff cited the title of unjust enrichment only at the court. In view of this, the court disregarded this argument of the plaintiff, as the Board can only proceed based on the content and scope of the parties' declarations.

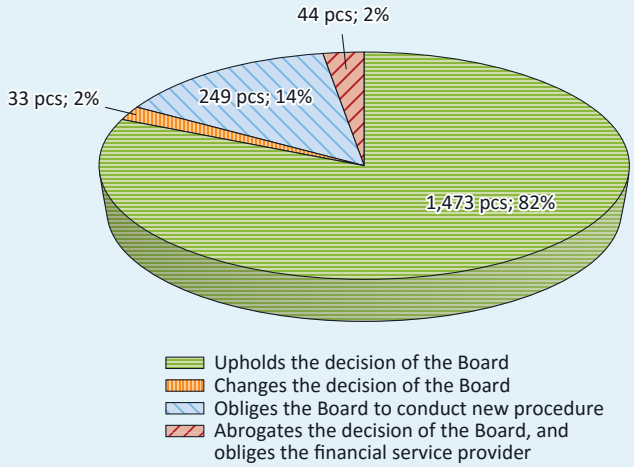
3.2 NON-LITIGIOUS PROCEDURES IN SETTLEMENT CASES

The Board received 81 petitions to initiate civil non-litigious procedure, thus the total number of petitions for remedy, together with those received in 2015 and 2016, rose to 2,443.

Until 31 December 2017 the proceeding courts informed the Board on their final judgement in 97.87 per cent of the cases, and there are only 51 pending cases.

592 of the non-litigious procedures validly closed by 31 December 2017 were dismissed without review on the merits. In 82 per cent of the final judgements passed as the result of the review on the merits the courts upheld the Board's resolution. The Board was obliged to conduct new procedures in 249 cases (14 per cent).

Legally binding judgements in non-litigious procedures reviewed on the merits as of 31 December 2017



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.

5. 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.

6. 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;

Case of equity: the case where the petitioner applies to any financial service provider for preferential terms or easing in view of his personal or financial circumstances.

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 on the dedicated form, or via the e-government customer portal or the online dispute resolution platform specified in the ODR Regulation, through the contact points specified in Section 15. No formal requirement applies to the petitions of equity; however, these as well may be submitted on form 150 "General consumer petition". 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,
k) in the case of petitions for equitable treatment, the petitioner's declaration to the effect that he has not submitted a petition for equitable treatment earlier based on the same facts of the case for the same right

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.

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 all 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.penzugyibekeltetotestulet.hu
– 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.

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 of the Financial Arbitration Board (www.penzugyibekeltetotestulet.hu) and fill in legibly or by typewriter. You may ask for the assistance of the Network of Financial Advisory Offices for filling in the form; for contact details see www.penzugyifogyaszto.hu.* *You may send the filled in form to our postal address (Pénzügyi Békéltető Testület 1525 Budapest, Postafiók 172) or submit in person at the customer service desk of the Magyar Nemzeti Bank (address: H-1013 Budapest, Krisztina krt. 39.).* *The petition may also be submitted via the designated Bureaus of Civil Affairs or 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.***

** 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.

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:

7/7

ANNEX 3

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

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, melyel 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 4

Financial Service Providers concerned with procedures in 2017

	Service Provider	Conciliation cases number of cases	Settlement cases number of cases
1	4Life Direct Kft.	13	0
2	ACE European Group Limited Magyarországi Fióktelepe	4	0
3	AEGON Magyarország Általános Biztosító Zrt.	165	0
4	AEGON Magyarország Hitel Zrt.	9	2
5	AEGON Magyarország Lakástakarékpénztár Zrt.	1	0
6	AEGON Magyarország Önkéntes Nyugdíjpénztár	1	0
7	Agria PortfolióPénzügyi Tanácsadó és Szolgáltató Zrt.	1	0
8	AIG Europe Limited Magyarországi Fióktelepe	6	0
9	Allianz Hungária Biztosító Zrt.	230	0
11	Allianz Hungária Önkéntes Nyugdíjpénztár	4	0
12	Alsónémedi és Vidéke Takarékszövetkezet	1	0
13	Aranykor Országos Önkéntes Nyugdíjpénztár	1	0
14	ARGENTA FAKTOR Pénzügyi Szolgáltató Zártkörűen Működő Részvénytársaság	6	0
15	ARGENTA LÍZING Pénzügyi Szolgáltató Zrt.	3	2
16	Arthur Bergmann Hungary Pénzügyi Zrt.	1	0
17	Astra S. A. Biztosító Magyarországi Fióktelepe	1	0
18	AXA Bank Europe SA Magyarországi Fióktelepe	3	2
19	AZÚR Takarék Takarékszövetkezet	1	0
20	B3 TAKARÉK Szövetkezet	3	0
21	Banco Primus Fióktelep Magyarország	1	1
22	Banif Plus Bank Zrt.	4	0
23	Banküzlet Vagyonkezelő és Hasznosító Zrt.	1	0
24	BaranyaCredit Pénzügyi Zártkörűen Működő Részvénytársaság	1	1
25	BÁTOR Pénzügyi Zárkörűen Működő Rt.	1	0
26	BÁTOR Pénzügyi Zrt.	2	0
28	BÁV-ZÁLOG Pénzügyi Szolgáltató Zrt.	2	0
29	Biztosítás.hu Biztosítási Alkusz Korlátolt Felelősségű Társaság	1	0
30	BRB BUDA Regionális Bank Zrt. "felszámolás alatt"	1	0
31	Brix Capital Kft.	1	0
32	Budapest Autófinanszírozási Zrt.	5	2
33	Budapest Bank Zrt.	103	4
35	Budapest Önkéntes Nyugdíjpénztár	1	0
36	CARDIF Életbiztosító Magyarország Zrt.	55	0
37	CASPER Consumer Finance Zrt.	2	0
38	CENTRÁL TAKARÉK Szövetkezet	3	0
39	Chubb European Group Limited Magyarországi Fióktelepe	4	0
40	CIB Bank Zrt.	80	10
41	CIB Biztosítási Alkusz Kft.	1	0
42	CIB Lízing Zrt.	16	2
43	CIG Pannónia Életbiztosító Nyrt.	11	0

	Service Provider	Conciliation cases number of cases	Settlement cases number of cases
44	CIG Pannónia Első Magyar Általános Biztosító Zrt.	1	0
45	Citibank Europe plc. Magyarországi Fióktelepe	18	0
46	CLB Független Biztosítási Alkusz Kft.	5	0
47	CODEX Tőzsdeügynökség és Értéktár Zrt.	1	0
48	Cofidis Magyarországi Fióktelepe	22	0
49	Colonnade Insurance S.A. Magyarországi Fióktelepe	12	0
50	CORIS Magyarország Kft.	1	0
51	Creditexpress Magyarország Pénzügyi Szolgáltató Kft.	1	0
52	CREDITIÁL Pénzügyi Szolgáltató Zrt.	1	0
53	D.A.S Jogvédelmi Biztosító Zrt.	1	0
54	DEBT-INVEST Pénzügyi Szolgáltató és Befektetési Zártkörű Részvénytársaság	1	0
57	DRB DÉL-DUNÁNTÚLI Regionális Bank Zrt. felszámolás alatt	1	0
59	DUNA TAKARÉK BANK Zártkörűen Működő Részvénytársaság	1	0
60	Dunacorp Faktorház Zrt.	22	1
63	EOS Faktor Magyarország Zrt.	31	2
64	Equilor Befektetési Zártkörűen Működő Részvénytársaság	1	0
65	ERGO Életbiztosító Zrt.	2	0
67	ERGO Versicherung Aktiengesellschaft Magyarországi Fióktelepe	2	0
68	Erste Bank Hungary Zrt.	341	8
69	Erste Befektetési Zrt.	21	0
70	Erste Lakástakarék Zrt.	23	0
71	Erste Vienna Insurance Group Biztosító Zrt.	5	0
73	Europ Assistance Magyarország Befektetési és Tanácsadó Kft.	2	0
75	Európai Utazási Biztosító Zrt.	6	0
77	Fegyvernek és Vidéke Körzeti Takarékszövetkezet	1	0
79	FHB Jelzálogbank Nyrt.	11	1
80	FHB Kereskedelmi Bank Zrt.	47	2
81	FINALP Zártkörűen Működő Részvénytársaság	5	0
83	Fókusz Takarékszövetkezet	1	0
86	Főnix Takarékszövetkezet	1	0
87	Fundamenta Lakáskassza Zrt.	49	0
88	Füzes Takarék Szövetkezeti Hitelintézet	3	0
89	FWU Life Insurance Austria AG	1	0
90	Generali Biztosító Zrt.	199	0
91	GENERTEL Biztosító Zrt.	33	0
93	Gold & Oldmoney Kft.	1	0
94	GRÁNIT Bank Zártkörűen Működő Részvénytársaság	2	0
96	GRAWE Életbiztosító Zrt.	2	0
97	Groupama Biztosító Zrt.	205	0
98	HAJDÚ TAKARÉK Takarékszövetkezet	1	0
99	Hitex Pénzügyi Szolgáltató Zrt.	3	2
100	HORIZONT Magánnyugdíjpénztár	1	0
101	Hungária Takarék Takarékszövetkezet	1	0
102	ING Bank	1	0

	Service Provider	Conciliation cases number of cases	Settlement cases number of cases
103	InHold Pénzügyi Zrt.	7	0
104	Inter Opis Biztosítási Szaktanácsadó Kft.	1	0
105	Inter Partner Assistance francia fióktelepe	1	0
106	Inter Partner Assistance S.A.	2	0
107	Intrum Justitia Követeléskezelő Zrt.	83	1
109	K&H Bank Zrt.	107	10
110	K&H Biztosító Zrt.	80	0
111	KBC Securities Magyarországi Fióktelepe	2	0
112	KDB Bank Európa Zártkörűen Működő Részvénytársaság	2	0
113	Kelet Takarékszövetkezet	1	0
114	Kisalföld Takarék Szövetkezet	2	0
115	KÖBE Kölcsönös Biztosító Egyesület	30	0
116	Lombard Finanszírozási Zártkörűen Működő Rt.	3	0
117	Lombard Pénzügyi és Lízing Zrt.	20	10
118	Luxembourg Fund Partners SA	1	0
120	M7 TAKARÉK Szövetkezet	1	0
121	MagNet Magyar Közösségi Bank Zártkörűen működő Részvénytársaság	10	1
122	Magyar Államkincstár	1	0
124	Magyar Cetelem Bank Zrt.	52	1
125	Magyar Faktorház Zrt.	2	1
126	Magyar Posta Befektetési Szolgáltató Zrt.	1	0
127	Magyar Posta Biztosító Zrt.	59	0
128	Magyar Posta Életbiztosító Zrt.	11	0
129	Magyar Posta Zrt.	4	0
130	Magyar Takarékszövetkezeti Bank Zártkörűen Működő Részvénytársaság	1	0
132	Magyar Ügyvédek Biztosító és Segélyező Egyesülete	1	0
133	Magyar Ügyvédek Kölcsönös Biztosító Egyesülete	6	0
134	MECSEK TAKARÉK Szövetkezet	1	0
135	Medicina Egészségpénztár	1	0
136	Medicover Försakrings AB (publ) Magyarországi Fióktelepe	1	0
137	Merkantil Bank Zrt.	69	2
138	Merkantil Car Gépjármű Lízing Zrt.	6	2
139	MetLife Biztosító Zrt.	4	0
140	MetLife Europe d.a.c. Magyarországi Fióktelepe	6	0
142	MKB Általános Biztosító Zrt.	11	0
143	MKB Bank Zrt.	61	5
144	MKB Életbiztosító Zrt.	2	0
145	MKB Nyugdíjpénztár	1	0
146	MKB-Euroleasing Autólízing Zrt.	6	0
147	MKK Magyar Követeléskezelő Zrt.	12	1
149	Momentum Credit Pénzügyi Zrt.	2	0
150	MORGAN Hitel és Faktor Pénzügyi Szolgáltató Zrt.	1	0
152	MPK Magyar Pénzügyi Közvetítő Zrt.	1	0
154	Neteller UK Limited	1	0

	Service Provider	Conciliation cases number of cases	Settlement cases number of cases
155	Netrisk.hu Első Online Biztosítási Alkusz Zrt.	2	0
156	NHB Növekedési Hitel Bank Zrt.	4	0
157	NN Biztosító Zrt.	6	0
158	Nyugat Takarék Szövetkezet	2	0
159	Oberbank AG Magyarországi Fióktelepe	1	0
160	Oney Magyarország Pénzügyi Szolgáltató Zrt.	8	0
161	Optimális Biztosítási Portfolio Tanácsadó és -Biztosítási Alkusz Kft.	1	0
162	Orgovány és Vidéke Takarékszövetkezet felszámolás alatt	1	0
163	OTP Bank Nyrt.	256	7
164	OTP Befektetési, Ingatlanforgalmazási és Vagyonkezelő Zrt.	1	0
165	OTP Faktoring Zrt.	160	7
166	OTP Ingatlanlízing Zrt.	6	1
167	OTP Jelzálogbank Zrt.	16	1
168	OTP Lakástakarékpénztár Zrt.	6	0
170	OVB Vermögensberatung Általános Biztosítási és Pénzügyi Szolgáltató Kft	2	0
174	Örkényi Takarékszövetkezet	2	0
175	Pannon Safe Kft.	1	0
176	Pannon Takarék Bank Zrt.	4	0
177	Pannónia Általános Biztosító Zrt.	8	0
178	Pannónia Életbiztosító Zrt.	1	0
179	Pátria Takarékszövetkezet	2	0
180	PESTI HITEL Zártkörűen Működő Részvénytársaság	2	0
181	Pilisvörösvár és Vidéke Takarékszövetkezet	1	0
182	PILLÉR Takarékszövetkezet	2	0
183	PLÁNINVEST Bróker Zártkörűen Működő Rt.	5	0
184	Porsche Bank Zrt.	5	0
185	Prémium Önkéntes Egészségpénztár	1	0
186	Provident Pénzügyi Zrt.	56	0
187	Q13 Pénzügyi Zrt.	2	0
188	QBE Insurance (Europe) Limited Magyarországi Fióktelepe	1	0
189	QUAESTOR Bank Zártkörűen Működő Részvénytársaság v. a.	1	0
190	QUANTIS Alpha Befektetési Zrt.	2	0
191	QUANTIS Consulting Zrt.	2	0
192	Raiffeisen Bank Zrt.	106	8
193	Random Capital Broker Zártkörűen Működő Részvénytársaság	1	0
194	Random Capital Zrt.	1	0
195	Reg-Finance Pénzügyi és Szolgáltató Zrt.	6	0
196	Retail Prod Zrt.	2	0
199	Sajóvölgye Takarékszövetkezet	1	0
201	Santander Consumer Finance Zrt.	1	0
202	Sberbank Magyarország Zrt.	11	1
204	SIGMA FAKTORING Zártkörűen Működő Rt.	2	0
205	Signal Biztosító Zrt.	2	0
206	SIGNAL IDUNA Biztosító Zrt.	33	0

	Service Provider	Conciliation cases number of cases	Settlement cases number of cases
207	SKANDIA Lebensversicherung AG	11	0
208	SOMOGY BRÓKER Biztosítási Alkusz Kft.	1	0
210	STRATEGON Értékpapír Zrt.	2	0
211	SureStone Insurance dac	1	0
212	Szigetvári Takarékszövetkezet	2	0
213	Takarék Központi Követeléskezelő Zrt.	1	0
215	Toyota Pénzügyi Zrt.	1	0
217	UCB Ingatlanhitel Zrt.	5	2
218	UniCredit Bank Hungary Zrt.	85	3
219	UniCredit Leasing ImmoTruck Pénzügyi Szolgáltató Zrt.	1	0
220	UNION Vienna Insurance Group Biztosító Zrt.	95	0
221	UNIQA Biztosító Zrt.	94	0
224	Vienna Life Vienna Insurance Group Biztosító Zrt.	3	0
225	VÖRÖSKŐ Kereskedelmi és Szolgáltató KFt.	2	0
226	Wáberer Hungária Biztosító Zrt.	17	0
229	WH Selfinvest S.A.	1	0
230	XTB Limited	1	0
231	Zala Takarékszövetkezet	3	0
233	ÁHF Lízing Pénzügyi Zártkörű Részvénytársaság	0	3
234	Credit House Magyarország Ingatlanfinanszírozási Zrt.	0	2
235	DELTA Faktor Pénzügyi Zrt.	0	1
236	Erinum Capital Pénzügyi Szolgáltató Zrt.	0	1
237	Faktor-Ring Pénzügyi és Tanácsadó Zrt.	0	1
238	HETA Asset Resolution Magyarország Zrt.	0	1
239	K&H Pannonlízing Pénzügyi Szolgáltató Holding Zrt.	0	1
240	Planet Leasing Pénzügyi Szolgáltató Zrt. f.a.	0	1
241	SKILL Pénzügyi és Tanácsadó Zrt.	0	1
242	Soltvadkert és Vidéke Takarékszövetkezet	0	1
243	Sopron Bank Zrt.	0	3
244	UniCredit Jelzálogbank Zrt.	0	1
245	ZEE CAPITAL Pénzügyi Szolgáltató Zrt. f.a.	0	1
	Financial service providers in total	**3,579**	**124**
	Non-financial service providers	**65**	
	Service providers in total	**3,644**	**124**

ANNEX 5

Rules governing the registration of 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 6

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 7

Information on the financial advisory offices operated by the partners of the Magyar Nemzeti Bank

Békéscsaba

Financial Advisory Office

Address: 5600 Békéscsaba, Szabadság tér 11-17. (District Office), Telephone: 66/528-320/extension 171
E-mail: bekescsaba@penzugyifogyaszto.hu

Monday	08:30 – 14:30
Tuesday	11:00 – 17:00
Thursday	11:00 – 17:00

Debrecen

Financial Advisory Office

CAddress: 4025 Debrecen, Piac u. 77. 2nd floor 15, Telephone/Fax: 52/504-329
E-mail: debrecen@penzugyifogyaszto.hu

Monday	08:00 – 14:00
Wednesday	11:00 – 17:00
Friday	08:00 – 14:00

Eger

Financial Advisory Office

Address: 3300 Eger, Kossuth Lajos u. 9. Block E, 1st floor, Telephone: 30/877-9886, extension
E-mail: eger@penzugyifogyaszto.hu

Monday	08:00 – 14:00
Tuesday	11:00 – 17:00
Thursday	11:00 – 17:00

Győr

Financial Advisory Office

Address: 9021 Győr, Szent István u. 10/a, office 208 30/923-4942
E-mail: gyor@penzugyifogyaszto.hu

Monday	08:00 – 14:00
Wednesday	08:00 – 14:00
Thursday	11:00 – 17:00

Kecskemét

Financial Advisory Office

Address: 6000 Kecskemét, Csányi János krt. 14. 1st floor 104, Telephone/Fax: 30/958-8210
E-mail: fogyasztovedelem.merkating@gmail.com

Monday	09:00 – 15:00
Wednesday	09:00 – 15:00
Friday	12:00 – 18:00

Miskolc

Financial Advisory Office

Address: 3530 Miskolc Szemere Bertalan u. 2, 1st floor 10, Telephone: 30/487-3609
E-mail: miskolc@penzugyifogyaszto.hu

Monday	08:00 – 14:00
Wednesday	11:00 – 17:00
Thursday	08:00 – 14:00

Nyíregyháza

Financial Advisory Office

Address: 4400 Nyíregyháza, Széchenyi u. 2. 2nd floor, Telephone: 30/650-1029
E-mail: nyiregyhaza@penzugyifogyaszto.hu

Monday	08:00 – 14:00
Wednesday	10:00 – 16:00
Thursday	08:00 – 14:00

Pécs

Financial Advisory Office

Address: 7621 Pécs, Király utca 42, Telephone: 70/243-3356
E-mail: pecs@penzugyifogyaszto.hu

Monday	08:00 – 14:00
Wednesday	08:00 – 14:00
Thursday	11:00 – 17:00

Salgótarján

Financial Advisory Office

Address: 3100 Salgótarján, Főtér 1. 2nd floor 4, Telephone: 32/780-845
E-mail: penzugyipanasz@gmail.com

Tuesday	09:00 – 15:00
Wednesday	10:00 – 16:00
Thursday	10:00 – 16:00

Szeged

Financial Advisory Office

Address: 6722 Szeged, Rákóczi tér 1, Telephone: 62/680-539
E-mail: szeged@penzugyifogyaszto.hu

Monday	08:00 – 14:00
Wednesday	11:00 – 17:00
Friday	08:00 – 14:00

Szolnok

Financial Advisory Office

Address: 5000 Szolnok, Szapáry utca 18/A 1st floor 6 Telephone: 70/391-5003
E-mail: fogyasztovedelem.merkating@gmail.com

Tuesday	09:00 – 15:00
Wednesday	10:00 – 16:00
Friday	09:00 – 15:00

Tatabánya

Financial Advisory Office

Address: 2800 Tatabánya, Fő tér 6, Telephone: 20/506-0106
E-mail: tatabanya@cpcontact.hu

Monday	09:00 – 15:00
Wednesday	09:00 – 15:00
Friday	12:00 – 18:00

Zalaegerszeg

Financial Advisory Office

Address: 8900 Zalaegerszeg, Tompa M. u. 1-3. 1st floor, Telephone: 30/699-0056
E-mail: zalaegerszeg@penzugyifogyaszto.hu

Monday	08:00 – 14:00
Wednesday	11:00 – 17:00
Friday	08:00 – 14:00

REPORT ON THE ACTIVITIES

OF THE HUNGARIAN FINANCIAL ARBITRATION BOARD

2017

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6 Tartu u., Veszprém H-8200

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