REPORT ON THE ACTIVITIES OF THE HUNGARIAN FINANCIAL ARBITRATION BOARD

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Chair’s foreword

The Board closed its ninth year of operation. This year also showed a balanced operation. The Magyar Nemzeti Bank’s efforts to steer financial service providers towards focusing more on their customers’ needs, giving them a better understanding of the rules applicable to the services they intend to use, and helping them in resolving their complaints, were effective. Consumers have much less often claimed that they had received false, misleading or incomprehensible information about the services they wanted to use. They themselves pay more attention to the attributes of the various financial products, have a better understanding of their characteristics, can formulate their requirements and prepare more comprehensible petitions.

We received 3,387 new cases in 2019. Together with the 581 cases still pending on the first day of the year, 3,983 cases were handled. The percentage of petitions fit for assessment on the merits was 82%. Again, petitions were submitted mostly by post or in person via our Customer Service Centre. The number of petitions filed electronically and through the Network of Financial Navigator Advisory Offices has increased. Again, this year, most of our petitioners were our fellow citizens living in Central Hungary, followed by the residents of the Northern Great Plain.

Most of the petitioners asked for our help in connection with their legal disputes relating to cases concerning money market services. Within these cases, most of them tried to enforce claims against credit institutions, most commonly in connection with credit and lending financial services. Ninety-four per cent of the petitions containing equity petitions concerned money market services.

A slight decrease could be seen in the proportion and number of legal disputes related to insurance. As previously, mainly disputes originating from compulsory motor vehicle liability insurance and property damage were brought before the Board. The number of disputes related to investment services and funds was not significant this year either, the same number could be observed as compared to the previous year.

The Board approved 835 settlement agreements, issued 9 binding resolutions and made 3 recommendations. Most service providers’ willingness to conclude settlement agreements was commendable this year as well. In addition to the 835 settlement agreements concluded and approved by the Board, another 376 agreements were concluded, in which cases the parties requested the termination of the proceedings. In 130 cases, the petitioners withdrew their petitions with a view to having further consultations with the service provider, and we hope that they will also reach a settlement agreement.

I hope that in 2020 we will be able to provide help for many customers again. I thank all financial service providers and petitioners who were partners in reaching a compromise and – as a result of our assistance and participation – managed to settle their disputes. I hope that with each settlement agreement we are able to contribute to the maintenance of a long-standing and mutually advantageous partnership between service providers and their customers.

Dr. Erika Kovács
Chair of the
Financial Arbitration Board

I Operation

1 OPERATION OF THE BOARD, ORGANISATION AND GOVERNANCE

The idea of establishing financial conciliation was formulated to ensure the enforceability of the cooperation of financial service providers with their customers and the contribution of competent lawyers and economists with financial experience to financial legal disputes, in a simple, fast and cost-effective way. Such proceedings are fast and free of charge. There is a forum where, with some assistance, the parties can reach a compromise at their own discretion, thereby avoiding litigation and easing the burden on the judiciary.

The purpose of the Board's activities is to protect the legitimate interests of consumers using the services provided by financial organisations and to strengthen public confidence in the financial intermediary system. The legitimate interest is an important consideration because its assessment forms the basis of the Board's decisions, but also of the conciliation itself. The number of settlement agreements concluded before the Board and outside of the Board's proceedings has been steadily increasing year after year. The number of its recommendations and binding resolutions had declined in recent years, but slightly increased in 2019 due to the cases of a large service provider. The service providers' willingness and ability to conclude settlement agreements are growing – with a few exceptions. Nearly 45.5 per cent of the cases, either in or outside of the Board's proceedings, result in settlement agreements, thus financial conciliation can be said to fulfil expectations.

The Board tries to speed up its proceedings by all means. Significant IT developments have been carried out in its case records system, extending its functions. As a result, a separate system is used for the management and registration of settlement cases, separating them from the cases of general proceedings. During the hearings, customers receive the documents (minutes, decisions approving the settlement and other decisions) that result from the proceedings, thus saving the time and the cost of mailing.

The Chair

The Chair of the Board, who, under the law, may be appointed for a term of 6 years, represents the Board within and outside of the organisation of the Magyar Nemzeti Bank and ensures its lawful operation and governance. The Chair may be reappointed several times for a term of 6 years after the end of their mandate. The Governor of the Magyar Nemzeti Bank appoints the Chair and exercises the employer's rights over them. The Chair's mandate and employment with the MNB may be terminated upon the expiry of the term of the office, by resignation, by dismissal, by the declaration of conflict of interest or death. The Governor of the MNB may relieve the Chair if they have engaged in conduct that prevented the proper functioning of the MNB or when they are unable to fulfil the tasks arising from their mandate for more than 180 days. When performing their duties defined by law, the Chair may not be instructed.

The Chair lays down the operating regulations of the Board in a directive, also published on the website of the Board. The Chair defines the basic rules of the internal operation of the Board, determines the internal organisational structure, decides – in justified cases – on the issue of the possible prolongation of the procedural deadline for certain cases once, by a maximum of 30 days, but they only learn about the cases received and to be judged by the Board subsequently. They see to the equal distribution of the caseload among the departments and have governance rights in respect of all employees of the Board. They do not influence or instruct Board members on professional matters and in specific cases, however, they ensure that the same decision is made on the same matter concerning the professional content. The Chair also ensures that, taking into consideration the number of cases received and to be processed, an appropriate number of staff should always be available to close the cases while observing the statutory deadlines.

The Chair exercises direct rights also in respect of the fulfilment of the job responsibilities of the Head of Office and the department heads and all employees of the Board. They provide and cause to be provided the professional, technical and material conditions of daily operation, and submit a proposal annually for the number of staff necessary for the fulfilment of the tasks of the Board. They determine the dates and duration of the hearing recesses and establish the order of granting paid leave. If the Chair is hindered from fulfilling their duties, they will be substituted for by the Head of Office.

The Office

The Office was established in 2014. It includes the Head of Office, legal assistants, conciliation experts, a spokesperson and assistants. The Office is led by the Head of Office, who substitutes for the Chair in their absence, arranges for the timely fulfilment of administrative tasks and the organisation of substitutions, assigns the cases to the departments, arranging for the even distribution of the caseload among the departments, as far as possible, operates the case records system, manages archiving, and ensures that the document templates are available and updated. They liaise with the Administrative Litigation Division regarding litigation and arranges for data provision. They liaise with other conciliation boards, the consumer protection authority sections of the MNB and the Customer Service Information Centre providing customer service also to the Board.

The Office assists the work of the departments and thus the members of the acting panels; it performs a significant part of the administration required for the activities, and its staff also participate in other tasks related to the operation of the Board. The Office reviews 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 the lack of competence. The resolution on the rejection is signed by the Chair or the Head of Office. If it is not possible to determine the lack of competence without additional documents, the Head of Office will assign the case to one of the departments. The Office is responsible for relieving the workload of the Board members in cases that do not require administration on the merits and can be performed by the Office's staff. Customers – petitioners and financial services providers – receive, upon request, written information from the Office. Furthermore, the Office responds to requests for data of public interest, maintains the website, organises conferences and professional events, and liaises with the press on issues pertaining to the activities of the Board. The staff of the Office provide information on the general rules of proceedings to anyone, on request and in writing. In other respects, the Customer Service Information Centre, which is also the central customer service of the MNB, performs the customer service tasks of the Board.

Board members

The Board consists of members with a law degree obtained from a law school and a bar examination certificate and/or an economics degree. Board members are organised into two departments. Both departments deal with money market and insurance cases. However, cases involving remedies related to statutory settlement and funds are handled by one department only, while investment services and cross-border cases and those submitted via the online platform are handled by the other department only. The work of the departments is organised by the department heads, who are responsible for ensuring that the cases assigned by the Office to the departments are closed by the deadline and in accordance with the legal provisions. Members of the panels or single-member boards acting in the given case are appointed by the department heads. They monitor pending cases and ensure that the deadlines are observed. They ensure that the workload is distributed proportionately, report to the Chair on the experience gained during the operations, process such experience and, if necessary, make a consumer protection notice or proposals for new legislation or amendment to laws. The personal composition of the acting panels is not constant and may also change due to work organisation reasons or due to hindrance during the proceedings. Pursuant to the legal provisions, in cases related to the statutory mandatory settlements, the Board always acts in three-member panels, while traditional conciliation cases, i.e. 'general' cases, are characterised by single-person proceedings due to the higher number of cases.

The acting panels always consist of three persons; if possible, one economist and two lawyers constitute a panel. The panel is constituted by a member in charge of the cases, the chairperson of the hearing and a member responsible for keeping the minutes. Each member may chair the hearings, keep the minutes and present the case in different proceedings and different cases. At the hearings, the member appointed to be the presenter in the acting panel obtains the most thorough knowledge of the case and its documents, but the panel will develop a uniform professional opinion after consulting the other members. Since 1 January 2015, a single board member proceeds in financial legal disputes involving claims relating to an amount not exceeding HUF 50,000, furthermore, in those cases that represent a consumer petition of simple adjudication or contain an equity petition. In the assigned cases, the department head examines whether the conditions of acting as a single board member exist. If they do, they appoint, from the members of the department, the board member to act alone. Any board member of the department may be appointed as such. If a member is hindered, the department head may change the assignment.

Headcount

On 1 January 2019, the headcount was 28. At the request of a board member, their employment was terminated by mutual agreement on 31 January and they have not been replaced. In April, one assistant colleague joined the Office by internal redeployment, bringing the headcount back to 28. As of 1 July, one board member has been permanently absent and has not been replaced. At the request of one assistant, an office staff member, their employment was terminated by mutual agreement on 30 September, and then, with effect from 13 and 31 December, other two assistants left the Office. By the end of the year, the Board commenced 2020 with three assistants and two board members less, a total reduction of four staff members compared to the 2019 opening headcount, i.e. with 24 staff members. Thus, the number of board members – excluding the Chair and the Head of Office – was 13. Ten people work in the Office, including the Head of Office. The total headcount of the Board is 24.

Hearing venue

Since 2 May 2016, the hearings of customers have been held by the Board at a new venue, in the meeting rooms located on the ground floor of the Capital Square Office Building at Budapest, 13th District, Váci út 76. The entrance is in Dráva utca. Previously, between 1 July 2011 and 30 April 2016, eleven meeting rooms were in operation and available at Budapest, 1st District, Krisztina krt. 39. However, the office building of the supervisory authority proved to be small, thus our staff were relocated.

Correspondence address of the Board for settlement cases: 1539 Budapest, Pf.: 670 (Hungary), for general conciliation cases: 1525 Budapest, Pf.: 172 (Hungary). Personal receipt of documents sent to the Board is available at the central customer service of the Magyar Nemzeti Bank Budapest, 1st District, Krisztina krt. 39. The Board is not and will not be able to provide an opportunity to customers to submit documents at the hearing venue, they can only be submitted at the central customer service also in the future. The Board does not operate its own customer service either, cases can be dealt with at the central customer service.

There are 13 meeting rooms available to customers. In the customer service area, customers can comfortably wait for hearings, while watching short informative films about financial products, potential risks and hazards.

2 LEGAL ENVIRONMENT

The operation of the Board is based on the rules set out in Sections 96 to 130 of Act CXXXIX of 2013 on the Magyar Nemzeti Bank and in Sections 21 and 22 of Act XL of 2014. Pursuant to Section 21 (2) of the latter Act, the rules set out in the Act on the Magyar Nemzeti Bank must apply to the operation of the Board with the deviations set out in Sections 21 and 22. That is, now special rules govern cases related to settlement required in view of invalid contractual stipulations in consumer loan agreements and the amendment or conversion into Hungarian forint of some of these agreements. The Operational Procedures of the Board also have corresponding content.

The Operational Procedures are established in a decree issued by the Chair of the Board. The Operational Procedures are set out in the Chair's Directive No 2/2014, the consolidated text of which, as well as the individual amendments to it, are available on the website of the Board. The Operational Procedures of the Board may be changed due to changes in legislation or for internal reasons, such as the Board's own decision within the legal framework. The amendments are approved by the Deputy Governor in charge of the supervision of the financial intermediary system and consumer protection, with delegated powers. The Operational Procedures were not amended during the year.

The basis and the legal framework for the operation of the Board are set out, in addition to the provisions of Act CXXXIX of 2013 on the Magyar Nemzeti Bank, in the principles of operation in accordance with Commission Recommendation 98/257/EC, as follows:

1 Independence

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

2 Transparency

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

3 Adversary procedure

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

4 Efficiency

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

5 Legality

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

6 Liberty

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

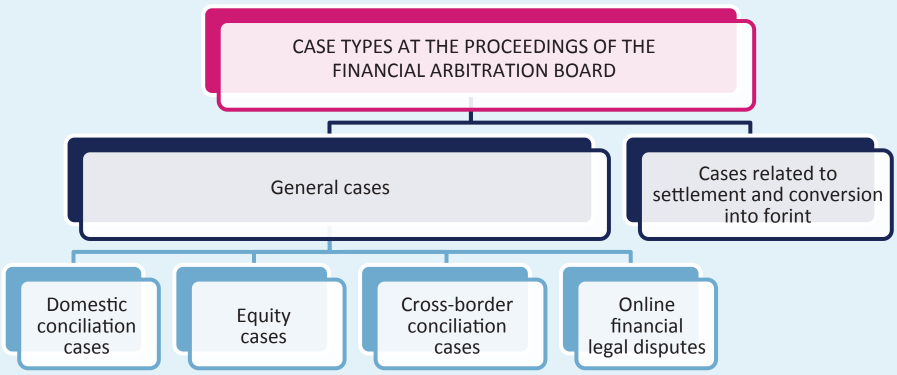
7 Possibility of representation

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

3 CASE TYPES, PROCEEDINGS

The tasks of the Board, and thus its functioning, have changed in several respects over the years, from July 2011 to the present. Initially, between 2011 and 2014, it dealt with domestic and cross-border conciliation cases. A third type of case, the settlement and forint conversion cases, has emerged for the Board since 2015. Also, two new case types, the groups of equity cases and online dispute resolution cases, have emerged since 2015, thus there are five types of cases now. The Board therefore proceeds in parallel in several types of cases. However, each type of case has a common characteristic, namely, that there must be a financial consumer dispute, which forms the basis for the proceedings of the Board.

Basically, cases can be divided into two large groups by type. One group includes the types of cases subject to the MNB Act, which are summarised as ***general cases***. The other group is for the ***settlement and forint conversion cases***, which are not subject to the MNB Act but to the Settlement Acts. Four case types are in the group of general cases.



Domestic conciliation cases

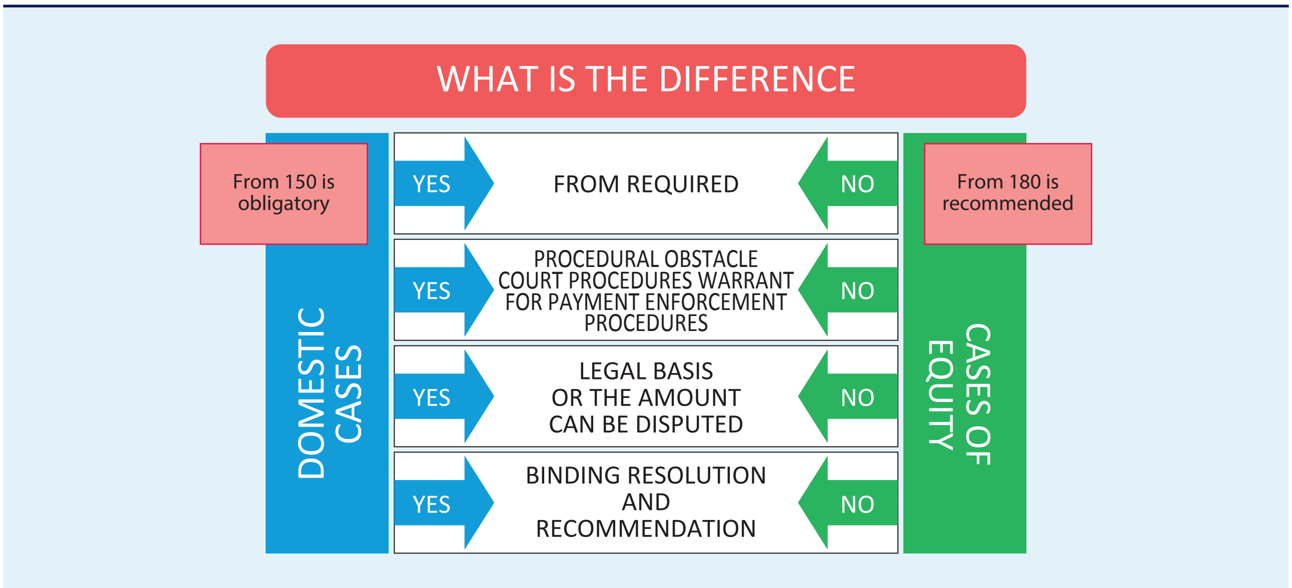
The proceedings of the Board are free of charge; no procedural fees or duties are imposed on anyone. Petitioners may act in person or may be represented by any proxy, not only by a legal representative. In the proceedings, attaching the consumer's petition, the acting panel or its member calls upon the financial service provider to submit a response document, and holds a personal hearing within 75 days. The venue of the personal hearing is located on the ground floor of the Capital Square Office Building at Budapest, Váci út 76. At the personal hearing, the parties have an opportunity for a personal consultation. The involvement of the financial service provider's representative in the hearing is mandatory. The petitioner may decide if they wish to be present in person and/or through a proxy. Personal presence is not mandatory for the petitioner, their absence does not prevent the proceedings from being carried out. However, there is a smaller chance to reach a settlement agreement in their absence, thus personal participation is recommended.

Ninety days are available to conduct the proceedings. Its start date is the date of receipt of the complete petition. This day is the date of acceptance. The deadline for the proceedings does not include the time when missing documents are supplemented to the petition or the duration of the summer and winter hearing recesses of the Board. The Chair of the Board may prolong the 90-day deadline by no more than 30 days. According to the practice so far, the cases are usually concluded within 50 to 60 days, i.e. a settlement agreement may be reached with the financial service provider even within 2 months. The Board approves the settlement agreement between the parties if it complies with the laws. The parties may also reach an agreement outside the proceedings (quasi settlement agreement). In such a case, they do not need to communicate the content of their compromise to the Board, while they may not request its approval either.

Equity cases

This case type has been in existence since 2015. Demand for this has arisen due to the high indebtedness related to foreign currency loans and later (in 2016 and 2017) to portfolio transfers by banks. Cases in which the petitioner, with regard to their personal or financial situation, asks the financial service provider to allow them to fulfil their obligation under more favourable conditions than originally stipulated in the contract may be reviewed on the basis of equity. This may be the reduction or cancellation of their payment obligation, the amendment or closure of their contract, or even a request for terms of payment under conditions other than the ones set out in the contract.

Equity proceedings may also be initiated if a warrant for payment has been issued in respect of the claim or if enforcement procedures or court proceedings are pending in the given case. However, in these proceedings, the legal basis for or the amount of the claim may not be disputed.



The financial service provider may not be obliged by the Board to exercise equity; thus, such cases may result only in a compromise or termination.

Cross-border cases

If a consumer lives in the European Union, Iceland, Liechtenstein or Norway (EEA member states) and complains about a financial service provider seated in Hungary and subject to the supervisory power of the MNB or a consumer whose domicile or habitual residence is in Hungary has a dispute with a financial service provider seated or established in an EEA Member State, the FIN-NET Network, of which the Board is a member, can help. In the case of a non-resident financial service provider, a condition for launching the proceedings is a declaration of submission made by the non-resident service provider.

FIN-NET is a network of out-of-court financial dispute resolution forums in the countries of the European Economic Area (EU Member States, Iceland, Liechtenstein and Norway), which deals with the resolution of legal disputes between consumers and financial service providers. The network was established in 2001 by the European Commission. The proceedings of the forums coordinated by FIN-NET help consumers resolve cross-border financial disputes. In the event of a legal dispute between a consumer in one country and a financial service provider operating in another country, FIN-NET member organisations help the consumer contact the appropriate forum and provide them with the necessary information about the given proceedings. The petition form and the rules of FIN-NET in cross-border cases have been available since the Board's accession to the European dispute resolution network on 1 January 2012. The proceedings differ in a few rules from the rules of the proceedings conducted under domestic, i.e. Hungarian law, such as:

- submission is required to initiate proceedings against a non-resident service provider;
- in the absence of submission, the consumer may only be informed of the proceedings and what other forum they may turn to;
- the proceedings may be instituted solely on the FIN-NET *(Financial Dispute Resolution Network)* petition form, on the consumer's initiative (using exclusively the required forms);
- the proceedings are conducted solely in a written form, a hearing may be initiated by the acting panel, requiring the consent of both parties;
- the language of the proceedings is English, but, at the expense of the petitioner, it may also be the language of the agreement;
- the deadline for the proceedings may be extended once by 90 days.

Online financial legal disputes

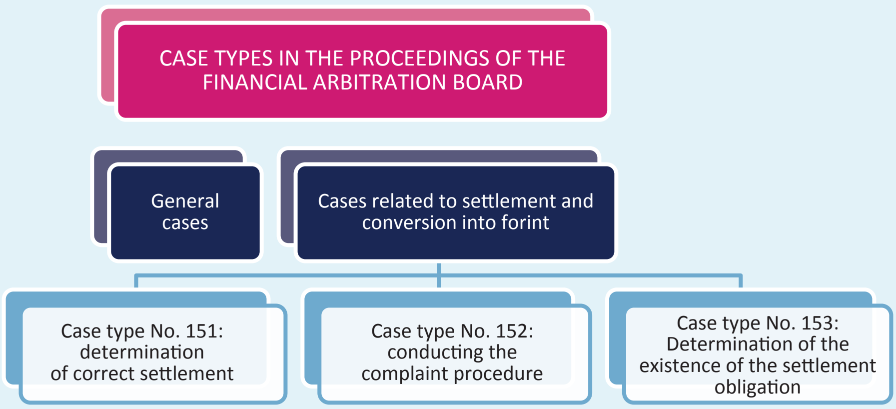
If a financial consumer dispute arises in connection with a service contract concluded online between a consumer and their financial service provider, the consumer may initiate an out-of-court legal dispute through the website of the European Union online dispute resolution platform. In the case of financial consumer disputes, only the Financial Arbitration Board may conduct proceedings and decide on a matter in dispute between the consumer and the financial service provider. Consumers need to register on the electronic platform operated by the European Commission to initiate the online dispute resolution process. This form of dispute resolution has been available to Hungarian consumers since 15 February 2016. Based on the authorisation provided by Regulation 524/2013/EU of the European Parliament and of the Council of 21 May 2013 on online dispute resolution for consumer disputes (ODR), the European Commission launched the European online dispute resolution platform, available at *https://webgate.ec.europa.eu/odr*. This platform serves for the out-of-court resolution of disputes, including financial consumer disputes, related to obligations arising from online service contracts between consumers with residence in the European Union and service providers established in the European Union. Any natural person, *"who uses a financial service for non-commercial, business or professional purposes"*, qualifies as a consumer under the ODR. Any financial service contract qualifies as an online service contract, under which a service provider or an intermediary of a service provider offers a service (such as insurance, personal loan, account opening, etc.) through a website or other electronic devices, and the consumer orders the service or concludes a contract for it through the given website or other electronic devices.

The platform is available in all official languages of the European Union (including Hungarian), and it is built on the existing dispute resolution systems of the Member States, respecting the traditions of the Member States. Its objective, among others, is to ensure that all alternative dispute resolution forums, notified in accordance with section 20 (2) of Directive 2013/11/EU of the European Parliament and of the Council of 21 May 2013 (on alternative dispute resolution for consumer disputes), can join the platform, thereby facilitating the online, fast, out-of-court resolution of all disputes arising from online contracts, along uniform principles. The Ministry for National Development notified the European Commission on 9 February 2016 that in Hungary the Financial Arbitration Board acts as the alternative dispute resolution forum for financial disputes, in accordance with the Directive, and has accordingly been entered in the register of dispute resolution bodies: *https://webgate.ec.europa.eu/odr/main/index.cfm?event=main.adr.show*

The platform was put into operation on 15 February 2016. From this day the Board was also ready to handle online financial consumer disputes arising from online financial consumer contracts and to receive petitions via the platform. In the case of financial consumer disputes related to online contracts, the Board may act both in domestic and cross-border cases, if it receives a petition via the platform.

Cases related to settlement and conversion into forint

In 2015, the Board was assigned a new task, significantly different from the arbitration in the traditional sense of the term. Its fulfilment was ordered by law (laws on legal settlement and conversion into forint, and MNB directives), and the Board became the primary forum for the legal remedies of the legal disputes related to settlements. This type of proceedings involves three case groups:



4 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

KORMÁNYABLAK
INTEGRÁLT KORMÁNYZATI ÜGYFÉLSZOLGÁLAT

270 bureaus of civil affairs operating in the country are available to financial consumers, providing services specified in section 17 of Annex 5 to Government Decree 515/2013. (XII. 30.):

Annex No. 5, Section 17: "Supplementary services provided by bureaus of civil affairs: (…)

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

Thus, in all counties and in Budapest, that is, throughout the country, bureaus of civil affairs help in filling in petition forms to be submitted to the Board, receive and forward petitions free of charge to the central registry of the Magyar Nemzeti Bank and thereafter to the Board. They also arrange the receipt and transmission of consumer notices to the MNB. The MNB and the Board have prepared and regularly forward training material for the staff working in the bureaus of civil affairs, reviewing and updating its content annually.

The Board's experience is that by now petitioners are well aware of this service rendered by the bureaus of civil affairs and use it more and more frequently. The address, data and contact details of the Bureaus of Civil Affairs can be found on the https://kormanyablak.hu/hu/kormanyablakok website in addition to the MNB's website.

Network of Financial Navigator Advisory Offices

The Network of Advisory Offices was set up by the MNB with the aim of enabling personal administration, even if someone lives far from the capital and is not in the position to visit the MNB's customer service in Budapest at Krisztina krt. 39. The offices in the county seats are operated by civil partners independent of financial institutions and service providers. Advisors are experienced in handling financial issues and problems. Their knowledge and competence are guaranteed by trainings and courses, which is subject to regular exams. In the course of free consultancies, they provide detailed information on the features of the various services, the benefits and the risks of each schemes. They interpret specific contracts, assist in the formulation and submission of official documents and petitions to the Board, and direct consumers contacting them in resolving their complaints to the appropriate forums.

The Network of Financial Navigator Advisory Offices operates in county seats, but experts regularly provide offsite advisory services in several other locations. Information on the offices and the so-called offsite advisory services is available on the MNB's website: https://www.mnb.hu/fogyasztovedelem/tanacsado-irodak

Consumers also receive significant help from the Magyar Nemzeti Bank through Financial Navigator Booklets. These information brochures provide a clear explanation of each financial product. It is available in printed form at the banks' branches and in the customer area of the Board, as well as at the customer service desk of the MNB, and in electronic form here: https://www.mnb.hu/fogyasztovedelem/penzugyi-navigator-fuzetek

In addition to the Financial Navigator Booklets, the MNB also helps customers finding their way in financial issues through films, apps, search engines and mobile applications. The booklet series and information videos present the Board and also its activities, and furthermore provide help with any financial issues affecting banks, insurance companies, investment firms and funds. Services of the Financial Navigator also available on the website of the MNB: https://www.mnb.hu/fogyasztovedelem

Civil organisations

Some of the civil organisations also provide information and assistance to financial consumers. One of them is the **Hungarian Charity Service of the Order of Malta with its HITEL-S Program**. For detailed information on what and how, go to the organisation's website: http://hitels.maltai.hu/

Another civil organisation that financial consumers may turn to with confidence and which provides them with accurate information and assistance in financial matters is the **Hungarian Association of Consumer Protection Organisations**, the **FOME** seated in Debrecen. In addition to the protection of consumer interests, the Association pays special attention to the training of consumer protection professionals and the scientific development in the consumer protection profession. It assists those contacting them with free consultancy. On its website – http://www.fome.hu – anybody can get information about any financial issues or can ask for financial advice in writing.

5 INTERNATIONAL RELATIONS

In 2019 – similarly to previous years – the Board placed great emphasis on fostering international relations and participating in extended international cooperation. These efforts were demonstrated, in addition to the already existing memberships in international organisations, by joining and using the Online Dispute Resolution Platform (hereinafter: ODR) introduced in February 2016. The experience obtained in recent years clearly signals that international cooperation can significantly increase the efficiency of financial conciliation, and it definitely improves the quality of conciliation mechanisms and procedures. The relations with FIN-NET and the INFO Network, as well as separately established relations with individual organisations that are members of such networks, continue to play an outstanding role in the Board's international activities.

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

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

In 2019, FIN-NET held its semi-annual general meetings on two occasions, in the spring and in the autumn. Both plenary meetings took place in Brussels. The first and most important topic of the April meeting included the impacts of the two different outcomes of BREXIT on cross-border dispute resolution. The different effects of the two versions on the application of Community law (acquis communautaire), on the rules of enforceability of court proceedings and court decisions were presented. The discussion also covered some issues of the application of private internationallaw. A distinction was made between "deal" and "no deal" BREXIT, which may affect the FIN-NET network and its members: in the case of a "no deal", the UK Financial Ombudsman Service will only be a monitoring member of the network and will not be available on the OVR platform from that date; while for "deal" BREXIT they remain members, but only until the last day of the extended deadline. The Single Digital Gateway was presented as the second topic, including the current state of the project and its potential positive effect on the FIN-NET network in the future. Introduction of the Single Digital Gateway is expected to take place in the fourth quarter of 2020, first at the European Commission level and then at Member State level. The issue of connecting to the FIN-NET network was also raised. This was followed by the presentation of a draft directive to be adopted on fraudulent activities in relation to cash substitute payment instrument. The draft directive primarily takes a criminal law approach and gives Member States two years to transpose the provisions into national law. It was also presented that 10 percent of cross-border transactions are card transactions, in respect of which there is an increase in the number of online frauds. The forthcoming directive covers only card transactions and does not apply to other transactions (e.g. wire transfers). Directive No. 2019/518 was outlined in the theme of *The cost of cross-border payments and foreign exchange in the EU*, which overwrote Directive No. 924/2009. The scope of the former directive covered only members of the euro area. However, the new regulation extends the scope of the directive also to EU members of the non-euro area. It entered into force on 15 December 2019. Based on the principle of comparability, for both Dynamic Currency Conversion (DCC) and Non Dynamic Currency Conversion (NDCC), the aim is to provide the consumers, when making a purchase, with accurate information about which one is more favourable for them: payment in euro or local currency. Therefore, the financial service provider should disclose, in a comparable manner, the increased rate of conversion of the currency relative to the exchange rate of the European Central Bank (ECB). This obligation shall be imposed on financial service providers from 19 April 2020. Following the first transaction, this formula will also appear on mobile devices. DCC shall be included on the POS terminal of merchants in the same comparable format. The key point is that, as a result, the consumer will be adequately informed about the exact amount of the debit to his account in connection with the transaction. In the case of transfers, the specific amount will appear in a comparable way, rather than the above formula.

Introduction of the campaign of the European Consumer Organisation (BEUC), presentation of a report on bad investment advice followed. As a penultimate topic, the importance of financial education was highlighted by a representative of the Banca d'Italia and the Financial Ombudsman (ABF), exemplifying their own practice. They try to improve consumers' financial literacy by making all ABF decisions and annual reports, for example, accessible and easily searchable on their website. The decisions made by the Board are easily understandable, worded in plain language. Furthermore, there are regular lectures and trainings for the general public at universities and non-profit organisations. In addition, they send out newsletters to consumers, compile booklets on topics, and are constantly present in the media. A book on financial advice was also published by them recently. They regularly write articles for the most popular, most read local and national newspapers. Additionally, they organise public meetings, conferences, and formulated a National Strategy for Financial Education. Finally, the European Banking Association (EBA) presented its latest report on consumers (Consumer Trends Report), thanked FIN-NET members for their contribution to the report so far and informed them that a new questionnaire would be sent to them at the end of June 2019.

The second FIN-NET plenary meeting took place in November 2019 also in Brussels with the participation of a representative of the Board. In the first topic of the autumn meeting, members sought to resolve a problem raised by the Maltese, Irish and British Financial Ombudsmen in cases where there is a cross-border financial consumer dispute under the procedural rules of certain bodies for the determination of powers and competences and when the forum in the home country of neither the applicant nor the financial service provider may act under conflicting procedural rules. As a result, consumers' rights may be violated, as neither in the home country of the applicant nor in the country where the financial service provider is supervised may the dispute be resolved through alternative dispute resolution. The participants returned to the FIN-NET agreement, which specifically defines the procedure to be followed by all FIN-NET members in cross-border financial consumer disputes and stated that the requested board should be very flexible when applying these rules. The final conclusion was that there is no need to amend the Directive on Alternative Dispute Resolution, but this topic should continue to be on the agenda in order to increase the efficiency of cooperation.

On the next topic, application of artificial intelligence and the dispute resolution of the financial sector, it was stated that due to the rule defined in Article 22 of the GDPR, a problem may arise in financial services in the future that many financial decisions are made automatically. It is decided on the basis of programs and logarithms outsourced by financial services providers whether or not to contract with the customer. Most of these cases are when the customer would like to know what is behind a rejected provider decision. As these processes are automated to a great extent, it is not entirely clear what aspects are taken into account by the logarithm in making a decision, thereby decision-making becomes opaque for decision-makers. The question is whether the consumer has the right to know what the financial service provider based his decision on, if it was made automatically or if this automated decision was subject to human intervention under Article 22 (3) of the GDPR. Based on the information provided by a member of the Commission, certain specified conditions shall be fulfilled when applying artificial intelligence, such as transparency, reliability and traceability. The consumer shall be informed before starting the process which information will be used for the decision, and the processing under Article 71 of the GDPR is not absolute: after the data processing the consumer may challenge it. At this meeting, FIN-NET network annual report for 2018 was also adopted by unanimous decision.

FIN-NET also places great emphasis on communication among members on technical matters, the purpose of which is to ensure that members are familiar with each other's functioning as much as possible and master best practices, thereby making their own operation as well as the cooperation with other members more efficient. Within the framework of this, in 2017, 2018 and 2019, with the support and under the auspices of FIN-NET, the alternative dispute resolution forum attached to Banca d'Italia distributed a detailed questionnaire among members, the objective of which was to obtain information on the individual boards' operation, activity and the legislative environment regulating them. The Financial Arbitration 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.

Financial Services User Group (*FSUG*) members were present in the second half of the meeting. The organisation is lobbying the Commission for the benefit of consumers. In its recommendation communicated to the Commission (legislature) for 2019-2024, the Commission's action plan outlined over the past two years was in focus, aiming at making the investment market completely uniform. Through their recommendation, they want to achieve to make the investment market opportunities more attractive, and safe for consumers. During the meeting, FIN-NET members were asked about their proceedings and their experience of cross-border financial consumer dispute resolution.

Members discussed issues related to the methods of calculating the cost of mortgage and consumer loan agreement (topic of prepayment) and to the Lexitor decision. According to the Court of Justice of the European Union, in the case of payment of a loan before maturity, Union law requires not only a proportionate reimbursement of the costs actually incurred depending on the duration of the loan agreement, but also of all costs borne by the consumer. Despite the decision, Italian legal practice remains unchanged: borrowing costs and pro rata costs may incur for a loan. The amount of the former cannot be reduced when the applicant prepays, only the costs that the consumer would have had to pay over the remainder of the credit. FIN-NET members supported clearly the Italian interpretation.

Experiences with cross-border, so-called FIN-NET cases initiated at the Financial Arbitration Board is described in Chapter 4.

INFO NETWORK

INTERNATIONAL NETWORK
FINANCIAL SERVICES
OMBUDSMAN SCHEMES

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

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

In the autumn of 2019 INFO Network held its annual conference in the Republic of South Africa where members could meet each other, to which the Board was also invited. As a member of INFO Network, the Hungarian Financial Arbitration Board regularly contributed in 2019 as well to the monthly newsletters prepared by the Secretariat of INFO Network, reporting on novelties, changes and events related to members. It also responded to individual enquiries and cooperated in answering a detailed questionnaire on members' activity, sent by the Secretariat in August 2019.

6 THE FOURTH ALTERNATIVE DISPUTE RESOLUTION CONFERENCE

The Conference on Alternative Dispute Resolution was hosted for the fourth time by the Board in 2019.

For the first time, a countrywide conference entitled *"Alternative Dispute Resolution in Hungary"* was held on 30 November and 1 December 2016, organised jointly by the Magyar Nemzeti Bank, the National Office for the Judiciary and the Financial Arbitration Board, where each of the ADR organisations could introduce themselves and get to know each other. The presentations dealt with alternative dispute resolution in Europe, court mediation, out-of-court mediation, and conciliation (both general and financial). Dispute resolution through arbitration proceedings could also be introduced by the Chair of the then five arbitration boards, and other dispute resolution solutions, such as the role of the registration arbitrator, also included.

The second conference was organised jointly by the Magyar Nemzeti Bank, the National Office for the Judiciary and the Financial Arbitration Board with the support of Wolters Kluwer Hungary Kft. on 28-29 September 2017. This time the conference covered two topics, on one hand on *"Alternative dispute resolution in the economy"* and on the other on *"Role and responsibility of higher education in the shaping of alternative dispute resolution culture*". 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 event was hosted, as ever, at the headquarters of the Hungarian Academy of Science. 300 guests participated, representing almost 170 organisations and institutions.

Thanks to the same organisers and supporters, the third national conference was held on 3-4 December 2018.

Its topic was online dispute resolution facing digital challenges. At the conference, renowned foreign and Hungarian lecturers approached the challenges of the digital world from multiple angles and responded to this in terms of alternative dispute resolution.

The Fourth Conference on Alternative Dispute Resolution, held on 17-18 October 2019, addressed topics of small and medium-sized enterprises, in particular family businesses and the subject of alternative dispute resolution.

It was about how alternative dispute resolution can help reduce the risks of these businesses and support them in choosing other solution to resolve conflicts rather than investing time and money into litigation.

Five foreign lecturers also gave presentations at the conference.

The opening address was delivered by **dr. Erika Kovács**, Chair of the Financial Arbitration Board, followed by the welcome of the participants by **dr. Sándor Vajas**, Vice-President of the National Office for the Judiciary and **dr. Csaba Szomolai**, managing director of the Magyar Nemzeti Bank.

In his welcome speech, **dr. Sándor Vajas,** Vice-President of the National Office for the Judiciary hailed the excellent results of the Hungarian judiciary in European comparison. He stressed the importance of professionally substantiated, good judgments in the courts. He added that no matter how good the judgment, one of the parties or even others involved, would feel themselves a loser; not to mention that the conflict that causes lawsuit, despite the efforts of the judge, may not be resolved by the decision. Court mediation proceedings between the parties may be the solution.

The situation of the courts is specific and at the same time optimal for familiarising the parties with alternative dispute resolution in both civil and administrative cases. In his welcome speech, he highlighted also the results of court mediation, according to which, since 2012 – until the first half of 2019 – 5,300 court mediation proceedings have taken place in Hungarian courts, more than half of which have been settled by agreement. Dr. Sándor Vajas added that in recent years the legislator has also recognised the importance of alternative dispute resolution, so since 2018 there has been the possibility of mediation, in addition to civil court cases, in administrative court cases as well. The efficient judicial mediation process was also supported by the fact that 30 secretaries and judges, with special training for administrative cases, received specialised vocational training. Particular emphasis is placed on the institution of court mediation in family law disputes. The NOJ promotes the efficiency of mediation by training and professional preparation of judges hearing family law cases. Informing customers and the importance of psychological support in this area is emphasised, which will be integrated into the trainings. Court mediation is currently available at 70 courts, with more than 180 judges and court secretaries working in the proceedings, and an additional 30 judges and court secretaries obtained the necessary qualifications in the administrative area.

Training is extremely important for successful mediation, which is why the NOJ has announced the Werbőczy Universitas Scholarship, which supports the specialised post-gradual training of 100 judges. Twenty of this year's applicants are attending an alternative dispute resolution lawyer – specialty in mediation – training in Győr and Székesfehérvár. Mediation is a long-term investment to increase customer satisfaction and to settle disputes fast and by peaceful means. Everyone who works in this area and contributes to the widest possible use is involved in the work.

Dr. Csaba Szomolai, managing director, on behalf of the Magyar Nemzeti Bank welcomed the participants.

After reviewing the Alternative Dispute Resolution Conferences held in previous years, he said that the Magyar Nemzeti Bank is interested in, by the Financial Arbitration Board operated by the MNB, ensuring that actors of the financial sector and their private customers live and work with each other peacefully and in harmony. Additionally, the FAB assists them resolve their disputes fast and free of charge. Since 1 July 2011, the Board has been engaged in the settlement of financial consumer disputes through conciliation. Since its establishment, more than 30,000 consumers have applied for the out-of-court settlement of their financial dispute. As a result of legal settlement, additional 17,000 consumers requested a decision in 2015-2016. 99 percent of conciliation cases are domestic, 1 percent is the so-called cross-border case involving a domestic person or service provider resident in another EEA Member State. So far, the 14,000 money market, 8,000 insurance, 500 capital market and 100 fund cases have proven that it was worthwhile to opt for financial conciliation.

In his welcoming speech he emphasised that the Magyar Nemzeti Bank considers it important to take responsibility for its wider environment, society and long-term sustainable development in addition to its statutory tasks. One of its important statutory tasks is to promote and strengthen financial stability, to enhance the effectiveness of financial consumer protection, and to improve financial literacy. Therefore, it attaches a key importance to the enhancement of financial literacy, and in its framework, in conjunction with a number of consumer protection and financial market organisations, undertook a wide range of informative and educational activities to promote the financial literacy of the population. It also played an important role in developing a government strategy to improve financial awareness. In addition to financial education in public education, in the objectives of the strategy the enhancement of informed financial and consumer conduct, widespread financial convergence, prudent borrowing, the importance of self-care and also the spread of cashless payment instruments have priority. This is important not only for the general public, but also for businesses and family enterprises in particular. The seven-year strategy will be implemented through two-year action plans, with the first period ending this year. Its task and priority objective are to promote a positive attitude of the population and businesses towards finance, with the active involvement of the Financial Arbitration Board.

He emphasised that the Magyar Nemzeti Bank is proud to provide financial support for the organisation of this conference as well as for the participation of young Hungarian people abroad. In fact, the International Chamber of Commerce hosts a unique negotiation and mediation competition in the world every year, in which 500 participants from 63 universities from 40 different countriescould match their knowledge and skills this February . The Hungarian team came from the students of the ELTE Faculty of Law again this year, which is being prepared by Éva Inzelt with increasing success year by year. The team, supported by the Magyar Nemzeti Bank, achieved its best result so far this year. It placed 6th in this world competition, leaving behind universities such as the Queen Mary University in London, Fordham University in New York, New York Law School, Rutgers University also in the US, Leuven University in Belgium, Monash University in Australia, or the Jagello University of Krakow, which has been on the podium several times in previous years. He congratulated on the wonderful Hungarian success.

Dr. Attila Beneda, deputy state secretary for family policy at the Ministry of Human Capacities, gave the opening lecture of the conference, which was entitled ***"The Family as a business"***.

In his introduction, he talked about the characteristics of family businesses. The members of the family are the owners, the employees, the seat is usually a real estate of the family, the contribution is the family property, the purpose of the activity is the livelihood of the family.

The Government's family-friendly measures support families, and also family businesses through families. He pointed out that, in developed countries, family businesses account for 75-95 percent of businesses, and most studies in Hungary also estimate the number of family businesses around this level.

The aim of the Government's family-friendly policy is the thriving Hungarians ("Hungarian model"), relying on their internal resources; support for responsible parenting; the birth of longed-for children; encouraging the desire to have children. In his lecture he presented the family policy measures implemented between 2010 and 2018, the outcomes of the family-friendly turn and the family protection action plan.

Among the family policy measures of 2010-2018 he highlighted the fact that family allowance is subject to school attendance; child care benefit until the child reaches the age of 3 (2010); family tax and contribution allowance (2011); use of extra paid vacation for the child by both parents (2012); Baby Bond-Treasury Start securities account; Job Protection Act (2013); child care allowance extra (2014); discount for first married couples (2015); family housing benefit (CSOK) and its amendments; VAT reduction/refund on homes (2016); sick leave or for care arrangements – 2 parents (2017); suspension/reduction/remission of student loan debts; fee reimbursement of the first or additional examination for a successful language exam; increase in family tax benefit; Umbilical Cord Program; extending support for the in vitro fertilisation; fee reimbursement of exam and course for driving theory test; reduction or cancellation of mortgage debt.

Among the outcomes of the family-friendly turn, he mentioned that the amount of budget resources dedicated to supporting families has doubled compared to 2010. The fertility rate rose from the previous 1.23 to 1.49; the actual population decline has decreased; the number of marriages increased, the number of divorces and abortions decreased. In 2018, 62.3 percent of women were already employed; the employment rate for women with children under the age of 3 rose from 12.4 percent to 15.4 percent by 2018; the employment rate for (25-49-year) women with children under the age of 6 rose from 33.1 percent to 43 percent by 2018.

As part of the Family Protection Action Plan, the following has been introduced: prenatal loan; family housing benefit (CSOK); expanding support for mortgages; personal income tax exemption for women with minimum four children; car purchase programme for large families; creche facility development programme; child care allowance for grandparents.

As a final thought, he said that the 2020 budget is about families and security, by spending HUF 224 billion more for families and HUF 174 billion more for security.

At the beginning of his lecture entitled ***Problems of Hungarian Family Businesses***, **Dr. László Rudas**, president of the National Association of Family Enterprises, briefly presented the background of the establishment of the National Association of Family Enterprises and the aims of this social organisation. Furthermore, he defined the concept of family enterprise and summarised the criteria that distinguish this business from other businesses.

The lecturer specified the concept of family enterprises as follows: at least two family members of the founding family shall have an interest in the family business and at least two family members shall be involved in the management and operation of the company. In the case of a family business operating in the form of a limited liability company, a limited partnership or a general partnership, the founding family (at least two family members) shall have a shareholding of more than 50% in the company; or, if the company operates in the form of a private limited company, shall hold at least 25% of the voting rights + 1 vote. This business is characterised by long-term continuous operation of at least 10 years, as well as sound financial management and accurate and exact tax payment.

Dr. László Rudas then introduced the criteria for distinguishing family businesses from other businesses. The owner of the family business takes care of succession, in crisis situations profit orientation has no priority, but the philosophy of long-term survival pervades the family business. This business is a long-term, intergenerational investment (equal treatment!), the backbone of the economy, and the largest employer. Most of the domestic GDP is produced by family businesses. Afterwards, the president of the National Association of Family Enterprises went on to present generational change issues and solutions to these problems. Generally, after 30-40 years of entrepreneurial activity, one of the biggest challenges for founders is solving succession. According to the data of the HCSO, 8,500 family businesses are currently facing a generational change. Two types of succession were distinguished: (a) typical succession, and (b) atypical succession. He defines typical succession by that if the founder and the heir work in the family business, the heir gains adequate experience in operating, directing, and managing the company, accepts (and continues to maintain) the objectives of the founder, in which case the question of succession may be decided at the Board meeting. He classified atypical succession, generational change into the following types:
1. sale of ownership interest – “exit sale”,
2. management buyout (MBO), which may be a partial buyout (majority or minority),
3. fiduciary asset management,
4. listing of the shares of the family business (this requires a proper proposal and a comprehensive financial, economic and legal due diligence prior to listing),
5. establishing a fund to the operation of the business.

According to the lecturer, atypical succession may be impeded by several factors: e.g. if the company is not eligible for listing for any reason, or if due diligence or auditing is expensive. He emphasised that completely unbundling, separating the company property and family property is necessary in the event of the mentioned cases.

Dr. László Rudas then talked about other policy objectives that do not require a budget source but would help family businesses on several issues. Such an objective is the provision of a legal bridge (i.e. compliance with legal requirements regarding the activity and operation of the company) as well as financing listing, exit financing, training, eligibility of expenditures on education, recourse to EU funds, and obtaining moral support. The lecturer suggested that the state shall provide normative funds to family businesses that facilitate listing, financing audit and exit sales. If the founder has deceased without succession, the family members shall assess by asking assistance from the notary competent in the place where the deceased resided whether the deceased had a business that had become inoperable and, if any, a trustee shall be requested to head this business until the issue of succession is resolved. (This is in the interest not only of the heirs, but also of business and society.) The lecturer then encouraged the audience to settle disputes by amicable negotiation in conciliation proceedings, in the event of disputes arise concerning to family (or family business) arrangements. In the spirit of the thought of "A bad peace is better than a victorious war".

Géza Egyed, strategic business management consultant of Grant Thornton, gave a lecture titled ***Does the weaker have a chance? Or small and medium-sized enterprises in the maze of law – as the independent consultant sees it***.

In his view, prevention is the most effective way of resolving disputes and problems. The aim would be to minimise the number of legal problems in the operation of the SME sector, he pointed out in his presentation. However, there is a fundamental human, subjective problem that will make this theoretical demand unfulfilled in reality, in practice. This human problem is procrastination. In addition to general human habits, the SME sector, for an objective and subjective reason, is even more exposed to face relatively large and significant legal disputes, many of which remain latent. One and a subjective cause of the emergence of legal issues affecting the SME sector is that the legal entity and the owner's personal identity is merged, the owner is an operational manager at the same time, who exercises full control over the company. This is a very special psychological phenomenon, especially when it comes to the founder, who practically sees the company as part of his or her identity. The objective causes of legal problems are primarily the limited availability of resources – knowledge, capital.

He said that the SME sector accounts for more than 90% of all domestic enterprises, employs 70% of domestic employee and produces more than half of GDP. There are a significant number of micro-enterprises in the sector, some of which were established as forced enterprises or in the purpose of outsourcing employment or are not currently operating. Small- and medium-sized enterprises are represented in the sector in a much smaller number. Together with all these, the SME sector currently represents 350-360 thousand active businesses. He pointed out that the SME sector is not a homogeneous sector, but a heterogeneous group of companies. However, despite this, broadly similar principles, a similar culture and similar subjective and objective prerequisites may be found in companies belonging to this group. One of the most important reasons for exposure of the sector to litigation is when the owner/managing director does not manage the company as an entity independent of him or her. A further problem is caused by the lack of or poor quality assurance of administrative processes, that the owner/managing director withholds confidential information, avoids internal professional discussions, does not use an expert, does not like paying for consultancy. In his view, the SME sector is characterised by resignation, pessimism, inequality of power, and limited resources. According to a survey conducted among his clients, he explained in which segments the most legal problems occur. The lecturer has described several typical lock-in situations in which dominance appears. The situation is given, the question is what solutions are available to solve this situation. However, this is not a legal issue but a tough economic issue.

Finally, he stated that prevention was perhaps the first and most important objective in order to improve the situation of the SME sector. In his view, prevention may include teaching "Corporate governance" literacy to the SME sector, allocating

EU funds into it, at an eligible cost. Greater involvement of professional chambers and industry associations would also help to achieve this objective. In addition, in the course of subsequent management of legal issues, it would be necessary in case-law to take greater account of the fact of an abuse of a dominant position, the inequality of power, in order to balance Iustitia's scales. Last but not least, it would be important significantly for the actors of the SME sector to be made aware of the possibility of alternative dispute resolution forums and the use of these forums by SMEs in resolving legal problems that arise in their operation.

This was followed by a panel discussion entitled ***Conflicts arising from generational differences in family businesses***.

Dr. Ágnes Zsitva, deputy head of civil division of the Székesfehérvár Tribunal, who spoke as a legal expert on the case. Dr. László Andói court mediator was the mediator of the case, Krisztina Hunyadi professor of the Metropolitan University, coach was the mediator expert of the panel discussion, the parties were represented by Sára Göblyös and Dr. György Rágyanszki. The discussion was moderated by Dr. Kata Tolnai, national coordinator of judicial mediation at the National Office for the Judiciary. The impulses and lessons learned experienced in a court-mediated litigation between a father and his daughter over a conflict in their joint venture were presented by participants of the panel discussion.

In the case described, as a result of a conflict arose during the operation of a family business, the 30-year-old daughter with 49% ownership, in an employee status, and holding a university degree, sued the company in order to repeal the decision that was adopted at the general meeting convened and held in an improper manner. The defendant was represented by the applicant's father, who was the owner in 51% and managing director of the company.

Pursuant to the rules of Civil Procedure Code, the acting judge offered to the litigants the possibility of resorting to mediation. During the mediation process, the emotional grievances and the lack of needs that they failed to discuss led to the initiation of the lawsuit were explored. As a result of the discussions in the mediation process, which was not about the interpretation of company law rules, the parties themselves realised what their priority is in their lives, where they had "made mistakes", when they passed each other. They set out together the goal of continuing to run the business together. Emotional conflict was processed with the help of the mediator, and as a result, they did not want to pursue the lawsuit in resolving the legal conflict. Conflicts go hand in hand with life and are part of it. A successfully resolved conflict creates harmony but, if not resolved, consumes a great deal of energy. Therefore, it matters how long it takes and what kind of storms the parties succeed in resolving the difference.

The lecture entitled ***How mediation contributes to increasing the role of family businesses in the Italian economy*** was presented by **Dr. Ivett Paulovics** (Urs Domain Dispute Case Manager, MFSD IP Dispute Resolution Center).

In her lecture, in addition to presenting the Italian rules on mediation, she outlined the key information on the order of precedence of countries' competitiveness established each year by the World Bank. The order of precedence established by the World Bank is based on various indicators, one of which is the validation of contracts. For example, they take into account the time and cost required to settle a commercial dispute in the local court of first instance and evaluate the quality of the court system. In determining the order of precedence, they also consider the length of court proceedings, the amount of litigation costs and the possibility of alternative dispute resolution. With regard to the latter, she emphasised that mediation may ensure the prompt and out-of-court settlement of disputes through proceedings tailored to the needs of the parties.

At EU level, Directive 2008/52/EC on certain aspects of mediation in civil and commercial matters contains provisions relating to alternative dispute resolution. The Directive defines the terms of mediation and mediator, which were taken over by Italian law, the detailed rules being laid down in a legislative decree. In Italy there are three types of mediation, voluntary, court ordered and compulsory; the latter group includes, for example, cases relating to tenancy, bank agreements, press litigation or inheritance. As a point of interest, she highlighted that a scholarship program was set up in Florence the aim of which is that university students help judges to select cases where mediation may be ordered. The Italian mediation system also contains financial incentives (e.g. tax relief, tax credit) and sanctions for the parties, and its further feature is that in the lawyer's contract there is an obligation to inform the parties about the possibilities of alternative dispute resolution.

In closing her lecture, she presented a legal case between two small- and medium-sized family businesses. Both companies had similar trademarks for a similar product (in one case wool and in the other silk product), partly with the same customer base. The mediator in this case was able to help create a creative solution to the dispute between the parties. Finally, the parties agreed that the silk/wool content of certain products shall be decreased (below 10%).

The mediator **Srđan Šimac**, judge at the High Commercial Court of the Republic of Croatia, presented his lecture titled ***Mediation – a strategic tool for early risk management in business disputes***.

In his presentation he pointed out that mediation is a strategic tool for early risk management of business disputes. He presented the positive aspects of it. He highlighted that family businesses have many advantages but also have to face many difficulties, such as intergenerational gap, new marriages, illnesses, divorces, etc. He mentioned that in most conflicts the parties do not communicate properly or at all, although conflicts indicate that something is not working well either in the family or in the business. Conflict is an indication for the need for change, so conflicts shall be considered as opportunities. Conflict itself is not a negative factor, it is at most a response to the conflict. He also emphasised that the primary purpose in the world of business is to reach a deal, not to pursue debates. This latter is not economical, the debate is an unproductive pastime.

Litigation is time consuming and expensive, thus litigation shall be a last resort for businesses to resolve disputes. During this, it also should be borne in mind that litigation is, in fact, a kind of "war" where aggressive confrontational tactics are ineffective because the response to them will be even more aggressive. In his lecture, he also posed the thoughtful question of what can be considered success at all in disputes? Many people believe that victory is the success, but he emphasised that in the case of a dispute, instead of winning, the focus should be on agreement and the solution, victory may only be the goal in sport. Problems should be treated as business and not legal issues. In this context, he underlined that mediation, which is not an alternative to courts but the primary route to dispute resolution, is the best tool for any type of risk and dispute resolution, whereby the parties can negotiate not in a court but in a more open environment. In the closing of his lecture he also raised the question of what may cause anyone to be unsatisfied after court judgments, at the end of proceedings. He saw, the reason for this is that the judgment terminates the business or family relationship between the parties, but the conflict between them remains forever. During mediation, the parties themselves find a solution to their conflicts and this ensures that their family relationship, partnership is maintained. He stressed that we should not treat our problems as purely legal issues, legal advice is only a possibility for solution. We should consider them as a business problem and be aware that we can achieve better results with negotiation than without it. Let us replace the desire for victory with mediation.

Dr. Zsolt Hajnal, associate professor of the Faculty of Law of the University of Debrecen, in his lecture titled ***The system of conciliation in Hungary*** emphasised the demand for uniform proceedings and application of the law and a professional approach of the conciliation boards.

In his presentation he talked about the suitability of this form of procedure and the system of consumer protection rules for the protection of consumers other than natural persons, as well as how the amendment of the Consumer Protection Act changed the system of conciliation. First, he presented the key rules governing the procedure and operation of conciliation boards. He said that the Consumer Protection Act set up a system of conciliation as a kind of model that operates along the lines of maximal enforcement of defined principles. However, over the past 20 years, this type of set of rules has been proven to be inoperable, thus changes were needed. By way of example, he pointed out that, contrary to previous practice, the set of procedures shifted in the direction of single members dealing with cases subject to simple judgment.

Concerning who can turn to conciliation boards, he said that the legislature recognised that small- and medium-sized enterprises, condominiums, non-governmental organisations may have disputes similar to those of consumers, thus allowing them to act as consumers in addition to judicial redress. The aim is to provide a forum for easier enforcement than judicial redress, however without the right to additional protection granted to consumers in civil law. He mentioned that the legislator thereby gave the companies complained the possibility of a continuing objection on the ground of the lack of competence, and that there is a requirement for a constant review by the conciliation boards to decide the capacity in which the petitioner is acting. He explained in detail the criteria used by the boards during their proceedings to distinguish consumer-entrepreneurial quality in the case of certain petitions, thus, they examine whether the service is for personal use, whether it is used for end-user purposes, how significant the business objective is, and whether the petitioner is an expert in the field of consumer litigation. He said the number of cases in which conciliation boards can provide real and effective assistance to family businesses is relatively limited. In particular, the competence of the boards may be established if the petitioner contracted for a purpose other than that of his contractors. He pointed out that the most common litigation is concerning public utility services, for example, when the seat of the business is registered in the petitioner's own home. He added that, in his view, the original intention of the legislator, in its current form, cannot be fully realised, as only a few cases pass through the "filter" of competences, therefore changes would be needed.

In the second half of his presentation he talked about how the rules of conciliation have changed recently. He said that these are primarily technical amendments and does not affect the substance of the proceedings, in particular, the rules on the selection of members changed. He mentioned that there are cases where the same case in different counties, with the same rules, the boards decide differently, which situation needs to be addressed. There is a demand from the boards for a single procedure and to provide real, professional assistance with market effects to both businesses and consumers. He added that, in his view, the changes have many positive effects, but this means a chance for renewal only if greater integration will be expected, members will take greater responsibility, boards will move towards uniform procedure, law enforcement, and predictable and consistent application of law.

Dr. Giorgi Tsertsvadze (managing partner, J&T Consulting LLC, Tbilisi, Georgia), in his lecture titled ***"Cultural obstacles to alternative dispute resolution in Post-Soviet Countries"***, first spoke about the fact that the form and content of alternative dispute resolution significantly depends on society and its culture. As is well known, private property did not exist in the Soviet Union, and this fact still affects people's attitudes towards dispute resolution. People born in the Soviet Union became accustomed to having others settle disputes in their place and, because of this mentality, certain methods of dispute resolution still do not work effectively. There are many factors that influence the ADR culture. The regulatory environment, in his view, is most helpful in raising awareness of the institution, it cannot be implemented without the support of the policy, civil society shall respond to demands, and the legal community should not consider the alternative dispute resolution as a competitor but as an opportunity.

In his lecture, he pointed out that mediation was previously thought to require no legal regulation. But this idea became by now outdated. There is a demand for the law to spread mediation so that people know that it is a legal institution. Until there was no legislation, people doubted the legitimacy of the institution, and they waited for the resolution of the state and the courts. At that time, the only answer to the question was that mediation was not prohibited by law but was not regulated. Business was sceptical about this. According to the lecturer, mediation may develop without law, especially in the beginning. However, mediation should not be over-regulated. Arbitration legislation is older than mediation. Azerbaijan was the first to support the introduction of arbitration in the region due to the presence of international companies there, which demanded this type of dispute resolution. There are several places in the region where mediation evolves differently because there is no corporate interest or lobby in legislation and no NGO under political involvement is interested in the development of alternative dispute resolution. A good example of this is Ukraine, where 11 attempts have been made to pass a mediation law in parliament, unsuccessfully, or Armenia, where, despite legislation in 2015, there are still no accredited mediators in the country.

This illustrates the obstacles to development. Thus, law can support the development of mediation by promoting it and answers the question of legality in most countries of the region. However, creation of legislation alone is not enough to introduce the institution. A further problem is that those who believe in mediation do not dare to engage in straightforward support of mediation despite legal regulations. The government should passively support the process of mediation development. In his view, this is the minimum standard that all states should follow. Excessive government support makes business sceptical.

People living in post-Soviet countries became accustomed in the past 70 years that every aspect of life is regulated by the state. There is no culture in these countries that tolerates self-expression. In the post-Soviet states, people like delegating the responsibility for decisions to the state or the court, people are afraid to make their own decisions. Because of this, it is often asked how the mediator would decide the case. However, the mediator cannot tell his opinion on the case, he can only give advice on the case; the final decision shall be made by the parties. People shall be convinced that making a decision is a good thing, even if they make mistakes. The point of mediation is that the involved parties are free to decide in setting up an agreement, agreeing or rejecting certain terms and conditions. In post-Soviet countries, two models for regulating ADR have emerged. According to the Azerbaijani model, it is mandatory to use mediation prior to the court proceedings, but not mandatory to reach an agreement. This obligation will make people more aware of mediation. In the Georgian model, mediation must take place within the framework of court proceedings by mediator judges, but this requires the training of judges. It cannot be said that one model is better than the other, both can be used in parallel, but they are not alternatives. Lawyers were hostile to mediation from the outset, with the majority stating that mediation does not help their clients or, if it does, takes away their livelihood. The judges were also afraid of mediation because if all cases can be resolved by this method, they would be left without cases. Therefore, the legal society must be convinced that in the event of choosing mediation, they do not lose any case because a bigger cake (more cases) gives everyone more slices. In Georgia, mediation by other professions (e.g. psychologist, accountant) may take place, but there is a struggle that accreditation of the activity should be restricted to lawyers only. He stressed that not all cases are suitable for mediation. Mediation works only in cases where there is a hope for a peaceful solution. If there is one kind of decision to make it is a dead end, if there are two kinds it is a dilemma, there is only a chance for mediation in case of three kinds of decision.

A lecture titled ***Solving complex problems and emotional disputes in family businesses*** was held by **Jennifer Brandt** (lawyer, mediator, Brandt Law & Mediation, New Jersey City, USA).

In her presentation, she emphasised that family businesses represent 2/3 of all businesses in the world, contributing 60-70% of the GDP of each country, and that companies employing most of the employees come also from this category. For example, 50% of employees in the USA are employed by family businesses. Some of the family businesses are worldwide, with the best known being Walmart, Samsung, BMW, Ford, M&Ms, which have a history over several generations, decades or centuries. According to a US statistical survey, 40 percent of family businesses reach the second generation, while 10-15 percent are still in operation after the third generation, furthermore, 24 percent have a female executive manager and 31 percent have a female executive manager belonging to the second generation. She pointed out that the best way to sustain family businesses is to manage and solve conflicts, especially emotional conflicts through mediation. Dealing with emotions is the key for the business and the family to survive.

Unlike other businesses, family businesses are mostly destroyed for non-economic reasons. Instead, family dynamics, emotional disputes, intergenerational and cultural conflicts, and gender inequality are the sources of failure. A family business always needs a long-term mindset, so it is in the best interest of these businesses to maintain long-term relationships in business and in the workplace as well. In a family business, it is very important to maintain a balance between family and business, which often proves very difficult. In most cases, owners tend to lose their business opportunities rather than their families. It is also typical that family values and mindset determine and convey the business model and business mindset. It is also typical that some of their profits are spent on noble purposes, which is especially important for today's generation. Preserving reputation of the family and resolving conflicts without public consultation in the event of a conflict is also important. Experience has shown that litigation does not resolve conflicts within the family but further deepen them, meaning that this way never leads to a solution. This is where mediation helps.

However, it is not enough to seek mediation opportunities when you are in trouble. It is also a key for the success of family businesses to predetermine the availability of alternative dispute resolution options, resolving disputes both within and between enterprises. In her view, it is never too late to use mediation in emotionally overheated disputes in family businesses, i.e. in any of the four types of disputes: in the case of minor conflicts (e.g. father-daughter conflict), serious conflicts (e.g. disrespect, lack or loss of communication), destabilising conflicts (e.g. aggression and separation), and conflicts escalated into "war" (e.g. litigation, termination of contracts, agreements). In the case of a generational change, mediation is also great for consulting about the vision of the entrepreneurs' children to find an heir who is happy to take over the baton, without having to automatically transfer the business to the favourite or eldest child to make it even more successful. It may also help in case the manager of the business does not share enough information with others, making exclusive and non-transparent decisions without involving other stakeholders, and in case of rivalry between heirs. The most difficult transition between roles is between family members' out-of-work and work-related roles, because, for example, the father may be the boss of the child in one person.

Mediation is not compulsory in general in the United States, but it is in some states, as in New Jersey, and it is proving to be very successful. Based on more than her 20 years of mediation experience, she believes that "the worst deal is better than the best lawsuit". In the United States, lawyers' attitudes towards mediation are very interesting: many of them fear losing their influence if they do not initiate proceedings in the court, or that mediation will reduce their income. Jennifer trains lawyers and experts in other areas (such as IT professionals) in many countries, demonstrating the benefits and techniques of mediation. She stressed that, in the same way in everyday life within a family, it is very important for family members to have technical mediation skills and apply them. Perhaps, the most important of these are learning empathy and active listening, the ability to listen to and understand one another. You do not have to be born with them, they are all skills that can be learned and further improved.

Finally, she said that it is very useful for conflict resolution of businesses if a mandatory mediation is prescribed from the outset, of which role could be played either by a third party known and respected by every member of the family. For a larger business, this can be a regular quarterly meeting with an advisory group where issues can be discussed in an independent, bias-free group. It is very important to perfectly separate the time spent with the family from work so that they can spend time sometimes when it is not allowed to talk about work. And maybe it also helps to have a family constitution, a statute that can be turned to in the event of a problem, that sets the rules, defines responsibilities, and the ways and channels of communication as well.

Economic Efficiency Mediation (EEM): Addressing Global Business to Improve Process Efficiency was the title of the lecture presented by Professor **David Weiss** (New Jersey City University and Founder & Director of the Institute for Dispute Resolution (IDR)) from the United States of America.

In his presentation, he addressed a fictitious mediator from the perspective of a business enterprise, explaining in detail the interests of an enterprise at certain stages of its business life cycle, the challenges it faces, and how mediation and the professor's new theory, EEM, will solve them. In his lecture, he emphasised that a business enterprise is not only a possibility but a risk at the same time. Basically, an enterprise is not interested in conflict but rather in creating value and predictability. However, risk may not be viewed only as an enemy, but it may also be considered by a business as a "friend". In many cases, a business can create value with business risk and can benefit from it. At the very beginning of a business, when everyone is enthusiastic about what benefits a business may bring, the potential risks shall be assessed and the necessary solutions for them shall be found. It is also essential to assess the risk itself and the cost of managing it. In other words, we have to identify the points in the life cycle when risk is "no longer our friend" and we have to prepare for these periods.

Basically, a business enterprise is very complex in structure, and versatile and diverse at the same time. The purpose of investing capital is to gain profit, to increase market share. As an enterprise, the basic goal is to create something, as an innovator to develop products and services. If we apply the same to family businesses, we can see that no matter whether they are small or large businesses, they are the foundation of societies, they sustain them and even make people's lives better.

Communication is the foundation of a successful business, which provides the company with the right information on which to base its decisions. Therefore, information symmetry should be sought, since it is not good for anyone if information just goes around and does not get to the right place, which creates information asymmetry. As information is constantly changing, it is important for a business to be able to adapt accordingly: it is so essential that it is the key to success or failure. He gave an example of a business decision when someone buys a bankrupt business. At first sight, this seems like a very risky business decision, but if we look at the business situation from multiple angles and use tools during this process that can add value to the bankrupt business, we find ourselves in a completely different situation. How can EEM help in this? – the lecturer asked.

EEM, also known as Economic Efficiency Mediation, covers a risk and conflict management policy recently developed by Professor Weiss. EEM combines economics and philosophy with the values of mediation in order to improve efficiency built into the process and to manage conflicts by incorporating a new implementation of the mediation process into all life cycles of agreements. The mediator is a third party, completely neutral, and whose role is to resolve conflicts. Mediation is a great tool, the process of which is described, limited by legal means, and is actually born as a by-product of court proceedings. In mediation, there is a value creation because, for example, bringing a conflict by the enterprise to court would create another risk, such as reputational risk. During mediation, control is not lost by the parties, they continue to be in full control of the case and, compared to court proceedings where a third person decides upon their fate, they can decide upon their own fate. This changes the mindset of businesses, thus the language of their communication. EEM can be used in traditional product and service platforms as well as in e-commerce to create a value-generating offer in order to minimise the side effects of artificial intelligence by evaluating the underlying code. Essentially, EEM will improve disproportionate risk and provide a more balanced understanding of decisions through information sharing.

Therefore, David Weiss's view is that in the case of businesses it is not the "disease" that shall be cured but must be prevented, and the new theoretical tool for this is EEM.

The last lecture of the conference, titled ***The effect and significance of economic dispute resolution in the business sector – the practical experiences of the ICC competitions***, was presented by Dr. Éva Inzelt, associate professor at the ELTE Faculty of Law, who prepared her university students for the fifth time at the ICC world mediation competition.

At the most recent ICC (International Chamber of Commerce) world dispute settlement competition, ELTE students achieved great results, finishing sixth in the field of 65 prestigious universities. Dr. Éva Inzelt is convinced that the experience of the competitions can be utilised in practice and can make Hungary more efficient by appropriate domestic transposition.

Conflict is a form of competition between people or groups of people, part of our lives, interweaves family, friends and work relationships. It occurs when two or more individuals compete for goals or limited assets that are not actually or in their perception available to all of them – the lecturer quoted Boulding's definition. Conflicts occur within a specific person, between persons – groups – organisations, but also at a social level. They can be based on their types: information, relationship, demand, value, structural, situational, or interest. The phases of the escalation of conflicts were presented by the lecturer in a graphic illustration, which showed the typical evolution of conflicts in six well-defined stages, from the signal of conflict, from the debate to the phase of exhaustion. The lecturer pointed out that the possibility of facilitation or mediation is provided in the initial stages until the parties reach a state of destructive behaviour. Conflicts also occur in business, both inside and outside the company. Organisational culture – that is, the principles and values that the members of the organisation accept and follow – significantly determines how conflicts are handled. It is a typical and well-known conflict situation in the domestic practice when the organisational culture of a national and a multinational company collide.

The lecturer raised several questions regarding the organisational culture and mentality of the citizens of Hungary, Croatia, Germany and the United States (e.g. typical power distance, individualism, masculine nature, avoidance of insecurity, long-term thinking). Participants of the conference had the opportunity to use the SmartEvents mobile application to answer questions. (There were several surprising results, but for example the audience was "guessing" that in the case of Germany and Hungary the greatest difference is in long-term thinking, Hungarians tend to plan for the short term.)

As a final thought, the lecturer stressed that mediation is an excellent way to avoid litigation. Developing the culture of conflict management in society, and building consensus in economic life, strengthens long-term economic relationships and positively impacts GDP growth. In this context, she raised the possibility or demand for state-level support for alternative dispute resolution. (For example, reviewing, amending legal conditions, expanding education.)

7 SUPPORTING TRANS-BORDER LAW STUDENTS, SZÁSZ PÁL SUMMER UNIVERSITY

Bethlen Gábor Alapkezelő Zrt., in cooperation with the State Secretariat for National Policy of the Prime Minister's Office, announced the Dr Szász Pál scholarship programme for the sixth time in 2019, the purpose of which was to enhance the education of trans-border Hungarian economic lawyers. Szász Pál Summer University was also organised as part of the programme, with the participation of 27 law students from abroad: from Transylvania, Serbia, Slovakia, the Ukraine and Slovenia. The event was organised by the Budapest Bar Association, with the professional support of the Magyar Nemzeti Bank.

The participants of the Summer University participated in internships for several weeks at different law firms, and during their internships they had three days when they listened to different lectures on Hungary, Hungarian law, highlights and novelties of the legal world, in order to have a better picture of conditions in Hungary. On 10 July 2019, they visited the central building of the Magyar Nemzeti Bank on Szabadság Square, where they had a guided tour, followed by lectures on financial and various topics, including exchange of Hungarian Forint banknotes, banknote issuance and production of banknotes and coins.

II Proceedings, outcomes

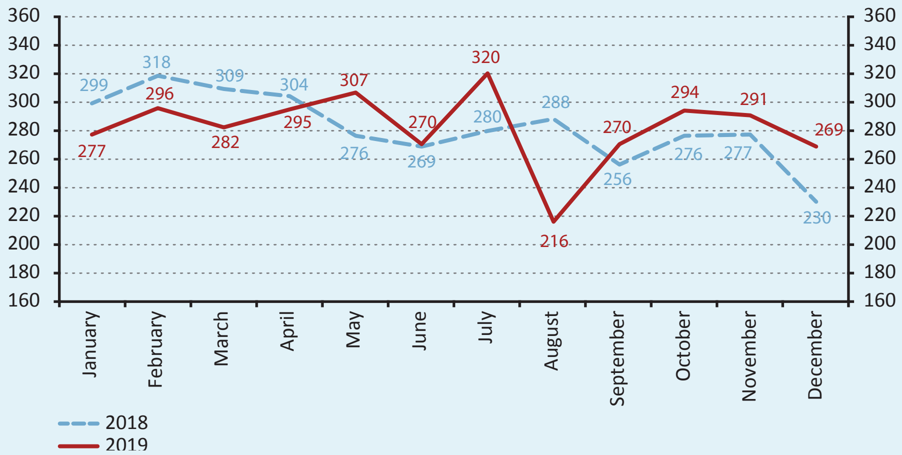
2019 was the fifth year in which the Board worked under two types of rules of procedure. It mostly acted on the basis of the rules governing the domestic and cross-border conciliation proceedings of the MNB Act, including a growing number of proceedings conducted on equitable bases and through the Union's online dispute resolution platform. However, it also had to continue to deal with its tasks, which differ greatly from the ones previously mentioned, with special rules, arising from laws on settlement and conversion into forint.

1 CONCILIATION CASES IN FIGURES

As of 1 January 2019, there were 581 pending cases in progress through the generic, i.e. domestic conciliation, equity, cross-border and online dispute resolution platform. In addition, 3,387 new petitions were received, thus the total number of cases handled during the year was 3,968.

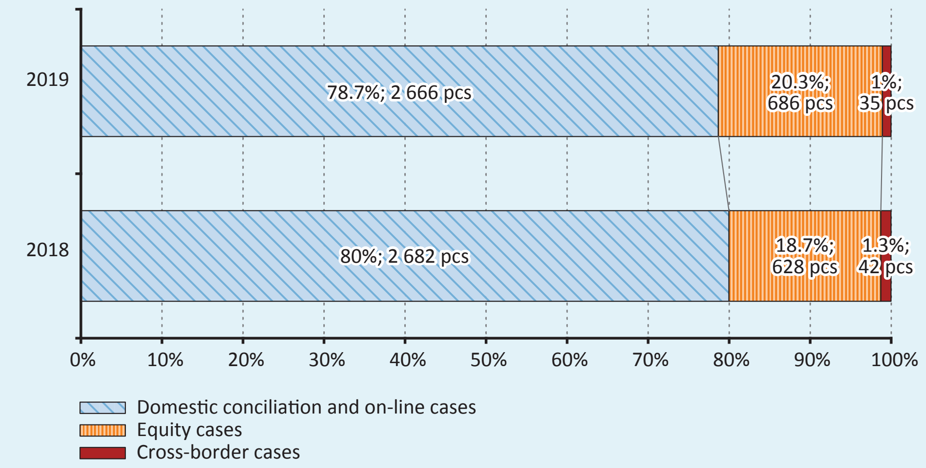
Submitted cases are shown on a monthly basis, compared to 2018, in the following figure:

Chart 1
Number of petitions received by month
(pcs)



Breakdown of received general cases by case type was as follows:
1. 2,663 domestic conciliation cases
2. 686 equity cases
3. 35 cross-border cases
4. 3 cases received through the online platform

Chart 2
Number of petitions received by case type
(pcs)



By December 31, the Board had closed 3,299 cases, with 669 cases postponed to 2020.

2 SETTLEMENT CASES IN FIGURES

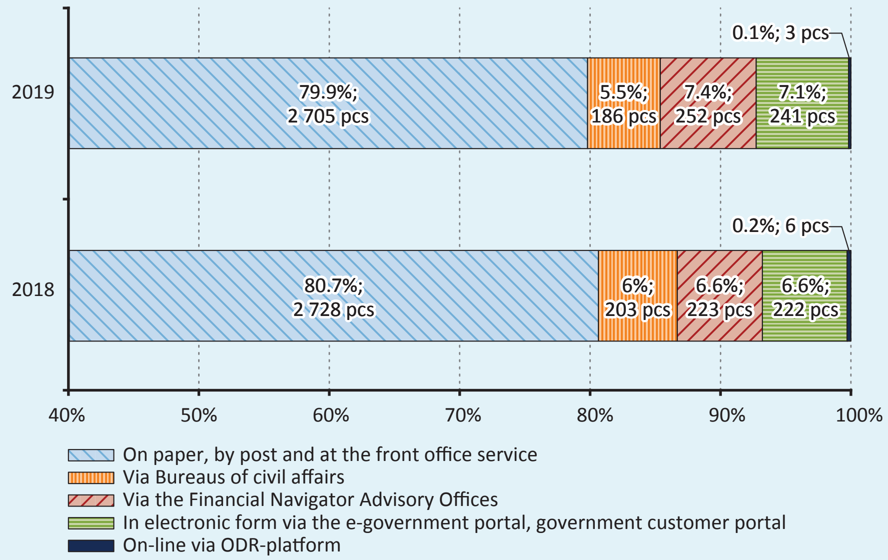
On 1 January 2019, the year started with 3 pending settlement cases, in each of which petitioners requested the determination of a correct settlement. During the year, 15 new cases were submitted, and 2 further cases were handled in renewed proceeding, resulting in 20 cases, of which 19 cases were closed by the Board by 31 December and 1 case was not completed by the end of the year.

	Case type No. 151 Determination of correct settlement	**Case type No. 152** Binding resolution to conduct the complaint procedure	**Case type No. 153** Determination of the existence of the settlement obligation	**Total**
Number of pending cases on 1 January	3	0	0	**3**
New cases	9	2	4	**15**
Repeated cases	2	0	0	**2**
Closed cases	**14**	**2**	**3**	**19**
Pending cases on 31 December	0	0	1	**1**

3 METHOD OF SUBMITTING THE PETITIONS IN GENERAL CASES

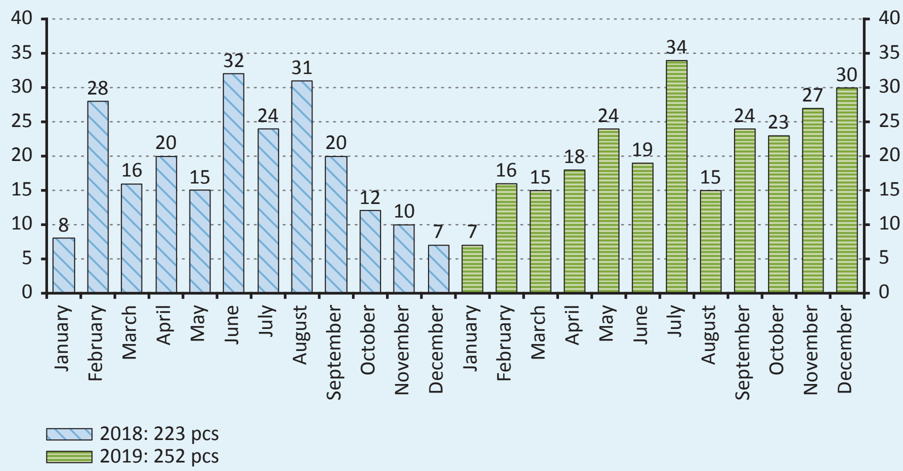
Again, petitions were submitted mostly by post or in person, but the number of petitions received via the government customer portal or the official gateway is constantly increasing.

Chart 3
Methods of submitting the petitions



There is a growing demand for assistance from the advisers of the Financial Navigator Advisory Offices. It is popular to submit petitions through the bureaus of civil affairs. The Board would like to continue to rely heavily on the involvement of both the bureaus of civil affairs and financial advisors. It trains and provides the administrators there with assistance in order to best serve the people contacting them.

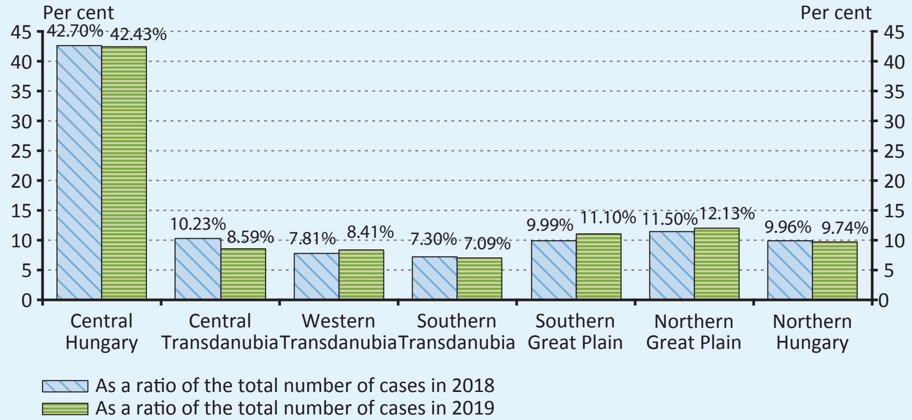
Chart 4
Petitions prepared by the Financial Navigator Advisory Offices
(pcs)



4 BREAKDOWN OF PETITIONERS BY PLACE OF RESIDENCE IN GENERAL CASES

The residents of Budapest and Pest County still represented the highest proportion of petitioners who turned to the Board for the resolution of their financial consumer disputes. Their proportion among all petitioners came to 42.4 per cent. Compared to the previous year, there was an increase in the West Transdanubian and Southern Great Plain and Northern Great Plain regions.

Chart 5
Distribution ratio of the petitions submitted, broken down by region of the petitioners' residence



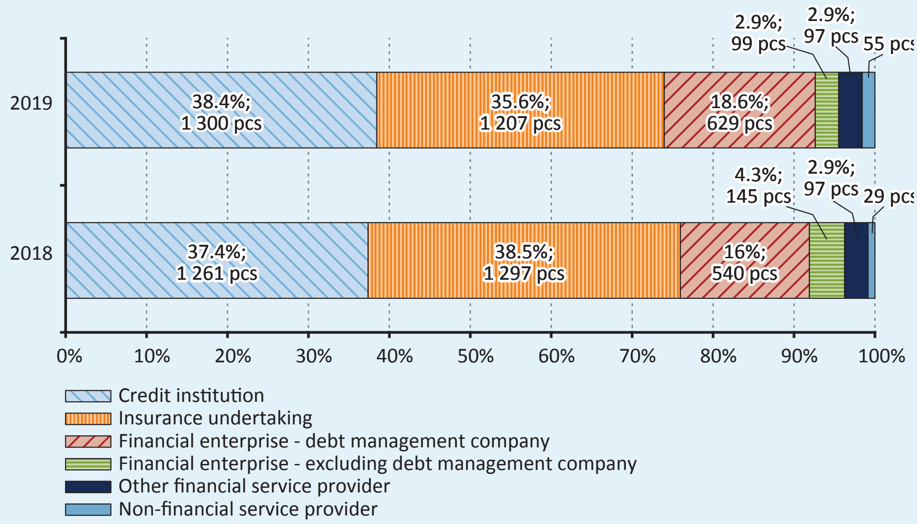
The ratio of the submissions by petitioners residing in Budapest and Pest County exceeded the total population ratios calculated by the CSO every year since the Board had been established. In 2019, the same could be observed among the population of Zala County.

Petitions received by region of residence of petitioners	2018		2019		As a ratio of the total population (HCSO data)
	Number of cases	As a ratio of the total number of cases	Number of cases (pcs)	As a ratio of the total number of cases	
Bács-Kiskun	121	3.58%	123	**3.63%**	**5.27%**
Békés	97	2.87%	127	**3.75%**	**3.93%**
Baranya	130	3.84%	107	3.16%	3.66%
Borsod-Abaúj-Zemplén	178	5.26%	189	**5.58%**	**6.91%**
Budapest	919	27.17%	902	26.63%	17.28%
Csongrád	120	3.55%	126	**3.72%**	**4.22%**
Fejér	142	4.20%	128	**3.78%**	**4.26%**
Győr-Moson-Sopron	106	3.13%	110	**3.25%**	**4.47%**
Hajdú-Bihar	168	4.97%	175	**5.17%**	**5.40%**
Heves	96	2.84%	81	**2.39%**	**3.11%**
Jász-Nagykun-Szolnok	76	2.25%	83	**2.45%**	**3.90%**
Komárom-Esztergom	101	2.99%	78	**2.30%**	**3.12%**
Nógrád	63	1.86%	60	**1.77%**	**2.04%**
Pest	525	15.52%	535	15.80%	12.26%
Somogy	65	1.92%	84	**2.48%**	**3.20%**
Szabolcs-Szatmár-Bereg	145	4.29%	153	**4.52%**	**5.59%**
Tolna	52	1.54%	49	**1.45%**	**2.33%**
Vas	63	1.86%	66	**1.95%**	**2.59%**
Veszprém	103	3.05%	85	**2.51%**	**3.58%**
Zala	95	2.81%	109	**3.22%**	**2.88%**
Külföldi	17	0.50%	17	**0.50%**	
Ügyek összesen	**3,382**	**100.00%**	**3,387**	**100.00%**	**100.00%**

5 SERVICE PROVIDERS INVOLVED IN CONSUMER DISPUTES IN GENERAL CASES

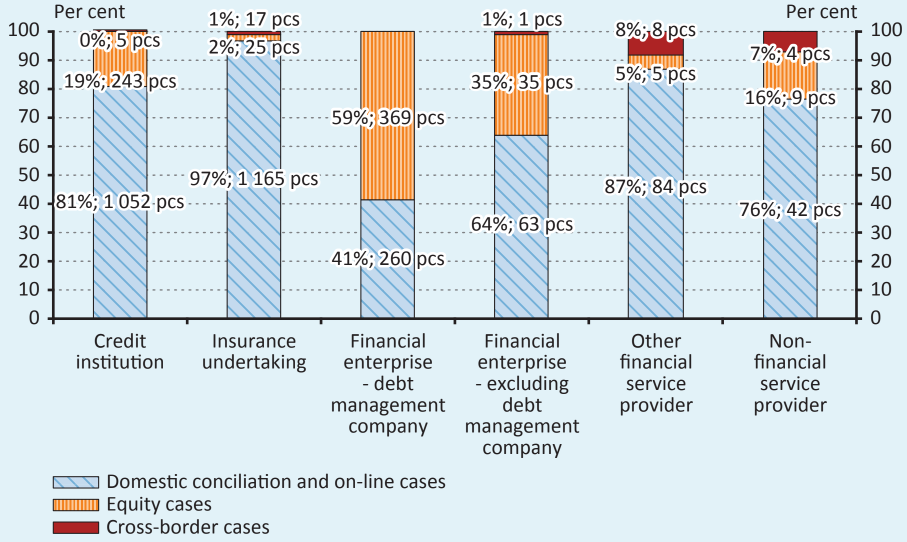
Customers of credit institutions and insurance undertakings continued to seek the highest number and proportion of remedies. The proportion of cases with debt management companies increased by 2.6 percentage points compared to the previous year.

Chart 6
Types of financial service providers in the petitions



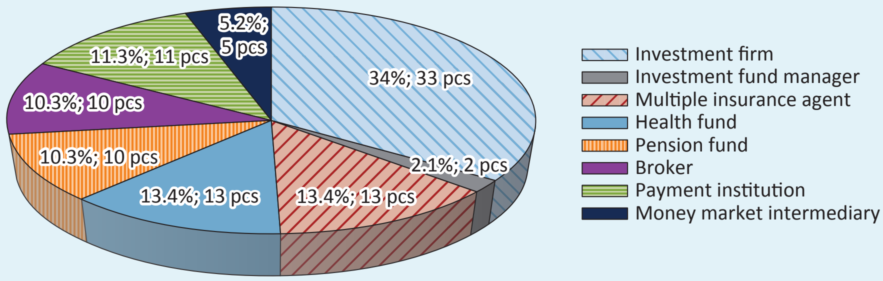
Each service provider was affected by certain case types as follows:

Chart 7
Ratio of case types by service provider type



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

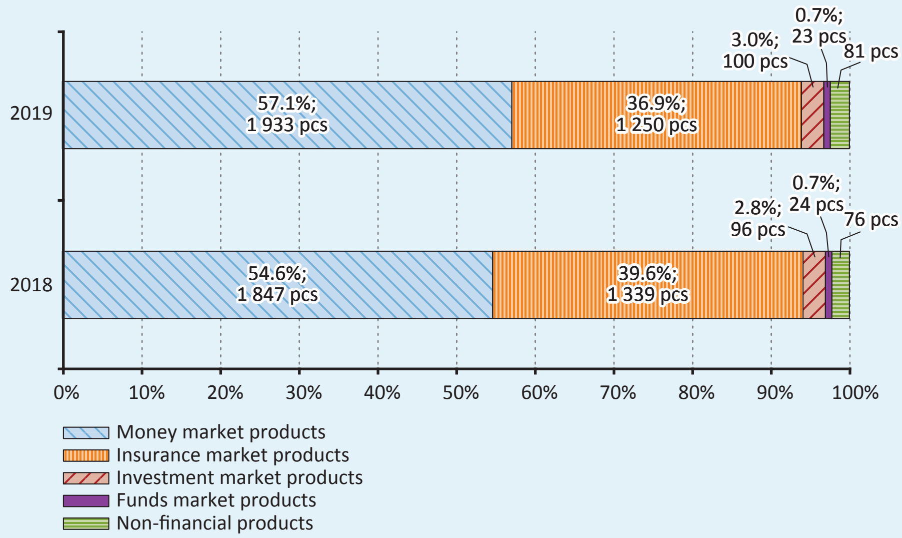
Chart 8
Other financial service providers



6 PRODUCTS INVOLVED IN PETITIONS BY SECTORS IN GENERAL CASES

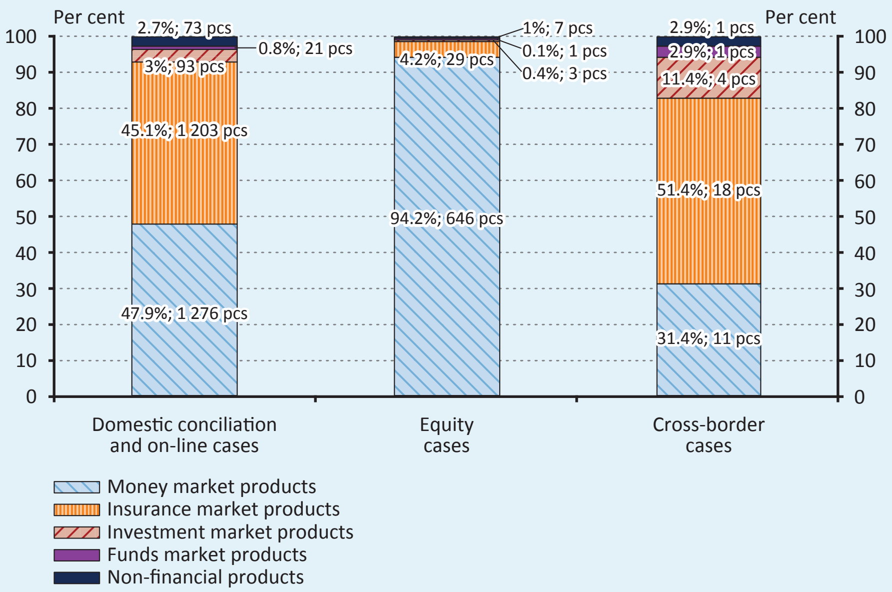
The number of money market cases continues to remain the highest (1,933 cases), followed by insurance cases (1,250 cases). The number of investment services cases grew, and the litigation concerning funds was one less than in the previous year.

Chart 9
Products involved in petitions by sectors



The breakdown by case type for the products covered by petitions was as follows:

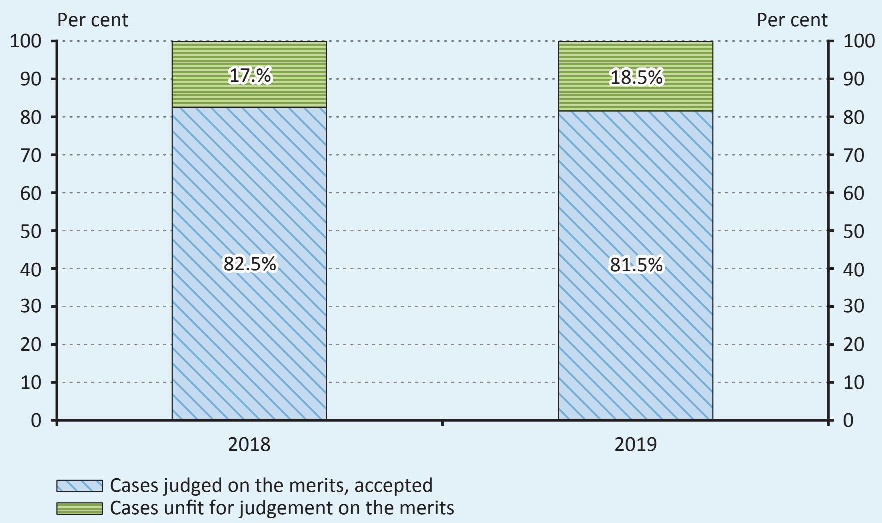
Chart 10
Products involved in petitions by case type



7 ACCEPTANCE RATIO IN GENERAL CASES

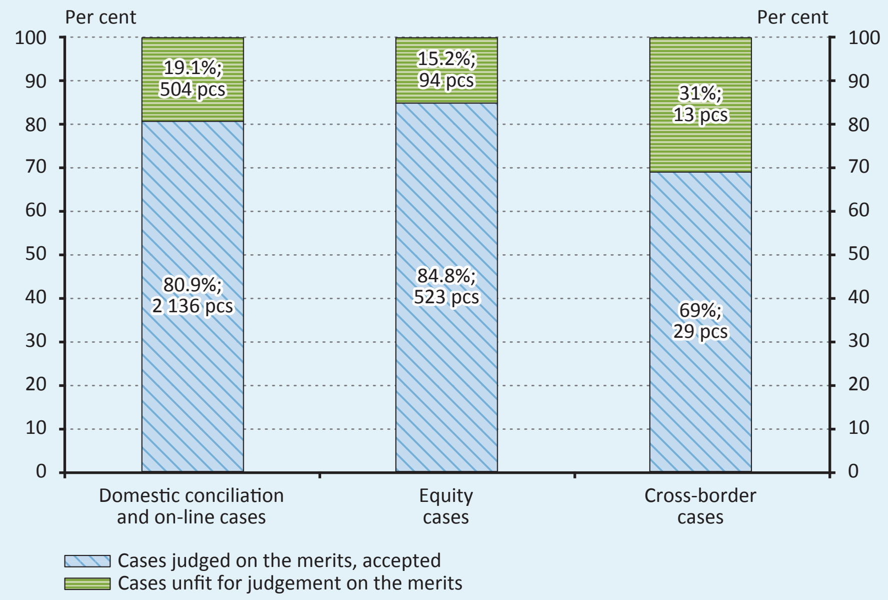
81.5 percent of the petitions, with or without supplementation, were suitable for acceptance and the proceedings could be initiated upon receipt of the petition. 87 percent of the petitions submitted with the assistance of a member of the Network of Financial Navigator Advisory Offices (PNTI), 88 percent of the petitions received through the government customer portal, the official gateway and the bureaus of civil affairs, and 100 percent of the cases received through the online platform were acceptable.

Chart 11
Acceptance ratio in general cases



Within the general cases accepted, the proportion of each case type was as follows:

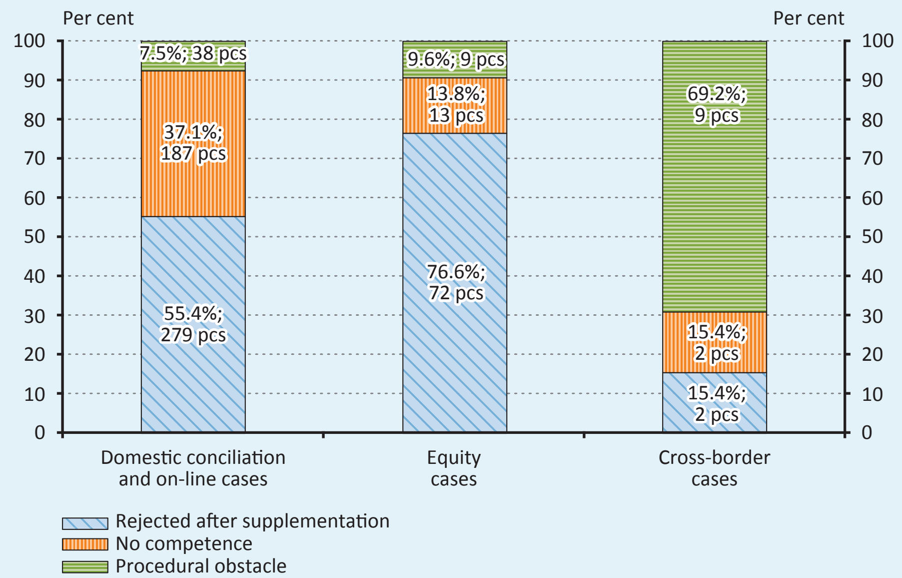
Chart 12
Acceptance ratio in general cases by case type



8 GENERAL CASES UNFIT FOR JUDGEMENT ON THE MERITS

611 cases had to be closed without acceptance. Possible reasons for rejection include the failure to comply with the request for supplementation, the lack of competence or procedural obstacle. The highest number of refusals due to the failure to comply with the call for supplementation remained unchanged, accounting for 57.8 percent of all refused general cases. The rejection rate due to the lack of competence was 33 percent. Termination due to procedural obstacle is the smallest. The proportions differ for each case type. In equity cases, the proportion of cases after complying with the call for supplementation is higher. In cross-border cases, the reason for termination in the highest rate was the absence of submission as a procedural obstacle.

Chart 13
Reasons for rejection in petitions unfit for judgement on the merits, by case types



As regards general cases, 353 cases were rejected after complying with the call for supplementation. In 112 cases an answer to the call for supplementation was received, but in several cases, it was not sufficient to initiate proceedings. In 241 cases, the proceedings were terminated due to the lack of response to the call for supplementation. Telephone inquiries revealed that in many cases this was due to agreement between the parties.

Failure to comply with or inadequate compliance with the call for supplementation	**2019**
Cases closed during the period without acceptance	**611**
... of which rejected after complying with the call for supplementation	353
Reasons for rejection:	
Answered to the call for supplementation	112
Agreed with the service provider	12
Unfit for acceptance	45
Complaint was not confirmed	55
No answer to the call for supplementation	241
Agreed with the service provider	20
No complaint procedure	44
Other reasons	72
Reason unknown	105

Numbers of general cases closed without judgement on the merits are shown in the following table, by reasons for closing:

Érdemi elbírálás nélkül lezárt ügyek lezárási okok szerint		**Ügyszám**	**Arány**
1.	Closed due to **procedural obstacles**, of which:		**9.17%**
1.1	prior to submitting the petition the consumer failed to try to settle the dispute or did not submit a petition of equity without success (Section 102(1))	12	1.96%
1.2	the parties commenced, for the same right arising from the same factual base		
1.2.1	a) proceedings at the Financial Arbitration Board (Section 107 point aa)), or	21	3.44%
1.2.2	b) a mediation procedure (Section 107 point ab)), or	0	0.00%
1.2.3	c) there is litigation in progress or a final judgement has already been passed on the subject thereof (Section 107 point ac))	4	0.65%
1.3	in respect of a case between the parties arising from the same factual base being conducted for the same right a warrant for payment has been issued (Section 107 point b))	12	1.96%
1.4	the dispute is frivolous or vexatious (Section 107 point c))	0	0%
1.5	in a cross-border financial consumer dispute, the service provider did not submit itself to the Board's proceeding (Section 126(1))	7	1.15%
2.	the case does not qualify as a consumer dispute, or the Financial Arbitration Board has no competence to judge the dispute due to other reasons (Section 107 point d))	**202**	**33.06%**
3.	the petitioner failed to comply with the call for supplementation as specified in (Section 104(5), within the deadline (Section 107 point e))	**353**	**57.77%**
	Total		**100.00%**

9 OUTCOME OF CLOSED CASES FOLLOWING JUDGEMENT ON THE MERITS

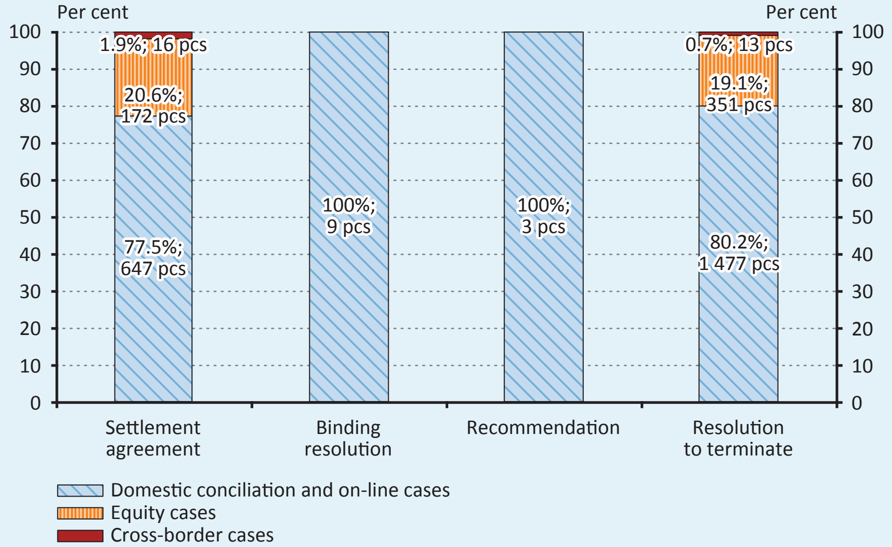
Outcome of general cases

Out of a total of 3,968 general cases handled during the year, the Board closed 2,688 cases following judgement on the merits. 835 settlement agreements, 9 binding resolutions and 3 recommendations were issued, representing 31.5 percent of the 2,688 cases closed after acceptance.

Outcome of closed general cases following judgement on the merits		
Outcome of closed cases	**Number of cases (number)**	**Ratio**
Settlement agreement	835	31.06%
Binding resolution	9	0.33%
Recommendation	3	0.11%
Resolution to terminate	1,841	68.49%
Total	**2,688**	**100%**

The outcomes were as follows by case type:

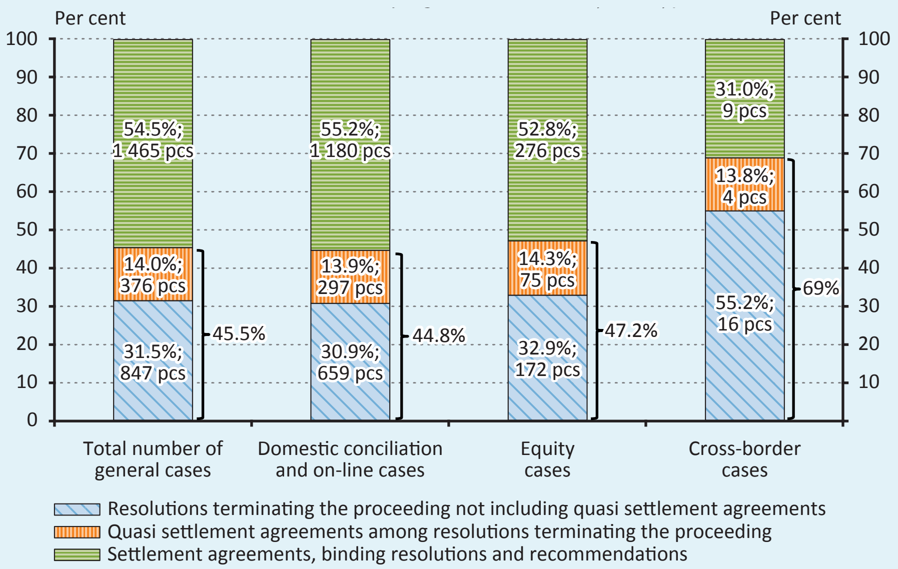
Chart 14
Ratio of case types in decisions



Settlement agreements and quasi settlements in general cases

The proportion of settlement agreements reached was the highest in cross-border cases. Decisions terminating proceedings, for which there is no settlement agreement, represent an ever-smaller proportion. 69% of cross-border cases, 44.8% of domestic conciliation and online cases, and 47.2% of equity cases resulted in a favourable outcome for petitioners, including the so-called formal settlement agreements approved by the Board as well as cases terminated formally and constituting a settlement agreement.

Chart 15
Outcome of the cases judged on the merits by case type



As regards the performance of the settlement agreement reached, of the 835 settlement agreements, the 60-day deadline for the confirmation of fulfilment expired in 684 cases. In respect of only nine resolutions approving settlement agreements did the financial service providers declare that they were unable to fulfil the obligations undertaken in the resolution. It was due to the fact that the petitioner failed to fulfil its payment obligation.

The requirements included in the settlement agreement was fulfilled within the deadline in 98.7 percent of the cases.

Binding resolutions and recommendations in general cases

Credit and lending case

The petitioner disputed the legality of the claim. Not only the debt management company but also the legal predecessor financial service provider of the loan was involved in the proceedings, which allowed for a full clarification of the facts. According to this, the petitioner's late father entered into a loan agreement with the legal predecessor financial service provider and then, following his death, the insurance undertaking provided cover under a payment protection insurance related to the loan agreement. However, the amount paid by the insurance undertaking did not fully cover the debt registered by the financial service provider, so the service provider and then the debt management company, after the assignment, called on the petitioner to pay the remaining debt as the heir of the deceased debtor. The petitioner requested the cancellation of the debt and the closing of the case. The Board found, inter alia, that the financial service provider, in accordance with the contractual provisions, did not act properly when it continued to record the debt in foreign currency following the death of the late debtor, charged instalments and management fees as part of it, and charged unauthorised overdraft interest. In the Board's view, the amount received from the insurance undertaking exceeded the amount of the contractual debt, calculated in accordance with the contractual provisions, thus the petitioner's claim to contest the debt was found to be well founded. The debt management company made ad hoc submission declaration during proceedings. The binding resolution obligated it to close the case and, as a result of this case, not to pursue any claim against the petitioner and to inform the petitioner thereof in a duly signed statement sent by post as a certified mail. The debt management company complied with the binding resolution.

Housing savings deposits case

In 2017, the petitioner withdrew its original beneficiary nomination, and after October 2018, after the amendment to the law, submitted a declaration regarding the change of the beneficiary. The financial service provider claimed that it was informed by the Treasury that since the petitioner's tax number is "reserved" for another identical product, no state aid can be obtained based on the contract, and there is no way to change the beneficiary, thus, the financial service provider can pay only the savings without state aid. The petitioner applied for a state aid credit for the entire savings period. The Board stated in its decision that the petitioner is entitled to make a beneficiary nomination statement after the amendment to the Act, under which the financial service provider shall, in accordance with the relevant legal provisions, take action to report to the Hungarian State Treasury and to apply for state aid. The Board obligated the financial service provider to declare the beneficiary as specified in the applicant's letter of amendment to the Hungarian State Treasury and to claim back the state support returned by the financial service provider to the Hungarian State Treasury. The financial service provider complied with the binding resolution.

Ordinary deposits case

In 2008, a deposit agreement was concluded between the petitioner and the financial service provider, on the basis of which the petitioner placed a deposit of HUF 200,000 on an ad hoc basis with a maturity period of 360 days. According to the contract, after the expiry of the deposit period, the contract is terminated, and the deposit no longer receives interest. Any amount not received by the depositor at maturity shall be held in custody by the financial service provider after termination of the contract. It is stipulated in the GTC that the claim for the repayment of the amounts deposited and the payment of interest will not expire. In the petitioner's view, he[1] did not withdraw the amount, claimed that he had the original deposit document and requested payment of the deposit with interest. The financial service provider stated that the relevant documents were no longer available and could not be made available due to legal requirements because the deposit was repaid before the maturity date, and the business relationship with the petitioner was terminated. It attempted to justify the payment by attaching a screenshot of an anonymised customer, which was not accepted by the Board and obliged the service provider to pay the requested deposit amount and interest thereon. The financial service provider has appealed (objected) against the decision, but the lawsuit could not be initiated in the absence of the petitioner's action, i.e., no action submitted.

Life insurance case

For a life insurance established in 1990 between the petitioner and the predecessor of the financial service provider, the applicant made a payment of HUF 10,000 in 2018, and then a payment of HUF 3,000,000. On the basis of the two payments, the financial service provider posted the amount of HUF 100,000 to the contract and then returned the remaining amount of HUF 2,910,000 to the petitioner. According to the financial service provider, the payments could have resulted in a change in the amount of risk exceeding HUF 100,000, thus, it was entitled to carry out a risk assessment under the relevant rules and to reject, in whole or in part, any request for a change in the benefits accordingly. The petitioner emphasised in his application that the life insurance was established without the risk insurance amount, the payment increased only the amount of capital, in which case the financial service provider has no possibility to refuse, the service provider guarantees an annual interest of 7% on the capital value of the insurance. The Board found that the payments made by the petitioner did not affect the life insurance risk amount, thus the service provider was therefore not entitled to conduct a risk assessment and to refuse the payment. The Board required the service provider to accept the declined payment and to account for any interest accrued in the meantime. The service provider has raised objections to the statutory binding resolution.

[1] Petitioner hereinafter referred to as „he".

Accident insurance case

The petitioner, as the contracting and insured party, made an offer to the service provider for the conclusion of an accident and health insurance contract through a broker and paid a fee corresponding to the written premium. The Financial Service Provider did not respond to the offer within 15 days and then rejected the offer within 60 days on the basis of its risk assessment requirements and returned the fee paid. The insurance undertaking and also the insurance broker were involved into the proceedings by the petitioner. In his application the petitioner complained that the insurance undertaking did not reply to his offer within 15 days, in his view the insurance contract had been concluded, requested that the insurance undertaking be obliged to send the relevant policy, to order the broker for compensation if the offer was not submitted to the insurance undertaking in due time and with the right content. During the proceedings, the service provider claimed that the evaluation of the offer was subject to a health risk assessment and therefore it had 60 days to evaluate it. The broker confirmed that he forwarded the offer on the appropriate form, on the basis of the petitioner's replies, with the payment of the required fee. The Board determined that the deadline for the insurance undertaking to make a declaration is, as a general rule, 15 days from receipt of the offer, exceptionally, if the offer is subject to a health risk assessment, 60 days. However, the insurance undertaking may only rely on this if it informed the contracting party of this in advance and there is not only an opportunity for the investigation, but it is actually carried out. The Board obligated the insurance undertaking to issue, within 15 days and in accordance with the contents of the petitioner's offer, a certificate of insurance coverage and send it to the petitioner. He did not find the claim for secondary damages against the broker to be well founded. The financial service provider complied with the binding resolution that was based on statutory submission.

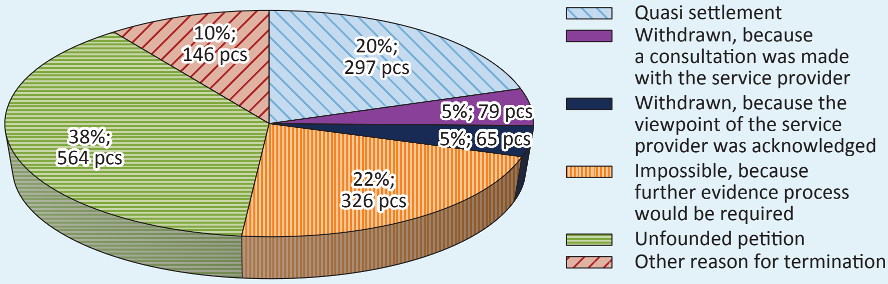
Payment services cases

In the cases of unapproved payment transactions concerning payment accounts and the use of non-cash payment instruments, the Board issued 4 binding resolutions and 3 recommendations. In the specific cases, the petitioners noticed that transactions which they did not approve and did not initiate were charged to their accounts. Following an unsuccessful complaint procedure with the financial service providers, they requested in the proceedings in front of the Board to get reimbursed with the amount of the disputed transactions by the financial service provider. In the relevant proceedings, the Board found that the transactions qualified as unapproved payment transactions and that service providers were subject to the reimbursement and recovery obligations specified in the Payments Act. In its decisions, the Board stipulated that financial service providers shall reimburse the amounts under unapproved payment transactions to the petitioners and, with respect to the payment account, shall restore the pre-debit status, provided that the value date of the credit cannot be later than the date on which the unapproved payment transaction was completed. In two cases, the financial service provider complied with the binding resolution; in the other two cases, it opposed by lodging a statement of opposition that led to litigation. In one case, the financial service provider complied with the recommendation, and in two cases it challenged them.

Resolutions terminating the proceeding in general cases

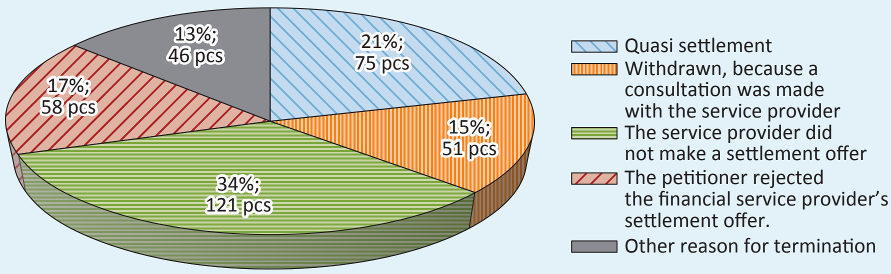
The Board closed 1,841 cases by resolutions terminating the proceeding. Of these, 376 cases were out of procedure so-called quasi-settlements, of which 297 were concluded in conciliation cases, 75 in equity cases and 4 were related to cross-border services. In domestic conciliation and online cases, 79 cases, and in equity cases, there were 51 cases in which the parties requested the proceedings to be terminated because they initiated consultation with each other.

Chart 16
Reasons for termination in domestic conciliation and online cases



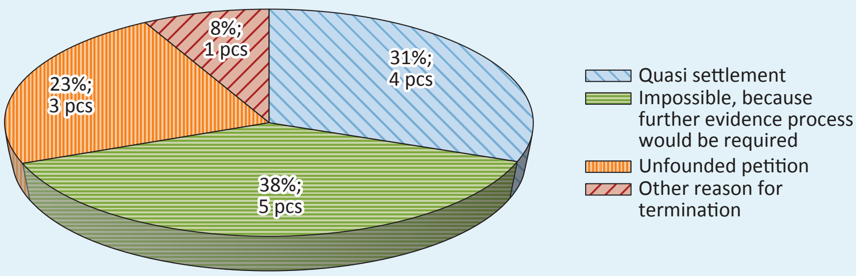
As a result of the mediation proceeding in equity cases, 21% of the termination decisions were settled by quasi-agreement, and in 15% of the proceedings the parties began consultations in order to find a solution. In 17% of the terminated proceedings, the petitioner did not accept the settlement proposal made by the service provider.34% of the cases were terminated because the service provider did not make an offer to the petitioner in order to resolve the matter.

Chart 17
Reasons for termination in equity cases



In cross-border cases, out-of-procedure settlements were concluded in 4 cases, and in another 5 cases the need for evidence taking processes were the reasons for rejections.

Chart 18
Reasons for termination in cross-border cases



Outcome of the cases of settlement and conversion into forint

Out of 19 closed cases, the Board reached one settlement agreement, in two cases binding resolutions were made by the Board, and in 16 cases the proceedings were terminated.

Closed settlement cases					
Outcome of closed cases	**Case type No. 151 Determination of correct settlement**	**Case type No. 152 Binding resolution to conduct the complaint procedure**	**Case type No. 153 Determination of the existence of the settlement obligation**	**Total**	**Ratio**
Resolution on a settlement agreement	1	0	0	**1**	5%
Binding resolution	2	0	0	**2**	11%
Resolution terminating the proceeding	11	2	3	**16**	84%
Total number of cases closed	**14**	**2**	**3**	**19**	100%

10 LEGAL REMEDIES, DECISIONS CONTESTED IN COURT

Contrary to certain decisions made by the Board, the Act on the Magyar Nemzeti Bank provides for two types of remedies, while the Settlement Act provides a third type of remedies for settlement cases. Since the establishment of the Board, i.e. from 1 July 2011, pursuant to Section 116 (2) (3) of the MNB Act, there is a legal possibility to apply to the Metropolitan Court for the annulment of binding resolutions and recommendations. This shall be possible within fifteen days of service on the party if:

a) the composition or operation of the panel did not comply with the provisions of this Act,
b) the Board had no competence on the case,
c) the petition would have been rejected without a hearing.

Since 1 January 2017, the Board may, even in the absence of a settlement agreement, issue a binding resolution if the financial service provider concerned did not make a submission declaration, but the petition is substantiated and the consumer's claim to be enforced – either in the application or when making a binding resolution – does not exceed one million forints. This is the so-called obligatory or statutory submission, under which there is a different remedy against the decision taken. This remedy is ensured by the rules set out in Sections 121-122 of the MNB Act, which state that the financial service provider concerned may object within 15 days of the disclosure date of the decision and if it arrived on time and has no grounds for refusal (i.e. the Board does not reject it), due to the statement of opposition submitted the proceeding will result in a lawsuit in which the Board will not participate as a party. A statutory binding resolution has already been introduced by the Board in several cases since its existence, and some were also subject to legal remedies.

The third type of remedy under the Settlements Act orders, in settlement cases, non-litigious court proceeding as a possibility for remedy in front of the district court operating at the area of the tribunal having jurisdiction based on the consumer's residence. These non-litigious proceedings take place in writing, do not require personal appearance, and may result in approval of the Board's decision, its annulment and new proceeding ordered to the Board to conduct (renewed proceeding), annulment and re-decision. Information on remedies available in foreign currency and forint-denominated settlement cases and forms for initiating non-litigious proceedings can be found at the link below: https://birosag.hu/polgari-eljaras/nyomtatvanyok/deviza-es-forinthitelek-elszamolasi-es-forintositasi-jogorvoslatai

On 1 January 2019, there were two pending lawsuits, of which one was closed during the year, and, in view of the number of lawsuits initiated during the year, there were three pending lawsuits on 31 December 2019. The subject of all three lawsuits pending on 31 December 2019 is the Board's recommendation by which the Board recommended the concerned bank to reimburse the petitioner, within 15 days, with the amount resulting from the payment transaction(s) unapproved by it. Furthermore, as regards this amount, the bank shall restore the pre-debit status, provided that the value date of the credit cannot be later than the date on which the unapproved transaction was completed.

In two cases, the court of first instance dismissed the bank's action. The court found, on the one hand, that the disputed payment transactions were transactions not approved by the petitioners and, on the other hand, that the bank failed to prove that the petitioners acted with serious negligence in or prior to the payment transactions. An appeal lies against the decisions.

In a review proceeding following a litigation against further recommendation, the Curia of Hungary, as a review court, annulled the second instance, final decision that was unfavourable to the Board, and ordered the court of second instance to conduct a new proceeding and re-decide. The Curia shared the Board's view that the court of second instance reached a formal view when it considered that the recommendation did not comply with the law because the petitioner did not fill out the petition form properly and therefore the Board should have issued a call for supplementation and, in the absence of the supplementation, should have terminated its proceeding. According to the order of the Curia, the court of second instance, in the renewed appeal proceedings, will have to take a position on the merits against a judgement of first instance within the framework of the appeal lodged by the Board and of the defence because it has not happened so far.

In 2019, a court decision arrived that closed the case definitively and with success on claims accepted on a recommendation made by the Board.

In a pending review proceeding, the Curia upheld the final judgment favourable to the Board, pointing out that the subject of the Curia's investigation may only be a potential violation in respect of which the party requesting the review specifically identified the legal provision that, in his view, is violated by the final judgment. The claimant in the lawsuit was a bank, the disputed payment transactions, which occurred in many cases by withdrawing cash from the account holder's account using the account holder's identity card, were considered as unapproved payment transaction. The customer concerned was not charged with gross negligence in the payment transactions.

Non-litigious proceedings in settlement cases

In disputes linked to loans denominated in foreign currency, foreign currency denominated and HUF loans, 10 petitions for instituting non-litigious proceedings were submitted. The Board was notified by the competent courts about 10 finally concluded non-litigious proceedings.

In the period between 2015 and 31 December 2019, legal recourse was sought in a total number of 2,467 cases. In 2,453 of these cases the acting courts reported a final decision, while in 14 cases non-litigious proceedings were not yet closed in front of the competent courts.

Of all non-litigious proceedings resolved with a final judgement between 2015–2019, the competent courts rejected the petitions without substantial investigation in 603 cases. In 82% of the 1,850 final judgements (1,513 cases) made as a result of review as to substance the courts upheld the Board's decisions, while in 255 cases (14%) the court obliged the Board to conduct renewed proceedings.

11 NUMBER OF HEARINGS IN GENERAL CASES

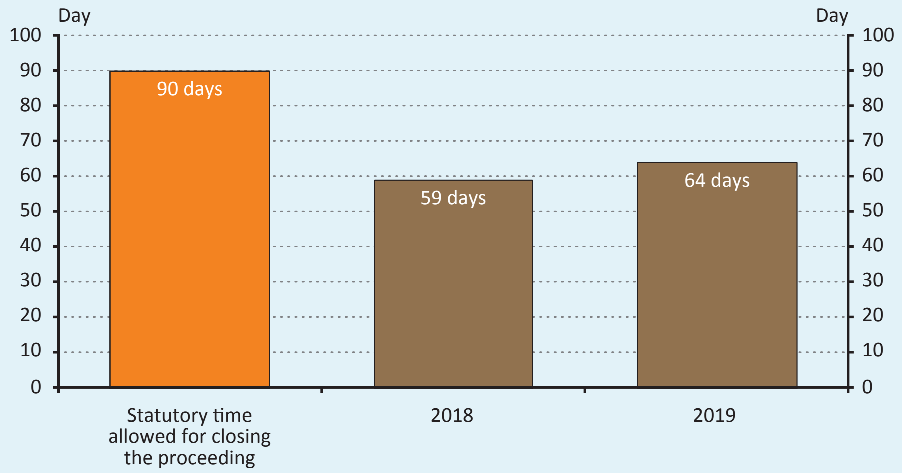
During the year, 2,667 hearings were held, of which in 2,267 cases a Board member acted alone, and there were conciliations 400 times by a panel of three.

Number of hearings			
	Total number of hearings	**Individual**	**Panel**
First hearings	**2329**	2004	325
Continued hearings	**338**	263	75
Total number of hearings	**2667**	**2267**	**400**

12 AVERAGE LENGTH OF PROCEEDINGS

Section 112 (5) of the MNB Act orders that the proceeding must be concluded within ninety days from the launch thereof. The Chair of the Board may prolong this deadline by no more than thirty days.

Chart 19
Average length of proceedings



In 2019 the closing of financial consumer disputes brought to the Board took 64 days on average. Domestic conciliation and online cases were closed in an average of 63 days, equity cases in 67 days, and cross-border cases lasted for 76 days.

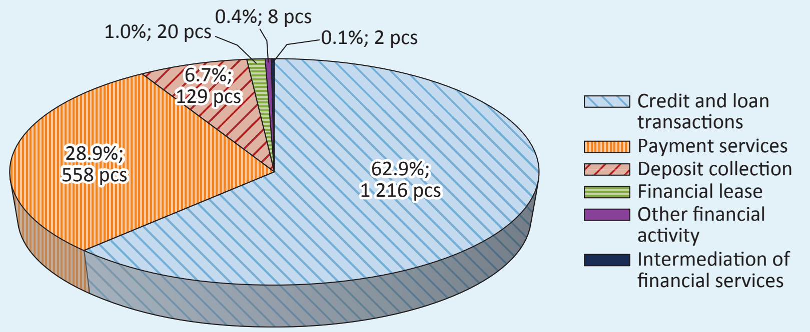
On average, settlement cases required 101 days to be closed.

III Analysis by sectors

1 LEGAL DISPUTES RELATED TO MONEY MARKET SERVICES

In 2019 also, as in most previous years, cases in the money market sector represented the highest number and proportion of cases. 57 percent of the requests were due to a dispute over the services of a money market participant. The number of petitions linked to money market services was 1,933, up by 4.6 percent compared to the previous year. Most of the money market cases concerned the provision of credit and cash loans.

Chart 20
Number of money market cases received

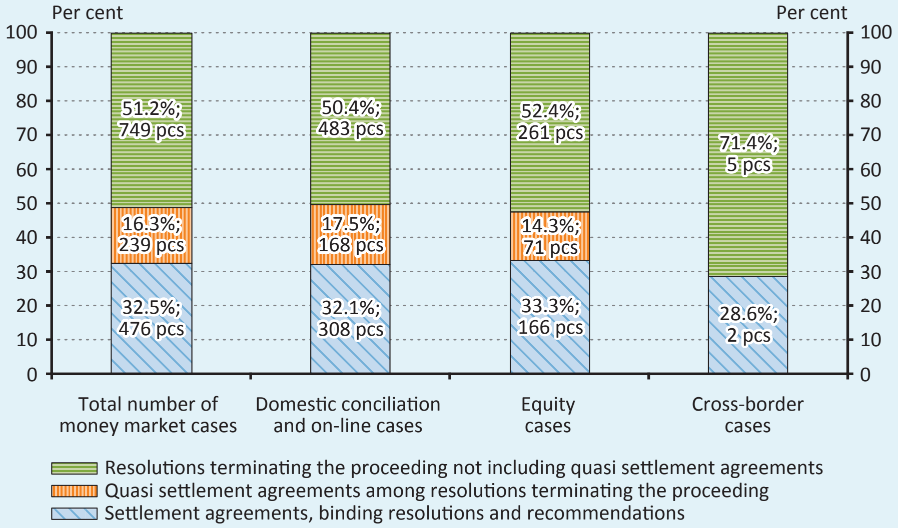


Two thirds of the money market cases were domestic conciliation and online cases, and one third belonged to the equity case type. 11 petitions were submitted as cross-border cases. In 351 of the 1,815 closed money market cases, the Board had to reject the petitions without a hearing, due to the lack of competence, procedural obstacle or failure to comply with the request for supplying missing information.

In 32 per cent of the petitions submitted – in 466 cases – the parties reached a settlement agreement. Binding resolutions in 7 cases and recommendations in 3 cases were issued. In a further 239 cases settlement agreements were reached between the parties outside the proceeding, or the financial service provider, having revised its former position, voluntarily granted the petitioner's request in full. In these cases, although the proceedings were terminated at the parties' joint request or at the petitioner's one-sided request, the petitioner's demand was still satisfactorily settled. Overall, 48.8 percent of the petitions submitted concerning the money market ended with a positive result for the petitioners.

A total of 1464 money market cases were closed following judgement on the merits, the distribution of which by decision type, also in each case type, is shown in the following figure.

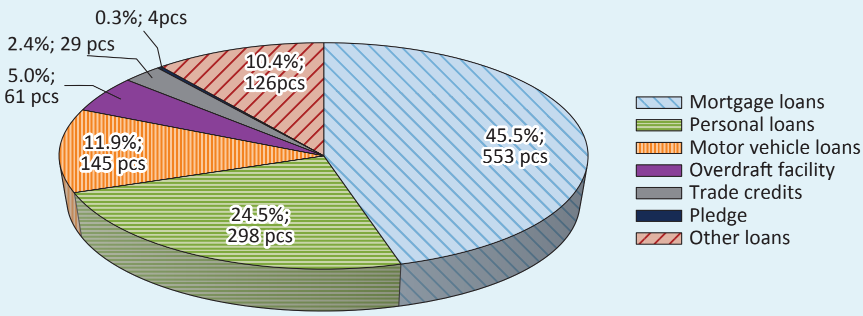
Chart 21
Closed money market cases by case type



1.1 Lending

More than 62 percent (1,216 cases) of the cases concerning the money market sector related to lending, of which almost half of the petitions related to mortgages. In terms of number of petitions, petitions for mortgage loans were followed by submissions related to personal loans, car loans, overdrafts and commodity loans.

Chart 22
Number of lending cases submitted



By the end of the year, the Board closed 1,138 general cases relating to lending. Among the 894 cases judged on the merits, there were 262 settlement agreements approved in a resolution, which means 29.3%. In addition, one resolution was also issued. In a further 155 cases, the parties reached an agreement out of the proceeding. The proportion of cases that were favourable to petitioners totalled 47 percent.

1.1.1 Mortgage loans

In petitions submitted concerning mortgage loans, there were
– demands related to disbursement or a loan default,
– legal disputes related to the conversion of foreign currency-denominated loans into forint or the failure thereof,
– the redemption of a loan from a life insurance amount,
– the release or replacement of a debtor or collateral real estate,
– bearing exchange rate risk and inadequate information about the impact of exchange rate changes on the amount owed,

– the settlement of payments made by the debtor, the release of the security, the contribution to the cancellation of a pledge entered in the land register for securing collateral, the delays in issuing of contribution,
– the provision of contractual documentation to the customers,
– the charging, reimbursement of interest, costs, fees,
– partial and full prepayment (final repayment),
– failure to prepare and sign documents for contract modifications that have already been assessed and authorised,
– the amount of debt registered by the financial service provider,
– the legality of the termination of the contract by the financial service provider or the amount of the debt due as a result of the termination,
– the legality of the assignment of the claim and the amount of the assignment.

Approximately one-fifth of the petitions were made for the purpose of challenging the amount of the debt recorded by the financial service provider for some reason. Petitioners repeatedly stated that, at the time of the conclusion of the contract, they received incorrect, inadequate information on the contractual provisions, the characteristics of the product. Petitioners often complained about the effect of exchange rate changes on the amount of debts arising from foreign currency contracts, the full debtor's liability for the difference in the amount due to the increase in the amount of the debt as a result of unfavourable exchange rate fluctuation, and providing inadequate information on exchange rate risks. Petitioners also argued that the financial service providers did not assess properly the clients' ability to pay or based their claims on contract invalidity. In all cases where the subject-matter of the legal dispute was the amount of the instalment determined by the financial service provider, in the course of the proceedings the records kept by the financial service providers were presented and reconciled.

In one case, the petitioner complained that the amount of the instalment increased significantly following the termination of the overdraft facility. In his application, he complained in particular that he did not understand how the financial service provider calculated the repayment schedule, the length of the maturity period and did not receive a satisfactory answer to his questions. The financial service provider claimed that the grace period provided under the overdraft facility contract expired after 60 months under the contract and for the remainder of the maturity period, the petitioner's contractual debt was recalculated with current data. Thereafter a standard monthly instalment has been established, taking into account the relevant legal provision. The law specifies the maximum extent to which the instalment may be increased, and if this would leave the debt at the end of the initial maturity, the service provider has no choice but to extend the maturity period. At the hearing, the financial service provider undertook to submit the statements requested by the petitioner, which would allow the petitioner to verify the content and to submit any specific objection. The content of the statement submitted by the financial service provider was not contested by the petitioner and the procedure was terminated.

There was a case where the petitioner complained that, although he had repaid his debt, the financial service provider continued to register the debt on his account. The financial service provider acknowledged that the amount of the debt was mistyped in the contract and undertook to send the petitioner a contract amendment. The petitioner accepted the amendment to the contract and withdrew his petition in the proceeding.

The Board advises clients to initiate consultation with the financial service provider as soon as possible whenever the debt of the principal or any item charged by the financial service provider is unclear to him/her. In many cases, it is sufficient for the dispute to be resolved if the service provider details and explains the evolution of the items disputed by the petitioner and the reasons for it.

In several disputes concerning prepayment and final repayment, the petitioners complained about inaccurate and protracted administration, which required them to appear with the financial service provider more than necessary. In several cases, they stated that they were not properly informed about the amount to be paid for the final repayment and the fees charged for the transaction. With this behaviour, financial service providers caused them additional costs.

The final repayment fee charged by the financial service provider was also the subject of proceedings in which the petitioner complained that, although he was informed by the branch administrator that the final repayment was free of charge, the financial service provider charged a final repayment fee. The financial service provider claimed that it charged the fee on the basis of its announcement forming part of the contract but undertook to investigate the possibility of a refund. A settlement agreement was reached between the parties in the proceedings, under which the petitioner was reimbursed for the final repayment fee complained of.

In another case, the petitioner complained that following the prepayment of the loan contract, a higher instalment was deducted from his payment account instead of the amount stated in the prepayment document. The financial service provider acknowledged that the instalment payment after the prepayment was indeed misrepresented on the prepayment document. It claimed, however, that it had already informed the petitioner of the correct amount of the instalment in the pre-repayment notice. It also argued that the administrative error did not justify the petitioner having to pay a lower amount than the actual debt. An agreement was reached between the parties on the repayment of the prepayment fee.

The subject matter of the dispute in relation to qualified consumer-friendly loan agreements was that the financial service provider did not disburse the loan or the last instalment thereof. The reason for the non-disbursement was partly that the loan agreement did not contain a certain disbursement condition that the financial service provider deemed necessary or did not specify it precisely in the light of the specifics of the transaction, which resulted in disbursement conditions not being met by the due date. In these cases, the financial service providers sought to resolve the dispute, the parties agreed in part to maintain the legal relationship, but there was even a case in which the petitioner no longer wished to maintain the contractual relationship, so the parties agreed to terminate it.

It is not a common case type, but there were cases where litigation arose between parties in connection with so-called “multi-currency loan” – i.e. variable, available in multiple currencies – transactions provided by the financial service provider when the financial service provider was unable to provide consistent debt settlement. These atypical cases were settled in various ways.

In proceedings relating to contracts for state aid for housing – loans with additional interest aid, tax refund aid and loans in the form of advances – it was found in several cases that the financial service provider failed for years to take action either to claw-back the aid or to convert the amount paid. After the claim became due, years passed before customers were notified, which in many cases occurred only after the petitioners had acted, of the debt now increasing by default interest. In almost all cases the proceedings resulted in a positive outcome and the parties reached a settlement agreement.

There were several cases where the financial service provider assigned the debt kept on record against the petitioner to a debt management company after the procedure was initiated. In these proceedings, in many cases in relation to the action of the assignor lender, the assignee debt management company was also involved. In all cases, conciliation was initiated between the parties, but in several cases, it became clear that these conciliations may not take place within the statutory time limit for closing the proceeding, the parties therefore jointly requested the termination of the proceeding.

Outcome of mortgage loan cases closed in 2019

500 pcs
CLOSED CASES

of which

423 pcs (85%)
CASES JUDGED ON THE MERITS

of which

166 pcs (39%)
SETTLEMENT AGREEMENTS AND AGREEMENTS

1.1.2 Personal loans

In personal loan matters it was typical that the lender financial service provider had already terminated the contract between the parties and the assignee became a debt manager by assignment. Due to the above, most of these proceedings were initiated against debt management companies.

In a large number of domestic petitions submitted for conciliation concerning personal loans, the petitioners disputed the amount or existence of the debt and asked for its cancellation in whole or in part. Several cases were initiated also because costs, fees were, according to the petitioners, charged unlawfully and termination of the contract was claimed. In a number of cases, clients asked financial service providers to prepare a numerical statement or to adjust a previously reported statement of their recorded debt, considering that it was not real, referred to the invalidity of the contract, and also turned to the Board to be provided with the contractual documentation.

Petitioners have asked the Board on several occasions for a general review of their contractual relationship with the financial service provider, which is not possible. In the proceedings, it is necessary to submit a definite petition on the basis of a complaint already examined by the service provider, in the subject of which the Board decides if no agreement is reached.

In one case, the petitioner requested a review of the settlement of payments, the date of the bookings, furthermore, he disputed the legality of the interest rate and late payment fees. In its answer and at the hearing, the financial service provider described the arrangements for settling payments and acknowledged that once it sent a statement with inadequate content to the petitioner. A settlement agreement was reached between the parties.

In a number of cases, customers disputed the validity of the termination of the contract, claiming that they settled the outstanding debt within the additional time limit set by the financial service provider which amount was the base of the termination, or that they did not receive the notice of termination. In many cases regarding foreign exchange-based personal loans it was complained that the financial service provider did not convert the debt into forint. In a number of cases, complaints were submitted regarding the settlement of an assigned claim following the termination of the contract. Petitioners disputed the legality of the charged default interest and nominal interest rate, handling cost or any claim for a fee.

In one case, the petitioner requested a declaration that the instalment agreement he previously concluded with the financial service provider for the settlement of his outstanding debt is in force, requested that his payments be recorded in accordance with the agreement and his outstanding debt be determined in an amount according to his petition. The financial service provider stated in the Board proceedings that it reactivated the agreement and made a settlement agreement offer to the petitioner. The petitioner did not accept the offer and asked for the amount of his outstanding debt to be determined and recorded. During the proceedings, the financial service provider undertook to prepare the statement requested by the petitioner, on the basis of which a settlement agreement was reached between the parties to repay the debt without interest.

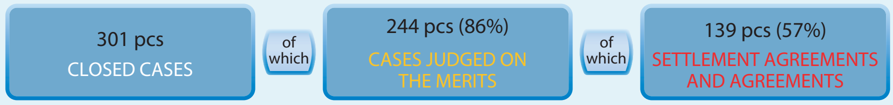
In many cases, customers complained that the financial service providers want to enforce a claim against them based on a contract they did not enter into, they do not have and therefore do not have access to its content. In cases where the financial service provider was unable to provide the contractual documentation for any reason, it typically met the request of the petitioner to close the proceeding. In those cases, when the contractual documentation was available, the financial service provider generally insisted on a certain level of performance but was open to reach a settlement agreement.

The Board recommends that consumers do their utmost to avoid legal proceedings against them to enforce the claim. They should check the options to settle the debt with their financial service providers.

A settlement agreement was reached in a dispute over the closure of a loan account in which the petitioner complained that the financial service provider was contacted in its branch for the purpose of final repayment and, according to the verbal information of the administrator, although he had paid the total amount of his outstanding debt, the loan account was not closed. He did not receive the overpayment notification letters of the financial service provider because they were not mailed to his address of permanent residence by the financial service provider. The financial service provider stated that it is not possible to reconstruct the oral discussion between the administrator and the petitioner at the branch, the amount paid by the petitioner did not cover the amount needed to close the account, the petitioner did not provide written notice for final repayment, thus the financial service provider treated the amount as an overpayment in accordance with the operating rules. However, the financial service provider admitted that the account-related letters were not received by the applicant because of a malfunction in his system due to a technical error.

The Board recommends that consumers request, at all times when arranging affairs in a branch office, and retain a document confirming that the concerned transaction, such as final repayment and account closure in the given case, has been carried out, in order to prevent any subsequent dispute.

Outcome of personal loan cases closed in 2019



1.1.3 Motor vehicle loans

The contracts underlying the proceedings were typically foreign exchange-based contracts, for which the petitioners encountered payment difficulties. Petitions were predominantly submitted due to the amount of the debt, extension of the maturity period, less frequently due to the invalidity of the contract and handing over the vehicle registration certificate. In the majority of the cases the contracts had already been terminated. In many cases, the dispute arose because of the amount of debt determined during conversion into forint. Petitioners were unable to accept that their debts were often close to the forint amount specified at the time of the conclusion of the contract and sometimes, in forints, exceeds the amount disbursed. They could not accept that if they were to pay a fixed instalment under the loan agreement, due to exchange rate fluctuations, despite the long maturity and their regular payments, the debt was not reduced to the level they expected. Petitioners generally compared the present value of the vehicle to the amount of the outstanding debt and believed that, since the amount of the debt is higher (in many cases several times) than the value of the vehicle, the reported debt is not real. In some cases, the petitioners requested, in respect of foreign currency loans, by pleading the invalidity or partial invalidity of the contract, to establish that the financial service provider's claim under the contract is ineligible, they had no further debt and that they fulfilled their contractual obligation. It was a frequent reference that debtors were not provided with proper, accurate information understandable also to lay persons at the time the contract was concluded about the risk of exchange rate increases and the expected rate of exchange rate increase.

On the petitioners' side, the search for solutions was more visible, they wanted to reach a settlement agreement with the financial service provider on the settlement of the debt and on the possibility of payment facilitation, even taking into account equity aspects. The service providers were generally open to agreement, providing petitioners with payment relief in the event of termination.

If the petitioner made a settlement agreement offer to close the case which was acceptable to the financial service provider, the parties could reach an amicable settlement of their dispute. It can be stated that if there was no overdue debt, i.e. the petitioner paid the instalments according to the contract, the financial service provider refused the request for the total or partial waiver of the debt.

In the settlement agreements reached during the proceedings, financial service providers typically granted petitioners a reduction in instalments by paying off a portion of the debt due on the contribution. In the case of car loans, the assignment of the claim was less typical, the original creditors handled the claim and the petitioners concluded a settlement agreement with them.

In one case closed with a settlement agreement, a loan agreement was concluded between the petitioner and the financial service provider to finance the purchase of a new vehicle. An individual financing offer was made for the petitioner, with a maturity of 36 months, with an increase in the final instalment of HUF 1,150,000. Following the conclusion of the contract, the petitioner complained that the financial service provider did not correctly determine the interest rate. He stated at the hearing that he did not receive detailed information on the terms of the contract at the time of signing it, he was urged to sign it and thus had no opportunity to study the contract. He was aware that the contract contained fixed instalments and the loan had a fixed interest rate. The meaning and concept of annuity, the last large instalment, was not clarified. The parties reached a settlement agreement in the proceeding, agreeing that the financial service provider shall set the last increased instalment amount at HUF 850,000, while releasing the excess amount of HUF 300,000, maintaining the other provisions of the contract unchanged.

In the case of foreign exchange based fixed monthly instalment plans with variable interest rate, petitioners repeatedly requested the termination of the contract, citing the expiry of the temporal scope of the contract. In these cases, settlement agreements were rarely reached in recognition of a settlement error or an administrative error or misrepresentation, but most of them were settled on grounds of equity (without accepting / acknowledging the claim specified in the petition).

Outcome of motor vehicle loan cases closed in 2019

155 pcs CLOSED CASES – of which – 130 pcs (84%) CASES JUDGED ON THE MERITS – of which – 60 pcs (46%) SETTLEMENT AGREEMENTS AND AGREEMENTS

1.1.4 Overdraft facility

In the majority of cases with a revolving nature related to reusable overdraft facility limit, linked to a payment account, problems arose when petitioners wanted to settle their debts deriving from overdraft facilities but could not do so because of overdue debts deriving from another credit or other contract concluded with the financial service provider. The financial service provider, in reference to the contract and the business conditions forming part of it, accounted for payments on the bank account as instalments of other overdue loans/overdue bank account debts.

There was, for example, a case where a petitioner complained that he had not received any request relating to the contract for 15 years, claiming that the claim was time-barred. A lump sum settlement was agreed with the financial service provider outside the procedure.

Outcome of overdraft facility cases closed in 2019

55 pcs CLOSED CASES – of which – 47 pcs (86%) CASES JUDGED ON THE MERITS – of which – 26 pcs (55%) SETTLEMENT AGREEMENTS AND AGREEMENTS

1.1.5 Trade credits

Consumers use trade credits for the purchase of household articles, or durable goods used in their everyday life, and for using certain services. The experience of the Board shows that consumers are aware of the general operational principles of trade credits, the contracts regarding the products are typically transparent and the loans disbursed are typically low-amount. This may also explain why the number of legal disputes concerning trade credits wished to be settled before the Board is lower in scale than in the case of other higher-amount mortgage loans, motor vehicle loans, or consumer loans, typically based on more complex contracts.

In the petitions submitted related to trade credits the petitioners mainly disputed the amount of principal claimed by the financial service providers, the interest charged for the debt, and the settlement of the repayment instalments already paid.

The majority of the proceedings were terminated as the petitioners withdrew their petitions, or in the meantime the petitioner and the financial service provider mutually requested the termination of the proceedings because the parties came to an agreement outside the procedure or the financial service provider satisfied the petitioner's petition or the parties deemed further consultations necessary for resolving the case in a manner satisfactory for both parties.

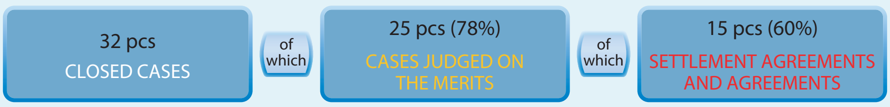
The Board recommends for the consumers to take the necessary actions by the set deadline in the court or out-of-court proceedings filed against them for the enforcement of the receivables whose legal basis they dispute, as their omission may be severely detrimental to them or they may have to face the consequences of the statute of limitations.

In respect of the cases related to credits and loans it is a general observation that the granting of preferences, and the extent thereof was highly dependent on the fact whether or not the financial service provider filed legal proceedings for the enforcement of its receivables. If legal proceedings were pending, in which an enforceable decision was made, or a judicial enforcement had already commenced, typically a higher amount of recovery was expected in a potentially shorter period.

There have been several examples in which the financial service provider reviewed the case once it found out about the commencement of the proceedings and by changing its former decision on rejecting the case satisfied the petition, or made a proposal for a settlement agreement for the petitioner in its response document submitted to the Board, which content the petitioner accepted without any change.

In these cases it was not necessary to hold the hearing scheduled by the Board, as the Board closed the proceedings in the first case type with a decision on terminating the proceedings, while in the case of the second case type with a decision approving the settlement agreement.

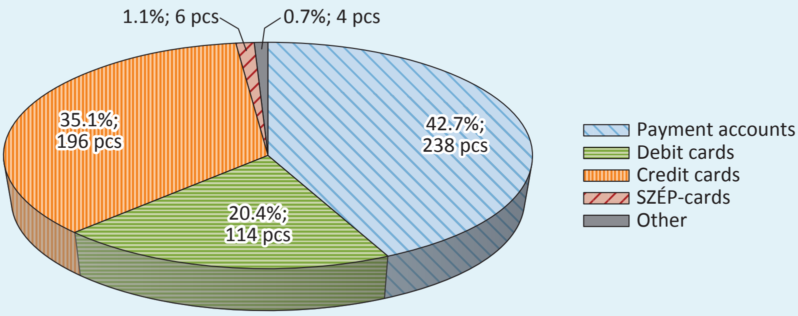
Outcome of cases related to trade credits closed in 2019



1.2 Services related to payments

Among the money market related cases – coming after credit deals – the highest number of petitions (558 pcs) received related to payment services.

Chart 23
Payment service cases received



The vast majority of the cases related to payment services reflected the characteristics of previous years. A new type of legal dispute appeared, i.e. the cases related to unauthorised payment transactions, in which the Board formulated several binding resolutions and recommendations. These legal disputes are related to payment accounts, debit card transactions and the use of certain mobile bank applications. In many cases unauthorised third parties, misleading the customer, in a fraudulent way in data phishing e-mails acquire the customers' bank card data, log-in information to the net bank or the data necessary for the registration of mobile applications via a so-called "curtain site" very similar to the bank's log-in site. The Directive (EU) 2015/2366 of the European Parliament and of the Council on payment services in the internal market, the so-called PSD2 guideline, came into force on 13 January 2018. A number of provisions of Act LXXXV of 2009 on the pursuit of the business of payment services (Payment Services Act) significantly changed from the same day. The amendment concerned the provisions in chapter IX. of the Payment Services Act relevant to the correction of payment transactions, as well as the rules relevant to liability and the bearing of damages.

Based on the Payment Services Act the payment transaction may be fulfilled – with the exception of authority transfers and payment transfers performed based on orders – if the paying party has authorised it in advance. The parties may agree in a framework contract that such authorisation is granted subsequently. The customers may initiate until the date specified in the legal regulation the adjustment of payment transactions unauthorised by them or authorised by them but incorrectly fulfilled. If the customer makes a report to that effect, the payment service provider must prove– among others – that the payment transaction has been authorised by the paying party. The Payment Services Act also states that if the paying party submitted a petition for the correction of an unauthorised payment transaction, the use of cashless payment means does not prove in itself that the customer acted in a fraudulent way or authorised the payment transaction, or intentionally or in a severely negligent manner breached his obligations specified in Section 40 (1) and (2) of the Payment Services Act. In this case, the payment service provider has to prove that the customer acted in a fraudulent way, or intentionally or in a severely negligent manner breached his obligations specified in Section 40 (1) and (2) of the Payment Services Act.

In case of the fulfilment of unauthorised payment transactions, the payment service provider managing the paying party's payment account – unless it suspects fraud on reasonable grounds in the specific situation and informs the Supervisory Authority about such grounds in writing – once it obtained knowledge or was informed about the transaction, without any delay but at the latest until the end of the next working day shall reimburse to the paying party the amount of the unauthorised payment transaction, and restore the status of the payment account as before the debit where the value date of the credit cannot be later than the day when the unauthorised payment transaction was performed.

However, in case of such unauthorised payment transactions that were performed with the cashless payment means removed from the possession or stolen from the paying party or originated from the unauthorised use of the cashless payment means, the paying party shall bear the damage up to the amount limit equivalent to fifteen thousand HUF before a report is made to the payment service provider managing his account. In the scope defined by the legal regulations – for instance, if the paying party was in no position to notice the theft of the cashless payment means, its removal from his possession or unauthorised use before the performance of the payment transaction – the paying party shall not be liable for damages up to the amount limit equivalent to fifteen thousand HUF as specified in article 45(1) of the Payment Services Act.

The payment service provider may be exempt from its responsibility if it proves that the damage arising in relation with unauthorised payment transactions was caused by the paying party acting in a fraudulent way, or by the customer with the intentional or severely negligent breach of his obligations specified in Section 40 (1) and (2) of the Payment Services Act. Based on the rules of exemption, consumers (paying party) have two basic and important obligations, in relation with which the consumer's liability and the bearing of the damage on his part may arise. On the one hand, the customer and the persons having a right of disposal over the customer's payment account must use the cashless payment means as it is defined in the framework contract, and conduct himself as generally expected in the specific situations in terms of keeping the cashless payment means and his personal identification data (PIN code) necessary for the use of the cashless payment means. The conduct expected pursuant to the legal regulation means that the customer may not share the security codes necessary for the use of the cashless payment means and his sensitive payment data (such data that may be used for committing frauds, including the personal authentication data) with anyone (including his family members, friends, business partners or colleagues), may not note it down in writing and may not keep those near the cashless payment means. On the other hand, the persons having a right of disposal over the customer's payment account must report without any delay to the payment service provider or a third party designated by it if he has noticed that the cashless payment means has been removed from his possession, theft or illegal or unauthorised use occurred. The purpose of the stipulation is to ensure that in case of immediate indication the account manager would have an opportunity to take the necessary actions in order to prevent any further unauthorised use. The petitioners submitted several proceedings in relation with these rules.

It has been a phenomenon recurring for years that in data phishing acts – in order to acquire the personal bank identifiers of customers – fraudsters contact the account holders in the name of the bank via telephone calls, e-mails, text messages and make them provide their secret ID's necessary for banking transactions. It has also occurred that such fraudsters requested to download a "banking application" in an e-mail that would plant a malicious virus or spyware or lured the unsuspecting customers to an internet banking site that appeared completely similar to the original but was actually fake ("curtain site"). Following that the customers face that they have been the victims of fraud when they find out subsequently that such a transaction was performed over their payment accounts that they have not authorised. There have been a number of cases in which unknown persons via applications downloaded to suitable mobile devices performed payment transfer transactions over accounts accessible via the internet banking service, without the customer's knowledge and approval to such legal entities or natural person beneficiaries whom the customer did not know. The concerned parties in these cases reported such events to the financial service provider immediately upon becoming aware of them and requested the correction of payment transactions unapproved by them. After the investigation of the case, the financial service providers often came to the conclusion that they did not admit their liability and would not credit the missing amount. After such rejection did the customers turn to the Board.

In the individual cases the Board took into consideration that based on the Payment Services Act, the burden of proof lies with the payment service provider and it is also the payment service provider who has to bear the legal consequences of unsuccessful evidence taking. On the one hand, the payment service provider must prove that the payment transaction was approved by the paying party noting that according to the law the use of the cashless payment means (the use of the mobile application or the bankcard) does not prove that in itself. According to the position of the Board, whether or not the paying party has granted his authorisation must also be subject to specific individual investigation. The Board did not accept the claim of the financial service provider according to which in case of the approval of the payment transaction in compliance with the contract it should be presumed that the transaction has been approved by the paying party. In its opinion, presumption is not identical to providing doubtless proof, and on the other hand, authorisation of the payment transaction by the paying party may not be presumed either, as the financial service provider itself stated that the paying party was the victim of fraud.

According to the Payment Services Act, in case of unauthorised payment transactions the financial service provider shall be relieved from liability only if it proves that the paying party caused the damage arising in relation with the unauthorised payment transaction by acting in a fraudulent manner, or that the damage was the consequence of the *intentional or severely negligent breach* by the customer of its statutory obligations. It is also applicable to these cases that the use of cashless payment means in itself is not a sufficient proof for making the service provider exempt, as the service provider must provide additional evidence for being relieved from liability. Furthermore, it is not sufficient for the payment service provider to prove only the breach of obligations, but it also has to provide proof of its *intentional or severely negligent* nature on the customer's part. According to the Board's position the payment service provider must examine its customer's conduct individually in every single case and it will fulfil its obligation to provide evidence if the proof it presents is custom-made for the person of the paying party and doubtlessly rules out the possibility of intervention by a different party.

The above liability rules also concern the payment transactions performed with a bankcard. Customers turned to the Board in a number of such cases when unknown persons carried out purchases via the internet unauthorised by the customer by using bankcard data or transactions via ATM by stealing bankcards. In these cases, the Board examined whether the paying party authorised the payment transaction in question and whether the liability of the payment service provider managing the paying party's payment account exists as specified in the Payment Services Act. In each particular case it is especially important to clarify whether the customer in his report to the payment service provider requests to conduct a chargeback procedure not regulated in the law or to correct the payment transaction not authorised according to the Payment Services Act. In these cases, it is also important that proving the granting of the authorisation by the paying party and the severely negligent or intentional breach of his obligations may not be based exclusively on the use of the cashless payment means. Accordingly, when the paying party disputes the use of bankcards, it is not sufficient to prove approval by the paying party only on the basis of the use of the PIN code.

In order to keep the bankcards and personal authentication data necessary for their use safe the customers are obliged to manifest a conduct that is generally expected in the specific case and to report the theft or removal from their possession to the payment service provider without any delay. In the cases in question the Board managed to conduct a settlement agreement, and in lack of a settlement agreement binding resolutions and recommendations have been issued.

The Board suggests for the consumers that they should never disclose their data in e-mail for anyone. They should take care of their identifiers, try to keep those in mind and remember them. They should use several devices – computer and mobile phone – at the same time for electronic banking and take good care of their access data so that they would not be disclosed even for their next of kin.

By the end of the year, the Board closed 524 cases relating to payment services. Among the 445 cases judged on the merits, there were 158 settlement agreements approved in a resolution (35%). Four binding resolutions and three recommendation were issued. In 67 cases the proceedings were terminated, because the parties reached an agreement outside the procedure. The proportion of cases favourable for petitioners thus made up a total of 52 per cent.

1.2.1 Payment accounts

A number of cases related to payment accounts did not change in proportion compared to 2018. The most typical cases continued to be the legal disputes related to the termination of accounts, the so-called "dormant accounts", the foreign exchange payment transfer orders and cash deposits and withdrawals at the teller.

In the majority of the legal disputes related to the termination of payment accounts the problem was that although customers requested the termination of the bank account personally in the bank's branch, they failed to submit a written statement to that effect. As the conditions of the contract required a written document, the payment account did not cease to exist, thus the financial service provider continued to charge account management fees and costs. In a number of cases the customers found out only years later that their payment account closing was not completed when the accumulated account management fees reached a significant amount. The financial service providers' Business Regulations and General Contract Conditions contain the rules of the termination of bank accounts, which includes that in case there is a debt on the bank account, the financial service provider may initiate the termination of the bank account. The financial service providers, however, typically do not apply that, claiming that the regulation provides only a possibility and not an obligation. Typically, in these cases the financial service providers made a proposal for a settlement agreement in order to settle the debt.

The Board suggests for the financial service providers that in case of the so-called dormant accounts they should contact the customers after a period of six months without movement on the account. They should inform them about the costs incurred until then, call their attention to the conditions applied to bank accounts without movements and initiate the termination of the account. If the account holder decides to keep the account, they should document the call and its outcome.

Similar problems occurred in the situation when one of the owners of a jointly owned payment account, who received the bank account statements, was not in contact with the other account holder and did not know his place of residence. The account holder by himself could not initiate the termination of the payment account, thus, based on the notification he received – as there was a debt on the payment account – contacted the financial service provider. According to the service provider's General Conditions of Contract jointly owned payment accounts can be terminated only upon the joint request of the bank account holders, or cancellation by the bank. In these cases, only such a solution leads to a result when the financial service provider initiates the termination of the payment account. A significant number of the cases may be resolved through the mandatory review of the so-called dormant accounts and initiating the termination of the account contract.

Legal disputes involving the foreign exchange payment transfer orders arose from the completion of the orders and the interpretation of their individual fields. At present the law on payments does not contain a sample foreign exchange payment transfer form, nor its regulation or a relevant guide for completion. Typically the financial service providers did not draw up such a document that would provide help for the customers with the completion of foreign exchange payment transfer orders – submitted in a number significant lower than HUF payment transfer orders – and whose data content differs from that of the HUF payment transfer orders and contain such definitions that are not always known for the customers. If the foreign exchange payment transfer order is completed in the branch with the help of a bank officer it cannot be proven what has been said in the branch, as the document is always signed by the petitioner, thus the order is deemed to have been submitted by the petitioner. In this case, the provision of potentially incorrect information is not possible or is difficult to prove in the Board proceedings.

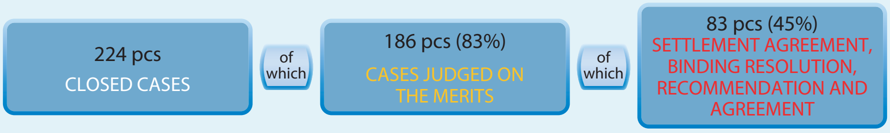
Several legal disputes occurred also in relation with cash withdrawals and deposits. In one typical case the amount paid out in the branch was counted in front of the petitioner on a counting machine, then the petitioner noticed only when he arrived home that the amount he received was lower. No matter that camera recordings were made of the payment, that does not show the display of the counting machine and the number of the banknotes counted and handed over.

Legal disputes related to the payment of high-denomination Euro bank notes occurred as a new problem. Proceedings related to disputing the authenticity of bank notes may not be conducted before the Board in the absence of evidence. In the legal dispute after the amount had been disbursed in the branch, doubt arose about the authenticity of the foreign currency when the cash was converted at the exchange agent, and it was established at a later inspection that the bank note was actually counterfeit. In the case of such high-denomination bank notes the solution would be if the serial number of the bank note were recorded by the payer on the document upon disbursement for the customer.

A high-amount cash deposit has also been made, which, upon the proposal of the branch, was not made through the teller in the branch but through the ATM located in the lobby, and for which the branch officer provided assistance. When the deposit was made the higher amount determined by the financial service provider was first inserted into the ATM, which was returned due to the set limit amount, however, the returned amount was not counted. The petitioner found only after making the further deposits that the amount he wanted to deposit, and the amount shown by the ATM as deposited differed. The amount of the actual deposit could not be proven in the proceedings before the Board.

It may be concluded that a significant number of the legal disputes occurred due to the fact – which also makes the resolving of the case before the Board difficult – that the petitioner acts based on information provided verbally in the branch of the bank, accepting the professional knowledge of the branch officer regarding banking.

Outcome of payment account cases closed in 2019



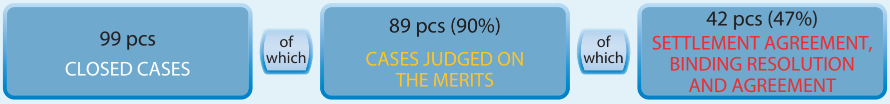
1.2.2 Debit cards

The number of payments with bankcards, including the number of payments made with debit cards shows an increasing tendency from year to year. The highest proportion of the cases related to debit cards concerned cash withdrawals initiated at banknote dispenser machines (ATM's), the clearing of transactions performed related to foreign currency accounts and unauthorised payment transactions. In legal disputes concerning the incomplete fulfilment of cash withdrawals initiated at ATM banknote dispenser machines, the financial service providers substantiate their positions in all cases with the journal tape, audit records and the ATM's error log. When the above specified documentary evidence did not show an error in the operation of the concerned machine and the cash withdrawal was posted onto the customer's account in the amount shown on the journal tape, the proceedings were terminated by the Board.

The Board recommends the petitioners that they should wait for a while and check the slot dispensing the bank notes on the ATM when they do not receive the requested amount upon cash withdrawal from the ATM, as it may occur that the overall completion of the transaction takes a longer time than expected by the customer. In all cases customers should wait until the ATM dispenses the receipt confirming the cash withdrawal, carefully count the amount of cash dispensed and compare it to the amount shown on the receipt.

In case of card transactions related to foreign currency accounts in a currency identical to that of the account such legal disputes occurred when the debit to the bank account made by the financial service provider was not carried out and/or recorded in the transaction amount but in a higher amount. The Board examined whether the financial service provider complied with the provision of the effective MNB decree on payments according to which in case of domestic payment transactions made with a payment card, the amount debited to the payment account or settled under the credit facility must be identical in all cases to the amount shown on the receipt, if the currency of the amount shown on the receipt is the same as that of the payment account providing coverage for the use of the payment card. It has occurred that in the course of the proceedings the financial service provider realised that it applied an incorrect practice and in a settlement agreement credited the difference between the debited amount and the transaction amount for the petitioner.

Outcome of debit card cases closed in 2019



1.2.3 Credit cards

A significant number of the cases related to credit cards still involved the lack of appropriate knowledge of the credit card products, the inappropriate fulfilment of repayment obligations and consequently the high interest payment obligations. Consumers do not have a thorough knowledge of all the special characteristics of a credit card. In a number of cases, the inappropriate and incomplete information provided by the administrators of the financial service providers was deemed to be the reason for that and customers stated often that they did not read the relevant conditions of the contract, or, although they read them, they were not clear.

Credit card products allow the card holders to use the amounts made available for them by the financial service providers free of interest. However, the interest-free period can only be linked to purchases done with the credit card, provided that the relating conditions are fully complied with. Exemption of interest does not apply to cash withdrawal. Experience showed in several cases that customers use the credit card specifically for cash withdrawal, which results in a substantial interest and fee payment obligation. They often mentioned that purchases are interest-free with credit cards, and they have paid the necessary minimum amount payable. In these cases, they were not aware of the fact that accomplishment of the minimum payable amount does not mean that the financial service provider does not or could not charge interest on the part of the credit line used but not paid back. The condition of exemption of interest is that by the end of the interest-free period specified in the contract, consumers must pay back in full the amount spent from the credit line. In many cases this misunderstanding resulted in the fact that by paying only the minimum amount the outstanding debt may be settled only over a period of many years and paying a high amount of credit interest even if the consumer stops to use the credit card.

The issue related to the increase of the credit line continues to be a general problem. Certain financial service providers review the credit line linked to the credit card after certain periods and increase that as a result of such review; they inform their customers about that in the credit account statements. In case the customer does not object to the increased credit line, that will be applicable, and that amount may be used with the credit card. In such cases the petitioners – although they exhausted the increased credit line – often claimed that they did not request the credit line to be increased, therefore they do not wish to repay the amount and pay the costs of the additional use of the card arising from the credit line increase.

Such cases were referred to the Board in high numbers in which the consumers used consumer loans linked to which they received a credit card. In certain cases, banks disburse the amount of consumer loans to credit cards and the price of goods is paid from the credit line of the credit card. In these cases, it is a problem for the customers to distinguish the repayment instalments of the consumer loan and the actual use of the credit card. In many cases the customers are not aware of the fact that for the use of the credit card on top of the consumer loan and for the additional use of the credit line the bank calculates the interest under different conditions and different rules are applicable to the payment of the instalments than the repayment of the credit line. This often brings about the result that the customers have to pay the higher interest rate applicable to debts from the use of credit cards. In other cases, it occurred that although the customers did not request the credit card, did not use and activate it, its costs and fees were charged to them. In many cases it could be concluded that the customers were not aware that they signed a contract for two products and the card costs would arise even without activation.

Such cases also occurred where the card holder used the credit card and the exchange rate indicated in the text message sent after the use of the card differed from the exchange rate used for the settlement of the amount of the debit shown on the account statement. The financial service providers claimed that the data provided in a text message is for information purposes and the exchange rates forming the basis of the amounts specified there is determined by the card company, however, the debit is made by using the exchange rate determined by the financial service provider.

Legal disputes concerning campaigns of refund granted based on the use of credit cards have also arisen. Generally, the fulfilment of the conditions of refund and the extent of such refunds formed the subject of the dispute. In one of the cases the financial service provider did not credit the bonus on the credit card account due after the purchase made by the customer, as the merchant category code (MCC) related to the transaction did not correspond to the codes determined in the conditions set for participation. In this case the problem was caused by the fact that only the financial service provider can see the MCC code among the transaction data received by it and makes a calculation of the refund based on that. However, the customers have no access to such data – neither on the account statement nor in Netbank – based on which they could check whether the credit is justified. In this case a settlement agreement was made between the parties.

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

In respect of legal disputes relating to credit card debts the financial service providers were cooperative, they made an effort to find a solution, which was acceptable by both parties, and a significant number of these legal disputes ended with a settlement agreement.

Outcome of credit card cases closed in 2019

190 pcs
CLOSED CASES

of which

160 pcs (84%)
CASES JUDGED ON THE MERITS

of which

103 pcs (64%)
SETTLEMENT AGREEMENTS AND AGREEMENTS

1.2.4 Széchenyi Recreation Card (SZÉP Card)

Pursuant to Gov. Decree No. 76/2018. (IV.20.) as from January 2019 the payment service provider has credited the employer's benefit specified in Section 71 (1) of Act CXVII of 1995 on personal income tax to a payment account for a limited purpose, opened and managed based on a framework contract signed with the employee for providing payment services, whose balance may only be used for the purposes specified in the decree mentioned above. As a result of the change in the legal regulations, the legal disputes related to SZÉP Cards are regarded as financial consumer disputes, thus proceedings may also be brought before the Board in legal disputes related to that.

Some of the existing proceedings in the course of 2019 related to the issue of SZÉP Cards, while another portion of the cases concerned problems arising from the use of the SZÉP Card. In the case related to the issue of cards petitioners complained that they did not receive the SZÉP card, thus they were not able to have access to the funds managed on their accounts. The financial service provider suggested settlement agreements on partial compensation in several cases and such a case also occurred where the parties agreed on the payment of a part of the compensation claimed by the petitioner.

The other type of the cases related to the use of the SZÉP Card. The petitioners complained that due to the unavailability of the service or terminal error they could not use their SZÉP Card for payment at the accommodation they stayed at, as a result of which they were not able to use their SZÉP Card benefits and they had to settle their invoices by using so to say “their own money”, for instance with a bank card payment. In one case like that the concerned financial service provider contacted the accommodation in order to fully clarify the case which is considered by the Board as good practice. Finally, in the case concerned the financial service provider relayed the accommodation's offer through the Board towards the petitioner, which was acceptable for the petitioner. This way, although no settlement agreement was reached between the financial service provider and the petitioner in the proceedings before the Board, the case has been resolved and the petitioner withdrew its petition.

The Board recommends for the petitioners that in case they want to pay the price of the accommodation service with their SZÉP Card, they should check in advance what alternative payment methods are available at the selected accommodation that do not require payment via a terminal. If the terminal does not operate for technical reasons, subject to the specific SZÉP Card service provider and acquisition point the customer may also request to carry out the SZÉP Card payment over the phone or via the internet.

Outcome of SZÉP Card cases closed in 2019

5 pcs
CLOSED CASES

of which

5 pcs (100%)
CASES JUDGED ON THE MERITS

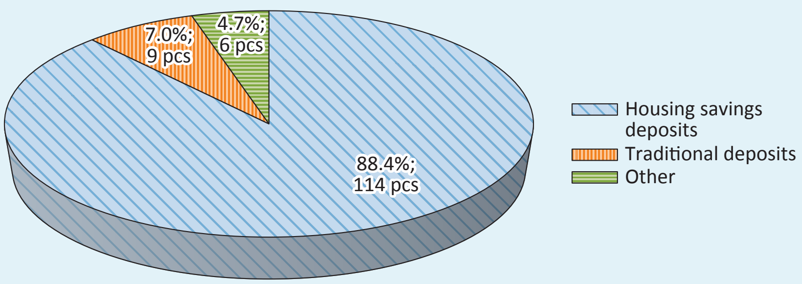
of which

3 pcs (60%)
AGREEMENT

1.3 Deposit

In the course of the year 129 new cases were received related to deposit collection. In respect of deposit collection, the number of legal disputes related to housing savings deposits increased by 23 percent compared to the previous year.

Chart 24
Cases received related to deposit collection



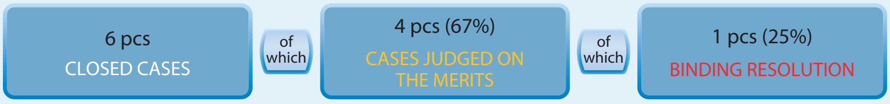
By the end of the year, the Board closed 120 cases relating to deposits. Out of the 102 cases judged on the merits the number of settlement agreements approved with a resolution was 35, 2 binding resolutions were adopted, and in 16 cases the procedure was terminated due to the parties' agreement out of procedure. The ratio of cases whose outcome was favourable for the petitioners thus amounted to 52 percent.

1.3.1 Traditional deposit and savings deposit

The petitions received in relation with traditional deposit products involved the disbursement of deposits, the disputing of the amount of deposits and the resolving of disputes arising in relation with the drawing of the savings book with car sweepstakes. In their petitions, customers complained that the financial service providers refused to disburse their savings deposited years or decades earlier (between years 1994-2011). They stated that earlier they had not requested the amount to be disbursed, had not provided an authorisation for withdrawing such deposits and other persons were not authorised for withdrawal. In some of the cases the financial service provider was able to confirm the payment of the requested amount for the petitioner, while in other proceedings no such documents were available that doubtlessly substantiated the petitioners' petition. In one deposit-related case the Board made a decision consisting of a binding resolution.

The Board recommends for the petitioners to monitor their savings deposited with the financial service providers, in particular their long-term savings based on the documents and instruments regularly forwarded by the service providers or in lack of those through written or personal communication.

Outcome of traditional deposit cases closed in 2019



1.3.2 Housing savings deposits

A significant proportion of the proceedings filed against housing savings funds related to the amendment of the law in October 2018. There have been some cases which emerged from different interpretation of the disbursed state subsidy or the amount of the savings, the use of the savings and the fee preference used upon the conclusion of the contract.

In one case the petitioner complained that the financial service provider did not accept the copies of the invoices submitted despite the fact that the original invoices became illegible. The financial service provider informed the petitioner about what to do in its response document, and at the same time admitted that it had not provided overall information previously. The petitioner withdrew his petition, as the service provider, changing its previous position, stated in the proceedings before the Board that it would accept the copies of the invoices in the case.

In those cases that involved complaints about the amount of the state subsidy, the reason why the amount of the state subsidy in many cases was lower than expected was that the petitioners did not pay their savings with the frequency and in the instalments as defined in the contract, but deposited the amount in a lump sum at the end of the saving year, thus despite they fulfilled the payment of the amounts agreed on, based on the provisions of the legal regulations they were not entitled to state subsidy due for the total amount deposited.

Also, the problem has arisen in several cases that the financial service provider granted a preferential account opening fee upon the opening of the account and signing the contract, however, subsequently, the account opening fee was still debited. In a significant number of the cases the reason was that the petitioners failed to fulfil the terms and conditions of the preferential fee as they fell behind with the payment of the deposit. The petitioners claimed in several cases that the administrator did not inform them about all the terms and conditions. On condition that the deposit contract was maintained, and the deposit payments were made on a continuous basis these cases were closed with a settlement agreement.

Similarly to the above, the problem has also occurred in several cases that in the contract distribution / contract amendment not the proper scheme was indicated on the amendment. Petitioners in these cases typically claimed that they would not have signed the amendment with the scheme indicated and they did not find it realistic. In the majority of these cases a settlement agreement was reached between the parties.

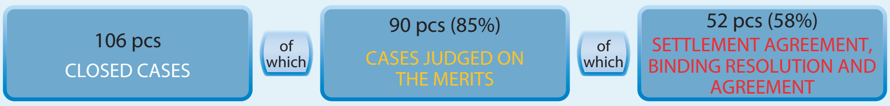
In 2019 it was also a typical case when the petitioner complained that the financial service provider terminated the housing pre-saving contract despite the fact that the account opening fee and the savings have also been paid. In these cases, the reason of termination was that the amount paid by the petitioner could not be identified, or, for instance, the amount was not transferred to the concerned housing pre-saving contract. In some of these cases the parties made a settlement agreement.

In some of the cases related to the changes brought about by the law amendment in 2018 the petitioners filed a Board procedure as their application for contract amendment was rejected by the financial service provider. In these cases, the financial service provider rejected the offer for contract amendment or regarded it as invalid, because it was insufficient. In a significant number of these cases the parties concluded a settlement agreement.

In another group of cases the petitioners complained that after the law amendment came into force, that is, after the 16th of October 2018, the financial service providers did not apply for and credit state subsidy for their deposits indicated and committed on the contract offer in addition to the monthly savings agreed on. In other cases, for the deposits made after the expiry of the saving period the financial service provider did not apply for a state subsidy for the petitioners after the law amendment came into force, that is, after the 16th of October 2018. A number of proceedings have been filed related to problems with the replacement / deletion of the person of the beneficiary designated on the housing pre-saving contracts. In such a case, the Board closed the proceedings by issuing a decision containing a binding resolution.

The housing pre-saving contract is a form of saving that is based on regularly made deposits. The Board recommends for the customers to deposit their savings with the frequency and in the instalment amounts specified in the contract, keeping the above in sight.
The Board also recommends for the customers to thoroughly review the terms and conditions of receiving various fee preferences upon signing the contract, in order to avoid legal disputes in the future.
Furthermore, the Board recommends for the customers to facilitate the identification of the specific amounts deposited and the contract concerned by properly completing the narrative field and to check the account statements sent by the financial service providers and in case of any doubt contact their service provider as soon as possible.

Outcome of housing savings deposits cases closed in 2019

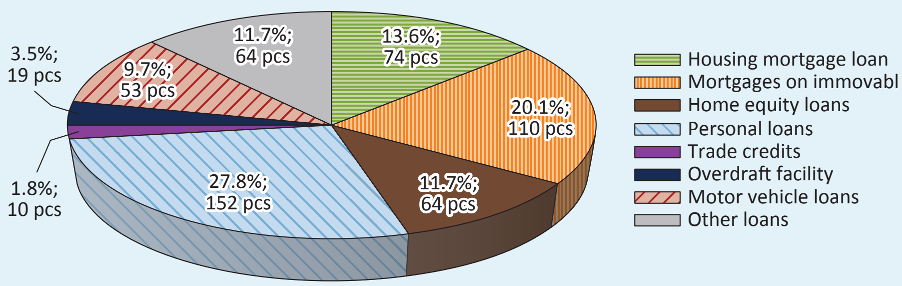


1.4 Money market equity cases

94 percent of the equity cases are related to money market services, therefore the experience related to this type of case is described in the analysis related to this sector.

Out of the 646 pcs of equity petitions concerning the products of the money market sector, 87 pcs concerned payment services, 7 cases involved deposits, 6 financial leasing, and 546 cases financial products related to credits and loans. The figure below shows the distribution of equity petitions within the last product group.

Chart 25
Equity cases received regarding credit and loan products



In the Board proceedings such cases are deemed to be equity cases in which the petitioner requests with respect of their personal or financial situation the financial service provider to ensure the possibility of fulfilling more favourable conditions than those specified in the contract, in particular the reduction or waiver of the payment obligations, the amendment or closure of their contract or the possibility of the fulfilment of payments other than defined in the conditions of the contract. In equity proceedings, the Board mediates between the financial service provider and the petitioner in the interest of reaching a settlement agreement.

It is at the discretion of the financial service provider to decide whether or not it would exercise equity and if it does, under what terms and conditions. The Board has no possibility to exercise equity and may not oblige the financial service providers to do so.

In all cases, the purpose of the Board's proceedings is to create a settlement agreement between the parties, which may be significantly facilitated by personal consultations between the parties, which may take place in the hearing scheduled by the Board. In equity cases, the legal reasoning is replaced mostly by the individual personal arguments, due to which it is especially important that the petitioner would also appear in the hearing so that the parties can have a personal consultation, or if it is not possible, a representative would act on his behalf. In some cases, the financial service provider also worded its expectation to be able to personally consult with the petitioner in the course of the proceedings.

If a settlement agreement made between the parties is in compliance with the legal regulations, the Board approves it with its resolution, while in the absence of a settlement agreement the Board closes the case with a terminating decision. The petitioner may request the execution of the decision approving the settlement agreement, if the financial service provider fails to fulfil it.

In equity proceedings with payment warrants, or claims judged in a litigation or in court enforcement proceedings may not be disputed, however, the fact that a legal procedure is or was pending in the case concerned by the petition does not hinder the submission of an equity petition.

In some of the cases the financial service providers were unwilling to exercise equity for one reason or another. This conduct was apparent in those cases when the petitioner has already been granted some preference several times in the fulfilment of the claims forming the subject of the proceedings, but the petitioner – without a reasonable cause – did not fulfil what he undertook in the agreement signed with the service provider.

It was typical that in case an enforceable decision made in or out of a court proceeding was available for the financial service provider, their evaluation of the petition was stricter and typically a smaller preference was granted by the financial service provider. In addition to the above, if court enforcement proceedings have already been conducted against the petitioner, it was also stipulated in the agreement that the costs of the bailiff were to be borne by the petitioner, which typically had to be paid directly to the bailiff acting in the case.

The financial service providers were generally open for making an agreement and providing a payment reduction.

On some occasions, when the proceedings were not launched as equity cases, after the consultation between the parties and after the customer accepted and understood the position of the financial service provider the case continued to be evaluated and a solution was found on the basis of equity. In the proceedings brought before the Board the financial service providers typically re-examine the petitioner's request for equity and they often offer a solution or make a settlement agreement for the repayment of the debt.

In the case of contracts related to credits and loans, some petitioners requested their debts to be waived in full or in part, asked for the possibility of payment in instalments with preferential interest rate or free of interest, or in case of partial forgiveness of their debt they requested to be allowed to repay the remaining amount with preferential interest rate or free of interest.

In some of the petitions aimed at the waiver of the registered debt, the debt management companies granted the petitioners' request and stated that they would close the contract and shall not raise any claim against the petitioners in the future arising from the specific case.

In a number of cases the petitioners agreed to submit an application for equity to the debt management company within the proceedings, and in these cases the financial service providers agreed to examine the petitioners' applications within a short deadline and by scheduling continued hearings or continuing the proceedings in writing, a settlement agreement was reached between the parties. In several cases the petitioners withdrew their petitions, or the parties jointly requested the termination of the proceedings so that they could come to an agreement outside the Board's proceedings as a result of the consultations.

In several cases the parties agreed on payment in instalments in such an amount that the petitioner could afford or the petitioner agreed to make a lump sum payment of a substantial amount in exchange of which the financial service provider ensured the possibility for the petitioner to repay the remaining amount of the receivables, or – in case of partial waiver for an amount lower than that – agreed to allow to make payments in instalments with a preferential interest rate or free of interest for the total outstanding debt amount.

In respect of mortgage loan products it was difficult to draw up a settlement agreement between the parties because generally there was a significant difference between the size of the outstanding debt and the amount wished to be repaid by the petitioners, or the debtors wanted to agree on the payment of such a low amount of monthly instalments that would not have resulted in the repayment of the outstanding debt within a foreseeable and reasonable time. Such debts have been waived only in extraordinary cases, especially the principal part has been waived in relation with receivables secured by real estates to a sufficient extent.

Such mortgage related equity case has also occurred where the contract has not been terminated yet, and the petitioner wanted to come to an agreement on the settlement of the debt so that he can avoid its termination and the legal consequences thereof. It was also in the interest of the financial service provider to resolve the case and the parties could come to an agreement.

In other cases, where the real estate serving as collateral has already been sold in court enforcement proceedings, the petitioner requested the service provider to waive his remaining debt or to agree on a nominal payment and interest-free instalments on an equity basis with regard to his financial and social situation. The financial service provider, after commencing the proceedings, waived the full amount of the remaining debt on the basis of equity.

In one of the equity petitions the petitioners had an outstanding debt toward the financial service provider from three contracts. In order to keep the real estate serving as collateral, the petitioners requested the financial service provider to allow them to repay the debt in instalments. An agreement was reached with the financial service provider according to which the petitioners would repay the low-amount debt in a lump sum, while in respect of the two higher-amount loans the financial service provider allowed the petitioner to repay in interest-free instalments during a tenure of ten years and in case the agreement on instalment payments has been fulfilled, an amount of close to HUF 3.7 million has been waived from the debt.

It was typical in the cases related to consumer loans that the creditor financial service provider had already terminated the contract between the parties, therefore the debt management company became entitled to collect the receivables.

In one case, enforcement proceedings were under way against the petitioner, and the instalments were deducted in the amount of HUF 70-73 thousand from the petitioner's salary based on the court's enforcing garnishment. The petitioner requested the financial service provider to waive the outstanding debt or a part thereof on equity basis with regard to his family and social circumstances. In its response document the financial service provider presented that it was not unwilling to make an equitable agreement, but taking into consideration that a high-amount monthly garnishment was in force, the realistic offer from the part of the petitioner would be a lump-sum payment in the amount of minimum exceeding the principal amount. After lengthy discussions the parties agreed that in case the petitioner paid HUF 1,000,000 in a lump sum, the financial service provider would offer the preference of interest-free instalments for the amount of HUF 1,500,000 remaining from the offer.

Such a case has also occurred where the petitioner requested to waive the full amount of his debt. After examining the petitioner's financial and social situation the financial service provider agreed to close the contract and not to raise any further claims against the petitioner.

It has also occurred that a petitioner, as a joint and several co-debtor, requested his debt to be waived in his application complaining that for almost ten years he had not been aware that the debtor failed to fulfil his payment obligation. The financial service provider did not have available the payment warrants sent to the petitioner. The financial service provider agreed to relieve the petitioner, as a joint and several co-debtor, from his obligation and waive his outstanding debt arising from the loan agreement and not to raise any further claims against him.

In the course of the proceedings related to lending car loans in a significant proportion of settlement agreements the financial service providers, waiving a part of the outstanding debts, granted the preference of instalment payment for the petitioners in respect of the remaining amount.

In one case the parties agreed that the debtor would return the vehicle purchased from the loan to the service provider, and would use its value as set in Eurotax – or its market price, if it is higher – for the repayment of the debt, and for the remaining debt – reduced by the fees charged under other titles – the financial service provider would allow payment in interest-free instalments.

In another case, the petitioner had already submitted an equity request to the financial service provider before the Board proceedings, however, he did not accept the offer made by the financial service provider. Following that he filed for Board proceedings, and in his petition, he described his personal and financial situation reasonable from the aspect of equity. In the proceedings before the Board the financial service provider repeated his earlier offer for a settlement agreement, which, however, was still not acceptable for the petitioner. In the hearing the petitioner described in detail those circumstances that made it difficult for him to repay the debt and made a specific offer for the settlement of the debt. The financial service provider analysed the offer and accepted it. A settlement agreement has been made between the parties, which involved not only the payment in interest-free instalments, but also the waiver of a substantial amount (exceeding HUF one million) in case such instalments are actually made.

There was one such case related to the lending of car loans in which the parties agreed on closing one of the petitioner's contracts upon a lump-sum payment with the waiver of the remaining debt, and regarding the other contract of the petitioner the parties agreed that after the payment of a larger amount the financial service provider would issue the vehicle registration card, waive a part of the remaining debt and grant interest-free instalment payment for the remaining amount for a period of five years.

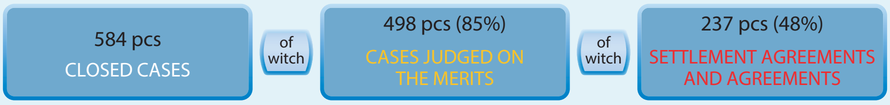
In one of the cases closed with a settlement agreement the petitioner concluded a current account overdraft contract with the assignor bank. The petitioner failed to fulfil his payment obligations arising from the contract in compliance with the contract provisions, therefore the assigner terminated the contract. The petitioner did not repay his debt fully, and the financial service provider filed proceedings with a payment warrant in order to enforce the receivables, in which a final and legally binding order was made. The petitioner submitted an equity petition, in which he presented and demonstrated his circumstances to be evaluated on an equitable basis, and due to which he was not able to repay his debt. He also claimed that the financial service provider waited for 6 years before launching the collection of the debt due to which the amount of the receivables – detrimental to him – significantly increased. In the hearing the parties discussed all the details, then concluded a settlement agreement, in which the financial service provider waived 2/3 of the petitioner's total outstanding debt, granted 3 months' interest-free instalment payment option for the remaining amount and agreed to arrange the closure of the enforcement proceedings after 3 months' instalments have been paid and to close the contract.

In another case the petitioner filed for Board proceedings, although he made payments for the financial service provider on a continuous basis, the debt reduced nominally due to the interest charged. The petitioner requested to waive the interest. The financial service provider made a proposal for making a settlement agreement at a stage as early as in its response document, according to which, although it was not in a position to waive the interest, it offered interest-free instalment payments for the petitioner from that point on. The petitioner accepted the offer, and the settlement agreement was made between the parties before the date of the hearing and both parties consented to not holding a hearing, the Board was able to make a decision approving the settlement agreement without a hearing in less than 60 days.

The Board recommends that consumers strive for assessing their financial means realistically in equity cases. They should reveal their equitable circumstances to be taken into consideration for the financial service provider and make a specific proposal on the settlement of their debt under eased conditions. If it is possible for them, they should participate personally in the hearing, as this way they can discuss their petitions directly with the financial service provider. Taking into consideration that the financial service providers are not fully aware of the petitioners' assets and income situation and their capacity to bear financial burdens, if the petitioners take part in the hearing, the parties can work out such conditions together that are mutually acceptable for them.

Out of the 498 money market equity cases closed after proceedings on the merits in 166 cases a settlement agreement was reached, and in another 71 cases the parties made an agreement outside the procedure.

Outcome of money market equity cases closed in 2019

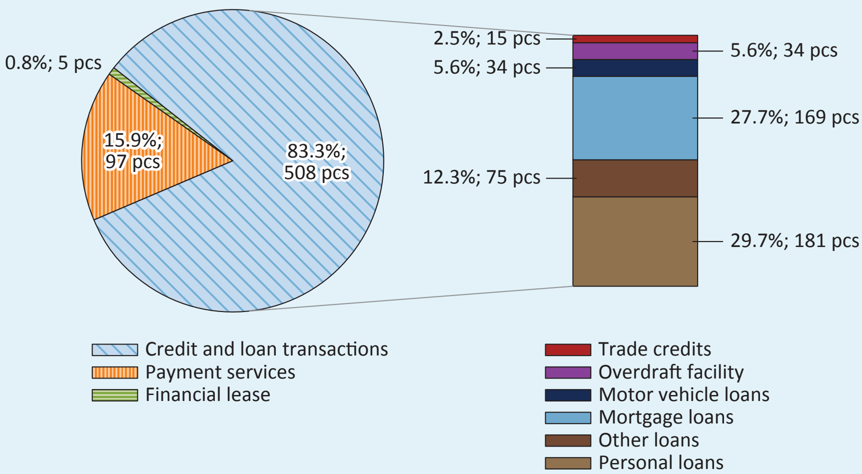


1.5 Cases against debt management companies

Almost 19 percent of the petitions received by the Board have been submitted against debt management companies. These cases – with some exceptions – related to the products of the money market sector. In 59 percent of the cases launched against debt management companies the customers requested to commence equity proceedings.

Out of the legal disputes and equity cases arising from legal transactions made by the money market sector, 610 were brought before the Board in the collection phase following the termination of the contract and against debt management companies.

Chart 26
Cases of debt management companies regarding money market products



Proceedings may be started in such cases when the debt management company – through assignment – becomes the holder of the debt of receivables arising from a contract entered into by and between the financial service provider under the supervision of Magyar Nemzeti Bank and the consumer for providing financial service or supplementary financial services.

In these cases, the legal predecessor financial service provider terminated the underlying contract due to non-contractual performance by the petitioner, and consequently the debt has matured and fallen due in a lump sum, then has been assigned.

In the general proceedings filed against the debt management companies petitioners disputed mainly the amount of the debts, though on various grounds. In some cases, the petitioner did not even accept the title under which the debt was claimed from him. In several cases the petitioners disputed the termination of the contract and the lawfulness of the assignment. They found it particularly detrimental if multiple assignments took place.

In respect of disputing the amount of the debt, in several cases the debtors complained that the debt management company – despite the completion of the statutory settlement – continued to register their debts in foreign currency. In certain cases, the petitioners faced only in the proceedings before the Board that the statutory settlement did not concern all of the contracts and, as the case may be, its scope did not include the contract they entered into. Based on the information provided to them the petitioners mostly accepted the debt management company's statement of arithmetic calculation, however, they requested the service provider to convert the outstanding amount into HUF and keep the debt in HUF in the books from then on, thus eliminating the uncertainty arising from the fluctuation of the exchange rates.

Several complaints were raised due to the practice of the financial service provider, according to which it made agreements on payment in interest-free instalments or instalments with preferential interest rate and agreed to waive a certain part of the debt by making an agreement on payment in instalments, while it realised the waiver (payment preference) only after the agreement had been fully complied with by the petitioner and until then it registered the higher amount, to which no waiver or preference was applied to.

Occasionally, the petitioners complained that the debt management company financial service provider notified them about the outstanding debt only a long time after the assignment and called them to settle that with delay, or even the assignor legal predecessor financial service provider did not contact them either, thus significantly increasing the amount to be repaid. With reference to that, the petitioners requested the accumulated penalty interest to be waived full or in part. This argument, as a legal justification, was not accepted by the financial service providers. They claimed that the petitioner had been aware of their debts, and they are obliged to settle those even without any notification by the financial service provider or any other legal act on its part. In some cases, the service provider granted the petition for reducing the penalty interest charged based on circumstances evaluated on equitable basis.

There has been an example when according to the petitioner's position the financial service provider's conduct was unlawful for that it failed to file legal proceedings against him years before, as a result of which the receivables could have recovered already through garnishment. General experience showed that the financial service providers send several payment warrants to the customers prior to filing legal proceedings.

The Board suggests that consumers should contact the financial service providers as soon as possible in order to settle their outstanding debts and to discuss any possible complaints, thus avoiding the filing of court or out-of-court proceedings that incur significant costs.

In several cases the petitioners pleaded the statute of limitations and requested the waiver of the debt with reference to the long time that lapsed since the last measure taken by the financial service provider, and to its failure to take action. In those cases when the financial service providers were not able to verify that they took such legal actions that caused the interruption of the limitation period, the petitioner's petition was granted and in many cases they stated already in the response document that the contract had been closed and they shall not raise any further claims arising from that.

In those proceedings that were filed in respect of petitions grounded on pleading statute of limitations and requesting the waiver of the debt and the closure of the contract where final and legally binding payment warrants were available for the financial service provider, but the limitation concerned the period prior to the commencement of the payment warrant proceedings, the service providers did not agree to waive the full amount of the debt, however, in several cases they were open to close the contract with some preferences offered.

In respect of disputing the rate of the penalty interest, some petitioners claimed that the assignee debt management company is not entitled to charge penalty interest, but if it is, at a lower rate, as it is specified by the provisions of the Civil Code. This position has not been accepted by the financial service providers. They claimed that pursuant to the provisions of the law they replaced the legal predecessor assignor through the assignments, and they are entitled to exercise the legal predecessor's rights. The new Civil Code expressly states that through the assignment the interest receivable is also transferred to the assignee financial service provider.

The financial service providers did not accept the petitioner's argument either in which they disputed the lawfulness of the assignment contract and requested to hand over and examine that. The assignment is a contract between the assignor and the assignee, and the petitioner is not party to it.

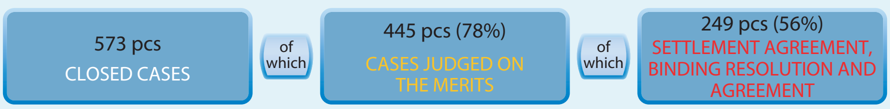
In a number of cases the consumer complained that the financial service provider did not send them a clear statement of their debt despite their question to that effect. The service providers mostly granted such requests in the proceedings, and in the course of the hearings held in the Board proceedings as part of the personal consultations they were willing to provide an explanation about the individual items included in the statement.

The subject of the majority of equity proceedings filed against debt management companies was a petition for the partial or full waiver of the debt, ensuring payment in instalments with preferential interest or free of interest, or payment relief provided through a combination of the former. The individual service providers requested different documents to be submitted by the petitioners as proof of their circumstances they requested to be evaluated on equitable basis by the service providers. Furthermore, certain financial service providers found it necessary to require the petitioners to complete a form made available by them for evaluating the equity petitions. Certain financial service providers who in every case strived for reaching a compromise, and their staff members showed a high-level of empathy and were open to provide a payment relief, most often full or partial waiver of the interest and/or payment in instalments for the petitioners, however, the principal debt was rarely waived.

That case is to be highlighted in which the parties, after lengthy consultations, conducted a settlement agreement, based on which the debt management company waived an amount exceeding HUF 25 million from the outstanding debt.

There have been such service providers, however, who presented such proposals for a settlement agreement which the petitioners – based on their income situation and personal circumstances they were aware of – were not able to accept due to the lack of their ability to perform. There has been such a service provider also who regardless of the order of magnitude of the outstanding debt offered the possibility of payment in 12 months' instalments for its debtors struggling with payment difficulties anyway, often with unrealistic terms and conditions.

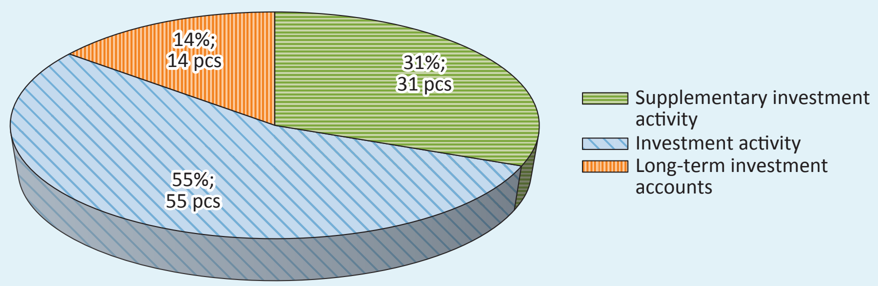
Outcome of the cases against debt management companies closed in 2019



2 LEGAL DISPUTES RELATED TO CAPITAL MARKET SERVICES

100 petitions were received against financial service providers falling within the scope of Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers, and on the Regulations Governing their Activities.

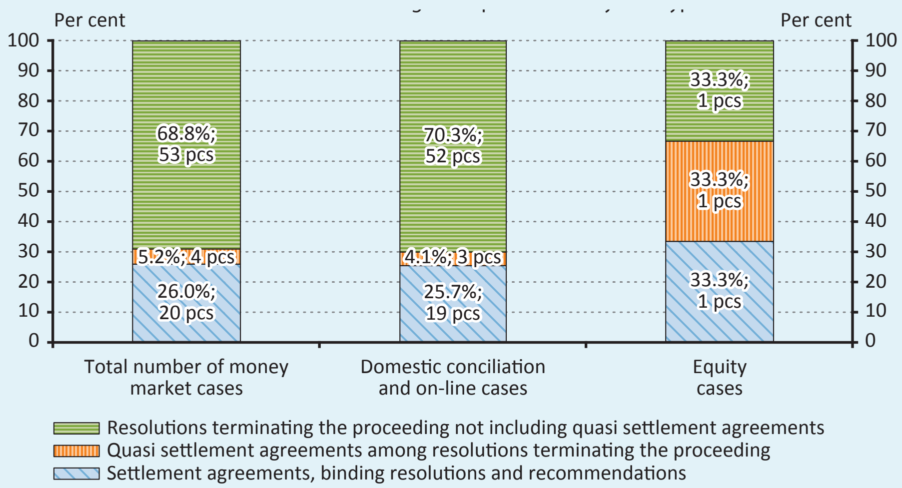
Chart 27
Petitions received concerning the capital market



80 percent of the 96 capital market cases closed, i.e.77 cases were decided by the Board on the merits and had to reject the petition only in 19 cases – due to the lack of competence, procedural obstacles or failure to provide supplements – without scheduling a hearing. In 26 percent of the petitions accepted, i.e. in 20 cases the parties concluded a settlement agreement. In an additional 4 cases the parties made a settlement agreement out of proceedings, or the financial service provider, revising its former position, voluntarily fulfilled the petitioner's overall petition. In respect of the petitions concerning the capital market 31 percent of petitions accepted were closed with an outcome positive for the petitioner.

The figure below shows the distribution of the capital market cases closed following judgement on the merits per decision type, including the individual case types.

Chart 28
Closed cases concerning the capital market by case type



The basis of the legal disputes arising in relation with the fulfilment of orders was that according to the consumer's position the financial service provider did not act or acted but not as instructed by the consumer and as a consequence, the consumer suffered damages or lost profits. In the course of the proceedings the facts could mostly be clarified based on the documents submitted and the statements of the parties. If the ground of the legal dispute was the fault or omission of the financial service provider, in the Board proceedings a settlement agreement was made between the parties. In several cases the proceedings had been closed with a settlement agreement even before the hearing, as the financial service provider noticing the fault or omission, submitted an offer for a settlement agreement as early as simultaneously with the response document, which the consumer accepted before the hearing, therefore it was not necessary to hold a hearing. This significantly reduced the length of time necessary for the settlement of the legal dispute, which served the interest of both parties. In many cases, however, it was confirmed that the financial service providers acted in compliance with the terms and conditions of the contract existing between the parties, thus the petitions had not been substantiated and the Board terminated the respective proceedings. However, what was said in the hearings helped the consumers understand what mistakes they made so that they would not make the same mistakes again later.

The parties initiating the legal disputes arising in investment consulting may be grouped into two main categories. The first includes the so-called active investors. Those investors are to be included in this category who take an active role in the management of their investments, during which they keep direct contact with the broker of the investment company. The consumer and the financial service provider conclude a contract for providing investment consulting services. In these cases the basis of the legal dispute is, according to the consumer's position, that the employee of the investment service provider does not give such comprehensive information based on which the consumer could assess the risk embedded in the investment instruments and this is why the consumer makes such decisions as a result of which they suffer an exchange rate loss. The consumer blames the financial service provider for his losses, and this is why he requests the reimbursement of his material loss suffered.

The number of settlement agreements made in the course of the proceedings conducted in order to settle the legal disputes related to investment consulting, as the discussions between the consumer and the broker are recorded and the Board examined those in the proceedings and found that the employee of the financial service provider had provided the consumer with the information stipulated in the law. However, it is still typical that the parties conclude a settlement agreement in order to maintain their long-term business relationship.

The second group consists of those legal disputes that are initiated by such consumers who have no skills to manage their investments and want to have their investments managed in the network of a bank. In these cases, no contract is concluded between the consumer and the financial service provider for providing investment consulting, however, the consumers believe that the employee of the financial service provider gives investment advice and that the financial service provider takes responsibility for the quality of the investment advice. In the course of the proceedings, in these cases it was concluded that the consumer had received the necessary information on the investment product, and he had confirmed this fact with his signature. However, it occurs even in such cases that the financial service providers, taking into consideration all the circumstances of the specific case, reimburse the consumer for a part of the exchange rate loss suffered on business policy basis.

The basis of the disputes arising from the terms and conditions of the contract and fees is that the redemption fee of the investment notes of the various real estate funds contains a „penalty" fee as well, if the investor redeems his investment note within a predefined period. According to the consumers' position, the employee of the financial service provider failed to inform him about this fact. In these cases, the financial service providers took a firm position and referred to the fact that they published the relevant schedule of fees in the required manner, and it was available for the consumer. However, in rare cases, on an equitable basis the financial service providers – in order to maintain a permanent business relationship – are willing to make a settlement agreement.

The number of legal disputes initiated by consumers related to supplementary investment activities did not change compared to the previous year. In this group disputes arise between the parties regarding the management, termination and costs of securities accounts.

In case of long-term investment accounts, the grounds of the legal disputes continues to be the interpretation of the provisions included in Section 67/B of the Act on personal income tax, which specifies those cases in which a disbursement may be made from the long-term investment account free of taxes. The subject of the legal disputes is challenging the deduction of the transfer costs, interest tax and commission, payment of the interest difference and the payment of compensation. In one of the cases, the legal dispute between the parties emerged because the petitioner terminated his long-term investment account (TBSZ), then costs were charged for a bank transaction carried out after the termination of the account, and the petitioner wrongly thought that the financial service provider made a deduction under the title of personal income tax. The petitioner claimed that the employees of the financial service provider informed him that after maturity he may withdraw his savings free of interest tax and other fees. The parties did not dispute that the account was terminated after the five-year-long tenure matured. The financial service provider explained that it made available for the petitioner the total amount of the term deposit increased by interest – except the fee of account closure – and did not deduct the interest tax. The petitioner had to report and pay the tax. The tax payment obligation was arising from the fact that although the petitioner terminated the account after the expiry of the fifth year but before the end of the calendar year.

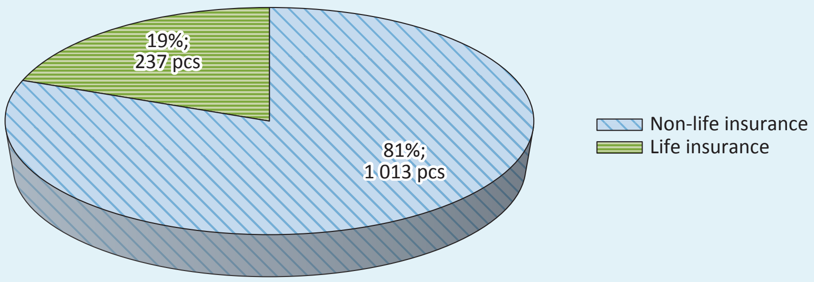
The Board recommends that the customers carefully study the contractual stipulations relevant to the services used – in particular if the subject of the service is a special product – including the related business regulations, general conditions of the contract and the announcement and in case of any doubt consult with the employees of the financial service provider.

The service providers were cooperative in the Board proceedings. They submitted their response documents by the set deadline and their representatives were well prepared and proactive in the hearings.

3 LEGAL DISPUTES RELATED TO INSURANCE SERVICES

In 2019 legal disputes related to the products of the insurance market made up 37 percent of the cases, and this proportion represents a 3-percentage-point decrease compared to year 2018.

Chart 29
Insurance cases received



In the distribution of the petitions per insurance sector and insurance branch a shift was apparent towards legal disputes related to non-life insurance. While in 2018 – due to the increase of the number of unit-linked life insurance – the cases related to life insurance made up 24 percent of the insurance cases, in 2019 this proportion decreased to the previous proportion of 19 percent. The number of non-life insurance cases did not show a change compared to the number of cases in 2018.

The vast majority of the petitions submitted were received against the insurers and insurance associations, while the number of proceedings filed against the other players of the insurance market, brokers, and insurance agents was not significant.

The distribution of the cases per service provider – similarly to previous years – reflects the market shares of the individual financial service providers respectively. The highest number among the proceedings was still filed related to the biggest players of the insurance market, i.e. composite insurers (those insurers, who deal with both life insurance and non-life insurance products). More than three-quarters of the petitions received (76%) were submitted against seven service providers.

Several service providers adopted the practice that after the proceedings commenced the service providers initiated direct consultations with the consumers and consequently, in a number of cases, they voluntarily fulfilled the requests included in the petition or recorded in separate agreements their settlement agreement for resolving the legal dispute.

Among the cases related to insurance the number of equity cases was insignificant, only 29 equity petitions were received.

Similarly to previous years – both regarding life insurance and non-life insurance – general experience continues to show that in the case of insurance contracts concluded with the consumers, the consumers entering into such contracts do not properly study the general conditions of contract (general and particular conditions of contract) in a number of cases, and relying on the – often incomplete – verbal information provided by the broker acting in the contracting process they are not aware of the accurate content of the contract. Because of this, only later, upon the occurrence of a loss event do they become aware of what risks are actually covered by the insurance policy signed by them and under what terms, or what events and circumstances are excluded from compensation under the given insurance policy. In these cases, if it had been properly documented that the insurance conditions had been made available, according to general legal practice the petitioner could not claim that – despite his written statement made in the proposal documentation – he had not actually received or become familiar with the conditions.

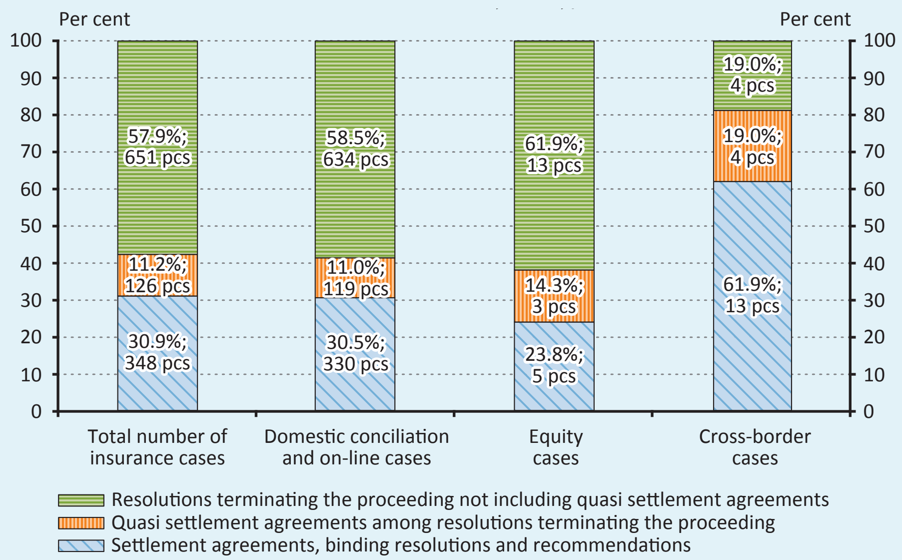
In relation to the individual damage claims often the subject of the legal disputes is whether a specific damage is regarded as an insurance occurrence, i.e. whether it triggers the insurer's obligation to perform, and whether it is specified as such in the insurance conditions. Disputes relating to the fact and circumstances of the occurrence of loss events are common. According to consistent and long-standing judicial practice, it is the insured who has to prove the fact that the insured event occurred, the causal relation between the insured event and the loss incurred, as well as the amount of the damage, but often, because of the lack of appropriate documentation, they are unable to justify the soundness of their claims asserted with respect to the insurance undertaking.

In a number of cases such an issue, essential from the aspect of deciding a case on the merits, emerges whose assessment requires an expert (technical expert, price expert, medical examiner). In the Board proceedings it is not possible to assign an independent forensic expert and to conduct an evidence process, thus in these cases the Board was not able to make a decision on the merits and was forced to terminate the proceedings.

The Board discussed 88 percent of the closed cases related to insurance on the merits, i.e.1.125 cases and was forced to reject the petition only in a total of 159 cases – due to the lack of competence, procedural obstacle (lack of complaint procedures, final and legally binding court decision) or the failure to submit supplements – without scheduling a hearing. In 31 percent of the petitions accepted, i.e. in a total of 346 cases the parties concluded a settlement agreement. Two binding resolutions were issued in insurance cases during the year. In a further number of 126 cases a settlement agreement was reached between the parties outside the proceedings, or the financial service provider, having revised its former position, voluntarily granted the petitioner's request in full. In these cases, although the proceedings were terminated at the parties' joint request or at the petitioner's one-sided request, the petitioner's demand was still satisfactorily settled. 42 per cent of the petitions submitted concerning the insurance market ended with a positive result for the petitioners.

The figure below shows the distribution of insurance cases closed after a judgement on the merits per decision type, including the individual case types.

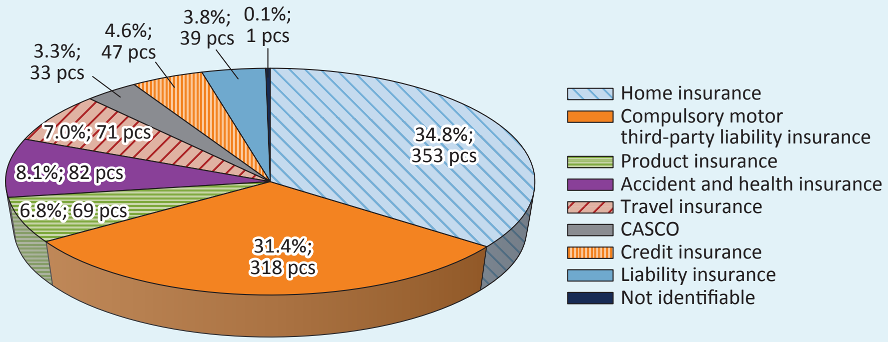
Chart 30
Insurance cases closed by case type



3.1 Cases related to the non-life insurance branch

The number of cases related to non-life insurance policies did not show a significant change compared to the data of 2018. Two thirds of the petitions received in cases related to the non-life insurance branch continued to be petitions related to fire and other damage to property and compulsory motor third party liability insurance.

Chart 31
Non-life insurance cases received



The Board closed 1032 non- life insurance cases before the end of the year. In 100 cases the proceedings were terminated, because the parties reached an agreement outside the proceedings. Thus, the proportion of cases favourable for petitioners made up a total of 43 percent.

3.1.1 Home insurance

The largest proportion of the insurance cases submitted, similarly to previous years, originated from retail non-life-insurance contracts, and within that from disputes related to home insurance policies. These disputes relating to home insurance policies accounted for 31 per cent of all insurance cases. The vast majority of the cases comprised storm, cloudburst and hail damage, damage caused by natural disaster, fire and explosion damage, and theft. The petitions received in this insurance branch showed the same characteristics in general as before.

In the cases related to home insurance policies the subject of the dispute between the parties continued to be in several cases whether such an ***insurance event*** is involved which is covered by the financial service provider's risk assumption, and the on-site injury picture confirms the occurrence of the reported insurance event, whether such conditions prevail that exclude performance by the financial service provider in case the insurance event occurs, whether the damage amount is verified and whether the amount of the service provided in the insurance service is clarified. It is still apparent that in a number of cases the consumers – due to the lack of the proper knowledge of the conditions of contract – incorrectly assume that the insurance policy provides coverage for all damage occurrences and they realise in the course of the proceedings that the insurance occurrences trigger the insurers' obligation to perform in a lot narrower circle. In many cases it resulted in a misunderstanding that the acts of nature used in the everyday sense (e.g. storm) are not necessarily interpreted the same way as the insurance occurrences in the conditions of contract that stipulate additional conditions for the everyday events (e.g. a defined wind force).

In a significant number of the cases the parties did not dispute the occurrence of the insurance event, however, the ***damage amount***, and its causal relation with the restoration made was disputed between the parties. In these cases it is still apparent that in the Board proceedings it is difficult to demonstrate proof in determining the amount of the damage, for which a possible solution from the part of the consumers may be the proper documentation and recording of the insured property item and the damage occurrence (e.g.: keeping the invoice of the purchase, repair, renovation or maintenance of the insured property items and taking photos and video recordings before and after the damage occurrences).

The Board in all cases strives for calling the consumer's attention for circumspect contracting, the proper documentation and reporting of damage occurrences. When considering claims, both the Board and financial service providers require sufficiently detailed evidence in support of claims (e.g. price offer, invoice, obtaining expert opinion).

As a new tendency an increase is apparent in the number of those cases, where the legal dispute partly or fully related to the ***under-insurance*** of the insured real estate. Several such cases have been referred to the Board earlier in which in the offer the customer set the insurance amount of the real estate at a value significantly lower than the actual restoration value, or explicitly refused to index the insurance amount, therefore under insurance has occurred . A number of such cases were brought before the Board, however, in which although the customer defined correctly the insurance amount at the time of signing the contract and continuously indexed the insurance, at the time of the occurrence of the damage the insurer established that the insurance amount (in case of the annihilation of the real estate the maximum amount of the cost of rebuilding as defined in the contract) was lower than the actual cost of restoration. Although insurers from year to year index the insurance coverage (and fees) in proportion to the change of the consumer price index, this cannot follow, for instance, the dramatic growth of the price of real estates and especially of building material and construction contract prices apparent in recent years. Due to this, the vast majority of the household property will be underinsured, that is, the customer has to face – when the damage occurs – that the insurer's risk assumption will cover only a fraction of his damage. In these cases, if the insurance amount is lower than the value of the insured property item, the insurer will cover the damage in proportion of the insurance amount compared to the value of the property item, on a pro-rata basis.

It is also a typical case of under-insurance when in the proposal documentation the individual rooms of the real estate are not indicated properly, and the proportion of the living space and non-living space did not reflect the actual living arrangements. Determining the individual movable assets insured may result in a similar problem. In addition to general household assets, certain movable assets (jewellery, collections items, etc.) must be stated separately, or otherwise they are not covered by the insurance.

In respect of under-insurance, those insurers' contracting practice is deemed progressive who would not apply the consequences of under-insurance in case the contracting party accepts the insurance amount determined by the insurer. In respect of all home insurance policies it would be desired if the insurance conditions would clearly describe the principles of determining the insurance amount and the legal consequences of under-insurance by calling the attention of consumers to these by taking into consideration the characteristics of the individual property groups. It is also necessary to stress that the correct designation of the sum insured, the application of value adjustment and the reporting of changes in value is in the interest of the insured party.

In the case of ***theft damage*** arising from burglary, in addition to defining the value of stolen assets and whether the individual assets had indeed been insured, the most frequently debated question is the protection level of the real estate. The vast majority of home insurance products provide reimbursement for stolen assets depending on the protection level of the property. The contracting parties are generally not aware of the exact type and quality level of protection (safety lock, window bars) they have to equip the insured real estate so that the protection level would comply with the conditions of the insurance policy. In home insurance policies the quantity of the cash stolen in burglary is maximised and separate stipulations provide for the high-value property items (jewellery, artwork, etc.). In many cases, the value of the cash and the assets actually stolen is not reimbursed on the basis of the insurance.

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

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

Difficulties in the evidence process arose during the evaluation of the legal disputes in many cases. The Board makes a decision based on the available documentary proof, and the statements made in the course of the proceedings, and accordingly, it is not possible, for instance, to conduct a site inspection, hear the testimony of witnesses and to use another non-documentary evidence. In such cases when the evaluation of the case is subject to a technical issue and expert opinions are not available or those are contradictory, it is important to conduct the Board proceedings. Special technical issues may include, for example, judging whether the injury picture documented with a photograph (roof damage, plaster coming off) is linked to storm damage or derives from a failure to fulfil maintenance obligations, whether the loss event occurred before the effective date of the coverage or during the insurance undertaking's risk-taking, whether the failure of an electric device occurred because of the secondary effect of lightening or a different event involving overvoltage or voltage fluctuations.

The Board's experience is that in the individual proceedings the financial service providers generally cooperate with the consumers and with the Board in the interest of the amicable settlement of the case. Reconciliation in respect of the comprehensive exploration of the facts related to the incurred claims ended with success in a large number of cases, as a result of which the insurance undertakings often modified their position formulated during the claim settlement proceedings concerning the legal basis or the amount of the insurance benefit. The participation of a loss assessor at the hearing on the part of the financial service provider contributed greatly to reaching a settlement agreement. During the proceedings, loss assessors were entitled to review loss calculations carried out previously. A significant number of the cases ends with a settlement agreement, and others with the consumers' recognition of the necessity of having a better knowledge of the insurance conditions for notifying and successfully enforcing the appropriate damage claim.

Outcome of home insurance cases closed in 2019

357 pcs
CLOSED CASES

of which

322 pcs (90%)
CASES JUDGED ON THE MERITS

of which

140 pcs (43%)
SETTLEMENT AGREEMENTS AND AGREEMENTS

3.1.2 Motor vehicle-insurance

In addition to home insurance, the largest number of disputes taken to the Board originate from motor vehicle-insurance. Among the cases received by the Board the number of legal disputes related to the compulsory motor third party liability insurance contract is outstanding, while the number of cases related to Casco insurance is lower.

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

In a significant number of cases related to non-coverage premium, the reasons for the termination of contracts on the grounds of a failure to pay the premium included incomplete or incorrect contact data provided by consumers (e-mail address, address of correspondence) and lack of due diligence when using electronic communication. In many cases problems occurred because consumers failed to check on a regular basis the e-mail messages sent to them, or substantially contested that such messages had been actually sent to them. It was revealed again in a large number of conducted proceedings 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. In several cases they found out from the competent government office's resolution on deregistering their vehicles that they did not have a valid compulsory motor third-party liability insurance contract. In this respect, government offices followed various practices:

in some cases, deregistration took place after a few months, in other cases after over six months of uncovered period, which resulted in a significant amount of non-coverage premiums. In several cases consumers complained that the service providers paid back to them the premiums paid with regard to the contracts cancelled due to non-payment only with a several months' delay, as a result of which for a long time they believed that everything was all right with their insurance.

Cases related to bonus-malus classification are still linked to the changing of insurance undertakings, payment of damages, and transferring the classification to another vehicle in the case of selling the insured vehicle.

Among the cases related to ***premium rates,*** the number of such cases has clearly increased that concerned the so-called surcharge for the caused damages. In case of damages caused by the vehicle keepers pursuant to Section 2 (3a) of NGM Decree No. 21/2011. (VI. 10.) of the Minister for National Economy on the bonus-malus system and being rated in it, and on the rules for issuing loss history certificates bonus-malus scheme, (hereinafter referred to as *Bonus-malus decree*) the insurers, while modifying the bonus-malus classification, may also take that into consideration as a further adjustment factor of the premium rate. Based on that the premium rate of an increasing number of insurers contains the surcharge for the caused damages, which represents a significant increase of the premium in respect of the individual contracts. In a number of cases the contracting parties are not aware that it is a factor modifying the premium, independent from the change in the bonus-malus classification and the repayment of the amount of the damage compensation, if any.

This is also a fundamental problem when the vehicle keeper paid the full amount of the compensation for the insurer. In this case, pursuant to Section 7 (2) of the Bonus-malus decree, the specific damage does not have to be taken into consideration in respect of the bonus-malus classification. However, on the basis of the fact of the damage (as a risk factor), the surcharge for the caused damages shall also be enforced in this case. This means, that the vehicle keeper will not be exempt from the legal detriment of the increased insurance fee by the reimbursement of the damage.

The problem of the practice of determining the premium is also reflected in the case, in which the petitioner claimed that on the offer he indicated that he had no damage history in the „previous insurance period", then the financial service provider after checking the centrally registered data found that the petitioner had a damage paid seven years before on "his previous contract", therefore it charged a 150% surcharge for the caused damages for the contract. In this case, therefore, damage caused several years before resulted in the significant increase of the premium.

In the cases regarding the proper forwarding of the notification of the annual insurance premium for the year following the reporting year the parties conducted a settlement agreement several times in the reporting year, and with a pro-rate settlement agreed on the termination of the contract with mutual consent. This permitted petitioners, in view of the expiry of the contracts, to conclude new compulsory motor third party liability insurance with a different insurance undertaking, perhaps with better conditions.

In the year 2019 the tendency of the previous years continued, i.e. an increasing proportion of the legal disputes related to compulsory motor third party liability insurance was made up of ***proceedings submitted by the injured parties of accidents (damages)*** caused by motor vehicles, in which the injured parties directly contact the insurer of the operators of the vehicle causing the damage to claim damages, pursuant to Sections 12 and 28 of the MTPL Act. This group of cases is different from the other insurance cases in respect that the insurer becomes obliged to make the insured perpetrator from the compensation of the damage or the payment of restitution in the manner and to the extent as specified in the MTPL Act, based on damage claim obligations arising from the damage caused by the party insured by it. In these disputes the insured perpetrator's liability for damages is a regular subject of dispute.

In several cases it was not possible to accurately determine the accident mechanism due to the lack of police action, or contradictions between the accident records taken and the statement of the parties. In these cases, the insurers often applied the sharing of damages between the parties.

Such cases also occurred in the reporting year, when the motor vehicle indicated as the one causing the damage could not be inspected because the operator of the motor vehicle causing the damage did not cooperate with the insurer he contracted for his liability insurance, and did not allow such inspection to be conducted and the insurer had no possibility, either pursuant to a statutory regulation or contractual provision, to enforce the cooperation.

In the case of those road accidents where the scene of the accident is not investigated by the police, it is of utmost importance to document on site the circumstances of the damage occurrence, the position of the motor vehicles compared to one another and the damages suffered (e.g. recordings made with smart phones). Later, during the settlement of claims, these photographs bear considerable importance as evidence.

Several such proceedings were also pending before the Board where it could be established that the financial service provider – despite the relevant statutory provisions – failed to make a proposal on compensation for the damaged party, or to respond with an explanation to the individual demands included in the damage claim within three months of the submission of the damage claim, but the proceedings of the settlement of the claim have been prolonged due to requesting the submission of several additional supplements. In some of these cases the parties managed to conduct a settlement agreement before the Board and close the damage claim proceedings. In those cases, however, when e.g. two financial service providers were waiting for the outcome of criminal proceedings and the final and legally binding decision of the court in which the liability of the party insured by one of them, and the extent of such liability was to be declared, it would have been practical for the financial service providers to agree on paying an advance to the indemnification in order to ensure the protection of the injured party (parties).

In the cases related to the motor third party liability insurance, the Board's task often was to make a decision based on the available documents and statements about the issue of liability, which essentially meant the interpretation and application of the statutory provisions on the rules of road traffic. In some cases, this can be done on the basis of the documents available, and in some cases the submitted claim cannot be judged without obtaining expert opinion or inspecting the scene. In many of such cases as a result of the re-evaluation of the evidence by the insurer a settlement agreement could still be made, while in other cases the damage was shared.

A specific case type was represented by cases involving the settlement of injured parties' claims arising from damage caused by vehicles not having a compulsory motor third-party liability insurance contract or by unknown vehicles. In these cases, the damage claim had to be submitted to the manager of the Indemnification account. In case of motor vehicles not holding a compulsory motor third-party liability insurance the proceedings had such characteristics that were similar to other claims raised by the injured parties, however, in respect of damages caused by unidentified motor vehicles the proceedings did not yield a result. According to the provisions of Section 35 of the MTPL Act the indemnification obligation of the manager of the Indemnification Account is not extended to damages caused by an unknown motor vehicle to the damaged motor vehicle, except if the accident caused by the unknown motor vehicle involving fatality or severe personal injury.

In connection with CASCO insurance, a relatively low number of cases were taken to the Board by consumers. Damage due to own fault and car theft continued to be the two main problem areas. On a few occasions the subject of the dispute between the parties was the legal basis, but typically it was the amount of the assessed insurance benefits. In the disputes related to legal basis, the insurance undertaking usually rejected the claim due to the fact that the mechanism of the accident stated in the claim description could not be matched with the place and nature of the damage in the vehicle. Such a case also occurred when the petitioner complained that after the offer had been submitted the insured motor vehicle had not been inspected within 15 days, as the financial service provider did not contact the customer, thus the offer was not finalised into a policy, while in the meantime he suffered damage.

On several occasions the reason for the dispute between the parties was that the insurer failed to inform the insured party about those repair service workshops with whom the financial service provider had a cooperation contract, then contested the items of the invoice the petitioners submitted of the repair. In several cases a decision on the merits could not be made, as the assessment of the amount of the damages suffered by the motor vehicle or the value of the stolen motor vehicle as at the time when the damage was suffered was an issue to be referred to a motor vehicle technical expert. Conciliation between the parties yielded a result in several cases, as they often reached an agreement with regard to standard equipment, extras, market value, EUROTAX category of the vehicle, and the amount of the costs incurred in relation to repair, confirmed by an invoice.

Calls referred to by the service providers should be made from such a telephone number that is recorded by the internal system of the financial service provider. The same should apply to making appointments for inspections and the information provided on the repair workshops. The point is that these calls should be made verifiable afterwards.

Outcome of motor vehicle insurance cases closed in 2019

373 pcs
CLOSED CASES
of which
323 pcs (87%)
CASES JUDGED ON THE MERITS
of which
141 pcs (44%)
SETTLEMENT AGREEMENTS AND AGREEMENTS

3.1.3 Accident and health insurance

Compared to the previous year, a slight increase was apparent in the number of legal disputes related to accident and health insurance. In these cases, the main subject of the disputes was again the extent of disability (decreased capacity to work) arising from an accident, or the existence or absence of the causal link between disability and pre-existing diseases. Making a decision on these issues fall within the competence of medical experts, and the Board cannot take an official position.

Among the accident insurance cases, in 2019 several petitions related to group insurance policies taken out by employers to the benefit of their employees. In these cases, the petitioners often complained that they had suffered an accident at work, which was recognised by their employers, however, the financial service provider refused their claim on grounds of the lack of an insurance event. In the course of the proceedings, the financial service providers referred to reliance on the terms and conditions of the insurance, where the definition of accidents was more limited than in the provisions of labour law or the legal regulations on social security insurance. In these proceedings on several occasions the financial service provider referred to the severely negligent conduct of the employee, as the insured party in performing their work, as grounds for exemption. For determining the circumstances of the accident, the possible negligence of the insured party, and the extent thereof, further extensive evidence process would have been necessary to conduct that went beyond the limits of the Board proceedings, therefore the proceedings were terminated.

Outcome of accident and health insurance cases closed in 2019

85 pcs
CLOSED CASES
of which
76 pcs (89%)
CASES JUDGED ON THE MERITS
of which
17 pcs (22%)
SETTLEMENT AGREEMENT, BINDING RESOLUTION AND AGREEMENT

3.1.4 Other, non-life insurances

Numerous legal disputes arose in connection with travel insurance and travel cancellation insurance too. The number of cases related to travel insurance slightly increased compared to the previous year. Travel insurances provide coverage for unexpected illness, accident, loss of luggage suffered during travels abroad, and other risks specified in the insurance policy. Consumers taking out travel insurance may choose from a number of schemes, which may substantially differ from each other in terms of the insured risks and the limits of the insurance benefits.

The general statement relevant to other insurance contracts is also applicable to travel insurance that the travel insurance policy taken out provides coverage for the hazards and risk elements specified in the general conditions of contract, forming 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. In respect of damages to baggage, the issue regularly occurs in the disputes whether the baggage in question has been stolen from a locked room or from such part of the motor vehicle that was properly protected against visibility. In a number of luggage loss claims the petitioners based their claim on the theft of chattels excluded by the insurance terms and conditions (electronic equipment, jewellery, cash), in respect of which the validity of the claim could not be established. In several cases, disputes arose from the petitioner failing to file a police report regarding luggage theft (specified as a mandatory requirement in the insurance policy), or – because of language problems – statements not complying with the petitioner's statement were recorded in the police report.

In several cases the dispute between the parties involved a service claim related to the cancellation or delay of flights. The dispute has arisen due to the fact that pursuant to Regulation (EC) No 261/2004 of the European Parliament and of the Council and according to the conditions of the insurance, the coverage provided by the insurance does not apply to air carriers established outside Europe. In one of the cases the petitioner successfully proved to the insurer that upon concluding the insurance contract he clearly informed the employee of the insurer acting in his case that he will use an air carrier established outside Europe by presenting his boarding pass and the insurance was taken out being aware of that . In this specific case, the insurer, after requesting its employee to make a statement regarding the case, paid the insured parties the insurance service amount applicable to the delay of flights.

In respect of petitions submitted in relation with travel insurances, in several cases the subject of the legal disputes was the issue whether the conclusion of the travel insurance contract was valid, as upon the conclusion of the contract the insured party stayed abroad and according to the insurance conditions referred to by the financial service provider the contract is not validly concluded if the insured person did not stay in Hungary when the contract was concluded.

When taking out travel insurance the contracting party should select such a travel insurance scheme that corresponds to the nature of the travel (skiing, diving, extreme sports), as the travel insurances provide coverage for special risks only in case of the inclusion of special provisions expressly applicable to those. It is important to check the conditions of insurance before leaving to make sure what needs to be done in the case of damage, and travellers should also save the telephone number of the assistance service to be notified if a problem occurs. Practically, basic information relating to the insurance policy taken out should be shared with family members remaining at home, because if insured parties staying abroad are unable to act, their relatives, in possession of the insurance data, can help them take advantage of the benefits of the insurance service in respect of organising and the immediate assumption of costs.

Travel cancellation insurance is a special type of travel insurance. These insurances provide 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 trip. A typical legal dispute is whether the passenger was unable to travel when the trip was cancelled, and when the reasons of the inability of travel occurred.

Several legal disputes between the parties relating to travel cancellation insurance were closed with a settlement agreement in such cases when in the course of the proceedings the financial service provider did not manage to document that upon the conclusion of the contract the travel agency, which acted as agent in selling the insurance, handed over the documents related to the insurance, or the customer was not informed about the insurance to such an extent that he did not even know which insurer it was that he concluded a travel cancellation insurance with, and did not even receive a telephone number to be used for reporting his intention to cancel his travel.

Credit or instalment insurance includes insurance policies that can be taken out with various credit products, personal loans or credit cards, typically in the form of group insurance. Based on the instalment insurance policy, upon the debtor's incapacity for work or unemployment, the insurance undertaking undertakes to assume the payment of the instalments from the insured person for a specific period, which is usually maximum six to twelve months, i.e. during this period payments to the bank are made by the insurance undertaking. A number of credit insurance products also include life or health insurance coverage, where upon the disability or death of the insured person the insurance undertaking may assume even the entire debt. Disputes arising because of the death or disability of the insured person carry the characteristics of risk life insurance, and accident and health insurance. Generally, the usual subject of the dispute was whether the death or the permanent disability of the insured person was attributable to an illness or injury that already existed prior to the start of the insurance undertaking's risk-taking, or whether a causal relationship can be established between them. In these cases, the problem frequents with group insurance also appeared, namely, that the insured parties are not aware of the conditions of the contract and in this respect of the rules applicable to previous illnesses as a circumstance serving ground for exclusion.

The various **product insurances or equipment insurances** provide indemnification for such damages in the cases specified in the insurance contract that occur suddenly due to unforeseeable forces suffered by the equipment from the outside and not to be repaired by the manufacturer under the warranty obligation (damages, breaking, annihilation) during the use of technical devices, equipment, including the mobile telecommunication devices. The equipment insurance schemes taken out for high-value technical devices, in particular to mobile phones, also provide coverage for the case of theft. Under the product insurance contracts, the so-called extended warranty insurance scheme provides coverage for internal malfunction of the devices after the expiry of the factory warranty period.

After the significant growth of the number of product insurance cases in 2017, in 2018 and in 2019 this type of cases appeared in a considerably lower number. However, it could be observed that the vast majority of the legal disputes concerning product insurance involved the extended warranty insurance in the reporting year; the number of another device insurance was insignificant.

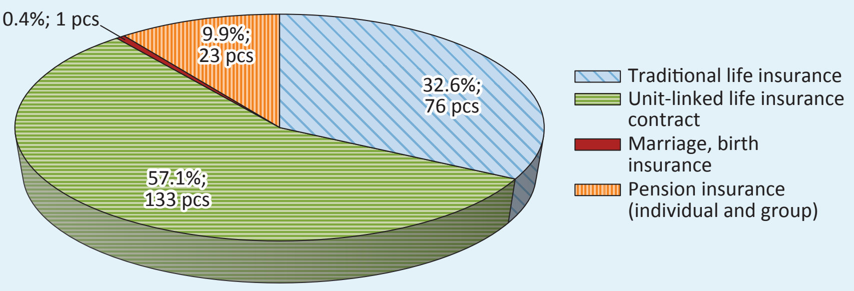
Among extended warranty insurance policies, cases when the subject of the dispute was the relation between the manufacturer's warranty and the extended warranty formed a specific, distinct group of legal disputes. In many cases, the prolonged warranty provided by the manufacturer – subject to registration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

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

3.2 Life insurances

Petitions related to life insurance made up 19 percent of the petitions concerning the insurance sector, which represents an approximately 5 percent point decrease compared to the previous year. Among the cases related to life insurance contracts the number of unit-linked life insurances and traditional life insurances decreased, while the number of pension insurance increased compared to the previous year.

Chart 32
Life insurance cases received



During the year, the Board closed 252 cases related to life insurance. Out of the 226 cases judged on the merits the number of settlement agreements approved with a decision was 60, 1 binding resolution was made, and in an additional 26 cases the proceedings were terminated as the parties came to an agreement outside the procedure. The proportion of cases favourable for the petitioners made up a total of 38.5 percent.

3.2.1 Traditional life insurance

In the case of traditional risk life insurances, the vast majority of legal disputes still related to the rejection of providing the service in case of deaths. In these cases, the beneficiary of the life insurance or the heir of the insured party turned to the Board requesting that it should establish the insurance undertaking's obligation to provide the benefit. In these cases, the problem is that the insurer refuses to perform the service claim with reference to the insured party's pre-existing condition before the risk-taking of the insurer, as a ground for exclusion. A significant proportion of the legal disputes related to risk life insurance become a special medical issue, and evaluation is impossible due to the lack of evidence, thus the parties conclude a settlement agreement in such cases only in a small proportion of the proceedings. However, regardless of the above, the reaching of a settlement agreement was facilitated if the petitioner, as the relative of the deceased insured party gave his consent to inquire the medical life history of the deceased, submitted the family practitioner's documents and hospital discharge records in respect of the late insured party.

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

In connection with combined life insurance – i.e. life insurance also providing risk and endowment benefits –, most claims related to the extent of the endowment benefits provided. It was a problem that the basis of the yield calculation applied to determine the amount of the endowment benefits is the premium reserve of the life insurance, which amount, owing to its nature, may not be determined in advance, and its exact calculation method may not be disclosed to the contracting parties, which means that the yield calculation and the accurate extent of the yield may not be controlled by the consumers.

Outcome of traditional life insurance cases closed in 2019

85 pcs
CLOSED CASES

of which

76 pcs (89%)
CASES JUDGED ON THE MERITS

of which

30 pcs (39%)
SETTLEMENT AGREEMENT, BINDING RESOLUTION AND AGREEMENT

3.2.2 Unit-linked life insurance

The number of petitions submitted in relation with unit-linked life insurance schemes significantly decreased compared to the previous year, parallel to cases involving traditional life insurance schemes. In relation with these cases the favourable effect of the recommendation of the Magyar Nemzeti Bank No. 8/2016. (VI.30.) on ethical life insurance concept and the transparency of costs introduced with it, the TKM limit system and other rules serving the proper information of consumers is clearly apparent. Legal disputes related to unit-linked life insurance schemes taken out within one or two years were brought before the Board in an insignificant number in the reporting year as well.

In the reporting year, among the cases related to unit-linked life insurances, contracts with an up-front premium represented a higher proportion than before. This particularity must have been caused by the fact that in respect of this product sold in a high quantity the defined term has expired now.

The majority of the legal disputes continued to involve the amount of the endowment benefit of the life insurances. In the case of currently expiring contracts, the deficiencies of the regulations valid before can be clearly seen as well as the unfavourable cost structure of unit-linked life insurance policies from the aspect of consumers. In the case of contracts concluded for a long period, i.e. for 10-20 years the special characteristic of these products become apparent now, i.e. the high amount of the costs charged cannot be compensated by the yields of the investments made from the fees paid in due to the low yield environment. These insurance policies are characterised by a cost structure, which is unfavourable for consumers, the contract (especially during the years after concluding the contract) is subject to significant costs and deductions. One of the most significant items of this type is the cost charged by reducing the initial units, serving as coverage for the initial acquisition costs. In the case of earlier modes, the amount of the initial costs was often more than double the amount of the annual insurance premium, and this amount of costs charged could not be compensated by the yield on investments during the entire term. In addition, the insurance is burdened by further deductions, specified in the conditions of insurance, such as the risk insurance premium, the handling fee, conversion charges, fund management cost. Petitioners often contested the amount and lawfulness of the costs charged, and the fairness of the cost structure.

In case of certain unit-linked modes the insurer undertakes yield and capital guarantee in case specific asset funds' portfolios are selected, if the contracting party does not change the specific portfolio during the tenure and does not swap asset funds. In the case of these products a legal dispute often arose from the fact that the insurer undertook the yield and capital guarantee in the contract in respect of the rate of the investment units registered in the asset fund, which, due to the continuous charging of cost by reducing the number of the investment units, is not identical to the yield projected to the insurance premiums paid in. As a consequence, the amount of the endowment benefit of the above mentioned products often hardly exceeded the amount of the insurance fees paid in.

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

In these cases it causes difficulty that the proposal documentation recorded generally fully contain the consumer's statement according to which the consumer has familiarised himself with and accepted all the terms and conditions of the product, including the costs charged and in respect of the investment the independent risk-taking. Petitioners should prove against this documentary evidence that during contracting they received different information. Financial service providers are open to closing the dispute with a settlement agreement, only if the proposal documentation of the life insurance contains an error or shortcoming.

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

The Board suggests that consumers would opt for a unit-linked insurance product after they studied in detail the cost structure of the product, have proper knowledge of investments and monitor the changes in the selected portfolio during the term of the insurance.

Outcome of the unit-linked insurance cases closed in 2019

148 pcs CLOSED CASES	of which	132 pcs (89%) CASES JUDGED ON THE MERITS	of which	53 pcs (40%) SETTLEMENT AGREEMENTS AND AGREEMENTS

3.2.3 Pension insurance

An insignificant number of petitions were received related to pension insurance schemes in 2019 again, only 23. Disputes related to the amount of maturity benefits, the enforced tax allowance and the calculation of the surrender value. In respect of pension insurance in 2019 in several cases the dispute between the parties involved the products with an up-front premium payment, as contrary to the information referred to by petitioners, the insurer pursuant to tax law regulations was not authorised to disburse the endowment benefit in a lump sum, but disbursed it only as an allowance for the customers. In these cases, the Board had to terminate the proceedings taking into account the difficulties of evidence process and the tax legislations. It is to be highlighted that a number of pension insurance products has the same characteristics as unit-linked life insurance schemes, thus presumably similar problems and legal disputes would arise in the case of these products too.

Outcome of pension insurance cases closed in 2019

16 pcs
CLOSED CASES

of which

16 pcs (100%)
CASES JUDGED ON THE MERITS

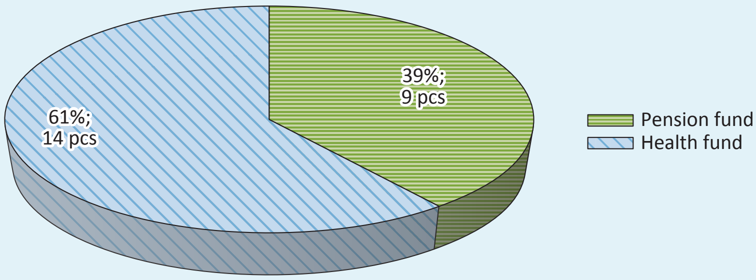
of which

4 pcs (25%)
SETTLEMENT AGREEMENTS AND AGREEMENTS

4 LEGAL DISPUTES RELATED TO FUNDS SERVICES

The number of cases relating to funds services is negligible compared to the total number of cases before the Board, and the number of proceedings slightly decreased in the past year compared to the cases filed against the funds.

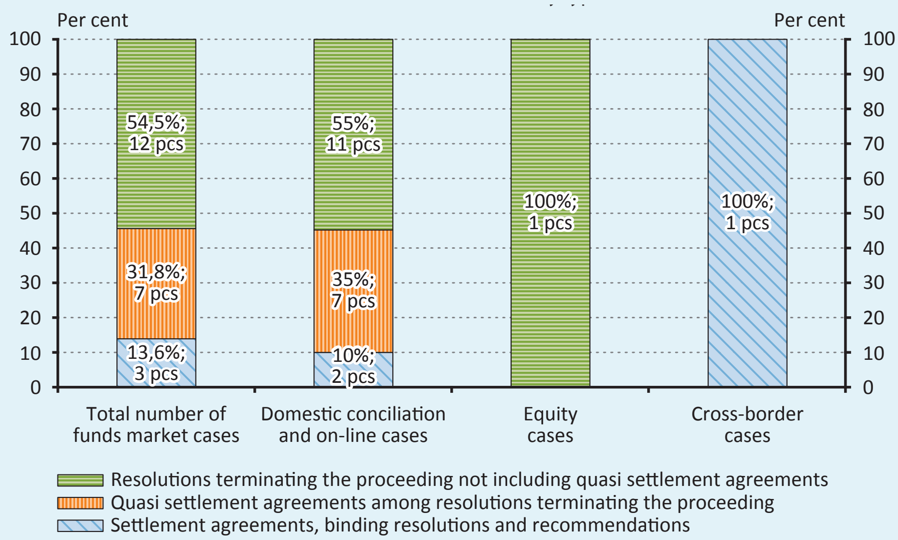
Chart 33
Funds cases received



96 percent of the closed cases related to funds services, i.e. 22 cases, were discussed by the Board on the merits, and the Board had to reject a petition only in 1 case without scheduling a hearing based on non-fulfilment of the request for supplementation. Out of the petitions accepted, in 3 cases the parties concluded a settlement agreement. In a further number of 7 cases a settlement agreement was reached between the parties outside the procedure, or the financial service provider, having revised its former position, voluntarily granted the petitioner's request in full. This, all in all, in respect of the petitions related to funds services 45 percent of the cases accepted were closed with a positive outcome for the petitioners.

The figure below shows the distribution of the cases related to money market services closed following judgement on the merits per decision type, including the individual case types.

Chart 34
Funds cases closed by case type



4.1 Health funds

Among the legal disputes related to health funds, in two cases the complaint related to the fee of the health fund card. In one of the cases the petitioner complained that despite his explicit request a new card was sent out, and its fee was charged, while he mentioned as early as upon signing the contract that he did not want a card, as he did not want to use it. The service provider, referring to the Statutes, presented that all fund members must apply for a card, however, with regard to the case agreed to credit the card fee to the petitioner's individual account kept with the service provider.

In another case the petitioner complained that the card could not be used, however, he was still not entitled to a replacement card free of charge. The service provider did not see a possibility to replace the card free of charge claiming that it had investigated the case and as a result of such investigation the possibility of a manufacturing fault could be ruled out, the card could be used properly. There has been a case in which the service provider entity had a legal successor after the submission of the application for fund membership and the legal successor fund refused to grant the claim expressing that in its position the information provided by the legal predecessor was not in compliance with the statutory provisions. The parties were cooperative in the Board proceedings, made an effort to solve the problems raised and a settlement agreement was reached between them.

Legal disputes emerged between the parties also because the financial service provider refused to allow the use of the family desk service claiming that the family allowance due for the children of the petitioner was not transferred to it, while in its position, as a "person entitled to family allowance" may apply for that. The service provider referred to the relevant statutory regulations according to which that a person shall be deemed as an entitled party who applied for the family allowance, thus it did not change its position in the course of the proceedings. The proceedings were terminated with regard to the lack of ground in the petition.

In another case, the petitioner complained in the proceedings that the service provider refused to grant an invoice he submitted, as its data content was not appropriate. In the course of the proceedings, in its response document the financial service provider presented the provisions of the Statutes relevant to invoices as well as the activities related to correcting the invoice. The petitioner following that withdrew his petition.

The Board recommends that the fund members study the statutes and the service regulation of the health fund, and this way they could find out not only about the eligible costs but may also have information about the requirements relevant to the content and form of the documents necessary for administration.

Outcome of health fund cases closed in 2019

9 pcs CLOSED CASES	of which	9 pcs (100%) CASES JUDGED ON THE MERITS	of which	4 pcs (44%) AGREEMENT

4.2 Voluntary Pension Fund

In the course of the proceedings filed against voluntary pension funds, the petitioners in several cases claimed that they received incorrect or incomplete information from the funds. In one of the cases the petitioner complained that the disbursement of the tax-free yield was not made on the date when he requested. He complained that the administrator provided incorrect information and he found out only in the subsequent complaint procedures that he could have requested a different accounting day. The financial service provider referred to the fact that it is not possible to reconstruct what has been said in the customer service office, no voice recording was made, but the petitioner confirmed with his signature that he had received the necessary information booklet and that he could become familiar with its content. The proceedings were terminated, as it was impossible to continue.

In the reporting year a case was again initiated in relation with disputing the obligation to pay Personal Income Tax and Health Care Contribution arising in relation with disbursements from the pension fund account. The petitioner in his petition submitted in the Board proceedings presented that in his opinion the deduction is not justified, as at the time of the disbursement he already was a petitioner. The pension fund in its response document mentioned that the service requested by the petitioner involved disbursement after a 10-year-long waiting period. After his membership was terminated, the petitioner indicated that he had already been a pensioner when the claim was submitted. Based on the petitioner's statement, and the decision confirming the pensioner status the financial service provider modified the disbursement to pension service, performed the adjustment, and the petitioner withdrew his petition.

The Board recommends that the fund members carefully study the information booklets made available by the fund for customers and thoroughly consider their possibilities before they make a decision.

Outcome of voluntary pension fund cases closed in 2019

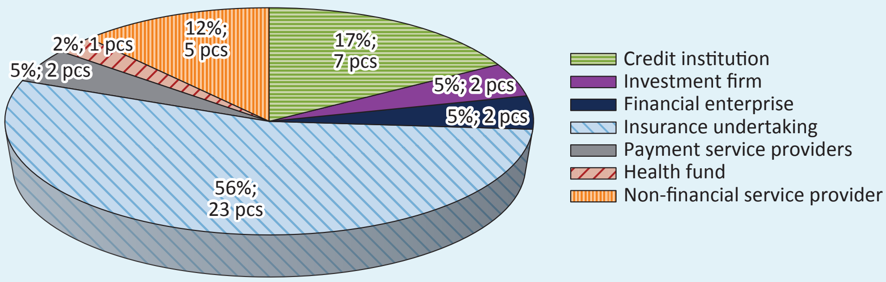
14 pcs CLOSED CASES	of witch	13 pcs (93%) CASES JUDGED ON THE MERITS	of witch	6 pcs (46%) SETTLEMENT AGREEMENTS AND AGREEMENTS

IV Cross-border financial legal disputes

Similarly to the earlier practice of the Board, the number of cross-border cases was insignificant compared to the number of other cases. After the tendency of permanent increase in previous years, in 2016 a drop was apparent, then in 2017-2018 it was followed by continuous growth. In 2019 the number of cases decreased again and compared to the 42 petitions received in 2018, 35 new petitions arrived.

Of the 42 closed cases, petitions were submitted by consumers resident in Hungary in 25 cases, and by non-residents in 17 cases.

Chart 35
Types of service providers in closed cross-border cases



Proceedings against Hungarian service providers were initiated in a large number of cases by Hungarian citizens working permanently abroad, or by Hungarians living outside the borders. The service providers involved in the petitions and the nature of the complaints did not significantly differ from those in the general proceedings as basically such cases were received that concerned contracts related to credit and loan contracts, bankcard transactions, unit-linked life insurance schemes, travel insurance, funds transfers, and transaction fees charged.

In one case the Board did not have authority in terms of the petition as the petitioner filed a petition against a non-financial service provider. Procedural obstacles occurred in 9 cases, of which in one of the cases the petitioner did not conduct complaint procedures with the financial service provider before filing for the Board's proceedings, and in another case legal proceedings were ongoing in the case concerned with the legal dispute or a final and legally binding judgement was made and therefore the petition was rejected. In seven cases, the petitioner had to be informed that the financial service provider did not make a submission statement, therefore it was not possible to conduct proceedings on the merits.

In two cases the preconditions of the proceedings on the merits were not met, as the petitioners did not fully comply with the request for submitting supplements. In respect of the cases rejected because of the failure to comply with the call for supplementation, petitioners were always informed that by submitting a complete petition they could initiate the proceedings of the Board repeatedly.

Decision on the merits was passed in 29 cases, of which the proceedings were terminated in 13 cases. In two of the terminated cases it was impossible to conduct the proceedings, because further extensive evidence taking process would have been necessary, which was not possible in the Board's proceedings. In further 3 cases the petitioner withdrew their petition as the financial service provider in the course of the proceedings fulfilled their requests, or outside the FAB proceedings the parties agreed on the final resolution of the legal dispute. In one case the parties jointly requested to terminate the proceedings as they came to an agreement outside the FAB proceedings. In two cases the proceedings proved to be unnecessary to conduct, as the financial service provider in the meantime fully granted the claim included in the petition, or for a different reason the proceedings proved to be unnecessary to conduct. In three cases the petitioner's petition proved be unsubstantiated, thus the closure of the proceedings was also justified.

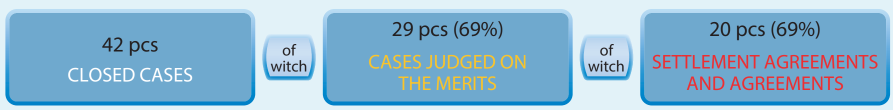
Of the decisions on the merits a settlement agreement was concluded in 16 cases. Petitioners were residents of Hungary in 12 cases, who submitted their petitions against foreign resident financial service providers. Out of 12 petitions 11 cases related to unit-linked life insurance contracts and one case to travel insurance. Experience obtained by the Board earlier shows that in most cases foreign service providers refused to submit to the Board's proceedings. This tendency changed positively in 2018 and in 2019, as the concerned foreign financial service providers in most of the cases sent in their submission statements, thus the Board in these cases could also make a decision on the merits. It is a positive change that this year in 4 cases Hungarian based financial service providers also made proposals for settlement agreement in the course of the proceedings, therefore the cross-border financial consumer legal disputes initiated by Hungarian citizen consumers living in the area of the EEA could also be closed with decisions approving settlement agreements.

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

In respect of travel insurance contracts, the petitioners complained that the foreign insurer claimed exclusion, did not admit the damage occurrence as an insurance event, or did not pay them the insurance amount determined in the contract. In the course of the proceedings the financial service provider reviewed the damage occurrence again and made a proposal for a settlement agreement.

In one of the cases related to account termination, the petitioner, who was a foreign citizen, opened Euro and HUF bank accounts with the financial service provider. Two years later he moved from Hungary. According to his position, he terminated the accounts, however, he did not receive any confirmation of that from the financial service provider. However, the financial service provider did not find any request for account termination in its registration. The petitioner was already contacted by a debt management company in order to collect the debt. The petitioner requested the Board to mediate in order to terminate the accounts, through which no movement took place for years, only the costs and fees and the interest of those were debited to them by the financial service provider. The financial service provider in the course of the proceedings made a proposal for a settlement agreement, according to which it would initiate the repurchase of the receivables related to the accounts and would write-off the debts, as well as close the accounts, thus the Petitioner had nothing else to do regarding the account and had no further outstanding payment obligation either towards the financial service provider or the debt management company.

Outcome of cross-border cases closed in 2019



V Cases administrated on the Online Dispute Resolution Platform

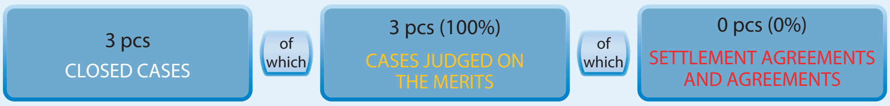
The Board received a total of three petitions via the ODR platform, and all of them concerned the area of insurances. One related to compulsory motor third party liability insurance, the second to life insurance and the third one to property insurance. In the first two cases the Board deemed the petitioner's petition unsubstantiated, and in the third case the proceedings had to be terminated as the Board did not have proper competence for evaluating the legal dispute, as – in the course of the proceedings – it turned out that the petitioner did not qualify as a consumer. In the first case the timeframe of the proceedings was 91 days, in the second case 28 days, and in the third case 42 days. In the cases performed via the ODR platform the average length of the proceedings was 54 days.

The first case was related to a compulsory motor third party liability insurance. The petitioner held three compulsory motor third party liability insurance contracts for his motor vehicles with the financial service provider. Out of the compulsory motor third party liability insurance contracts two were terminated by the financial service provider as of accounting day in his letters addressed to the petitioner, and one was terminated due to the non-payment of the premium. The petitioner complained about the procedure of the financial service provider, and due to this, after unsuccessful complaint procedures turned to the Board via the online dispute resolution platform. In the course of the proceedings, the financial service provider submitted a response document, in which it presented that one of the petitioner's contracts was in arrears, in relation to which he called the petitioner several times to pay the arrears on the contract. However, the arrears referred to has not been paid, therefore this contract was terminated, of which the petitioner was informed in a postal letter. In the other two cases the financial service provider terminated the contract as of the accounting date in its written statement addressed to the petitioner. Taking into consideration that pursuant to the rules of the Civil Code relevant to insurance contracts, if the due insurance premium is not paid, the insurer – in addition to giving warning about the consequences – calls the contracting party in writing to perform by setting a thirty-day deadline from sending the notification. If the additional deadline expires without success the contract will cease to exist for the due date with a retrospective effect, except if the insurer enforces the receivables from the fees in court. In addition to that, the parties may terminate a contract concluded for an indefinite period in writing, for the end of the insurance period, after the thirty-day notice period without an explanation. The Financial Arbitration Board examined the statements made in the course of the proceedings and the evidence attached, based on which it concluded that the petitioner's petition was unsubstantiated, and the financial service provider acted lawfully in the evaluation and rejection of the claim notified by the petitioner and included in the petition, and did not breach the contract or violated any law.

The second case was related to a **life insurance** contract. The petitioner in her petition submitted through the ODR platform complained that the financial service provider would not disburse the life insurance amount with reference to the fact that although due to her oncological disease developed after the insurance contract was concluded the petitioner would be entitled to disability benefits, such provision of the benefit was refused, thus it was not possible to disburse the insurance amount either. In its response document the financial service provider presented that based on the decision of the government office sent the criteria of entitlement to disability benefits are satisfied, but the petitioner had paid employment and was given regular monetary supply, thus her petition was refused, i.e. she did not gain entitlement to disability benefits. As the petitioner did not gain entitlement to disability benefits thus the insurance event specified in the conditions of the contract did not occur. The Financial Arbitration Board examined the statements made in the course of the proceedings and the evidence attached, based on which accepted the argument of the financial service provider according to which the petitioner's petition was unsubstantiated, as pursuant to the insurance contract between the parties „according to the supplementary health insurance coverage for the case of disability benefits an insurance event occurs if the insured party originating from an accident or illness becomes entitled to disability benefits in the period of risk taking pursuant to Act CXCI of 2011 on amending various laws and benefits pertaining to a change in working capability, and the legal regulations drawn up based on the powers provided by that law. The rehabilitation authority acting in the first instance established in the course of its proceedings that the petitioner had paid employment, therefore she was not entitled to the benefits pertaining to a change in working capability. At the time when the government office made its decision the petitioner satisfied only the first criterion out of the three joint criteria specified by the legal regulation, due to this the petitioner was not granted entitlement to disability benefits, therefore the insurance event specified in the conditions of contract of the supplementary health insurance coverage for the case of disability benefits did not occur.

The third case related to **property insurance**. The petitioner in his petition submitted through the ODR platform requested the payment of the insurance benefit due to a damage to the real estate he owned caused by an earthquake. It turned out from the financial service provider's response document in the course of the proceedings that the legal relationship between the petitioner and the financial service provider did not qualify as a financial consumer legal dispute, as the contract was drawn up for a purpose falling within the petitioner's economic activities, the petitioner concluded his insurance contract with the financial service provider as a private entrepreneur to insure its branch, thus the petitioner did not qualify as a consumer.

Outcome of cases received via the online platform closed in 2019



VI Settlement cases

In 2019 the Board's tasks included the review of the financial legal disputes related to the legal settlement of the so-called exchange rate gap and unilateral contract amendment. The number of proceedings received since 1 January 2015 related to settlements increased to 16.807 by the end of the year from the previous year's 16.790. Taking into consideration that Act XL of 2014 (Settlement Act) specified the final date of the notification of settlement related complaints as 31 December 2015 as the rule, petitions for the review of the settlement could be submitted to the Board also by meeting strict deadlines.

What cases did the Board deal with in 2019?

In case type No.151, in 2 cases the court obligated the Board in new proceedings to substantiate its decision by accurate explanation in all respects. Such cases occurred in which the Board had earlier made a decision that contained a binding resolution, and based on that a new settlement was made, the petitioner disputed the new settlement as well and thus a decision had to be made about the correctness of the new (adjusted) settlements. In some cases, in 2019 the Petitioner's complaint was rejected by the concerned financial service provider, then the case was brought before the Board.

In case type No.152 the 2 petitions received in 2019 could not be judged on the merits even after a call for supplementation, therefore these were rejected.

In case type No. 153 3 cases were closed with termination, in 1 case due to lateness and in 2 cases because final and legally binding decisions had already been made.

A binding resolution was issued in two cases. In one of the cases minor calculation errors, inconsistencies, rounding mistakes were identified in a settlement (already modified before), and this was why the acting council made a decision for the preparation of a new settlement, containing a binding resolution. The minor errors did not affect the quantitative result of the settlement on the merits. The other binding resolution modified the amount charged in an unfair manner to a significant extent, and the correct amount was HUF 579 thousand higher than that earlier determined by the service provider. The difference (error) emerged from the fact that the service provider determined incorrectly the fair interest rate.

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ANNEX 1

Operating Procedures of the Financial Arbitration Board

1 OPERATING PRINCIPLES

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

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

1 Independence

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

2 Transparency

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

3 Adversary procedure

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

4 Efficiency

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

5 Legality

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

6 Liberty

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

7 Possibility of representation

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

2 ORGANISATION

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

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

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

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

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

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

3 POWERS AND COMPETENCE

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

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

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

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

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

5. The Board has nationwide competence.

4 THE ACTING PANELS

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

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

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

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

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

5 BOARD MEMBER ACTING ALONE

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

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

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

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

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

6 CONFLICT OF INTEREST, PREJUDICE AND EXCLUSION

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

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

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

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

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

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

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

7 SUBMISSION AND EXAMINATION OF PETITIONS, AND THE ANSWER

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

   After the appointment of the panel the received petition is examined by the panel acting in the case. If the petition does not comply with the provisions of the law, the acting panel returns the petition – within 15 working days from the receipt thereof – to the petitioner for supplementation, specifying the shortcomings and allowing a deadline of 8 days. The petition is incomplete, if it does not contain

   a) the name, place of residence or abode of the petitioner,
   b) the name and registered office of the financial service provider involved in the dispute initiated by the petitioner,
   c) the brief description of the petitioner’s position, and the supporting facts and evidences,
   d) the petitioner’s declaration on the attempted settlement of the dispute,
   e) the document containing the rejected complaint and the rejection,
   f) the petitioner’s declaration that he did not initiate any mediation or civil lawsuit in the case,
   g) the proposed decision,
   h) the documents – or the copy or excerpt thereof – on the content of which the petitioner refers to as evidence,
   i) if the petitioner wishes to act through a proxy, the power of attorney of the representative having full disposing capacity within the meaning of civil law, in the form of private deed of full probative value or public instrument,
   j) if any special data are also related to the petition, the declaration of the petitioner to the effect that simultaneously with submitting the petition he consents to the management and transfer of such special data in accordance with the provisions of the MNB Act,

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

2. The panel acting in the case examines the petition within 8 days from the start of the proceedings to assess whether it belongs to the competence of the Board. No competence exists for the assessment of the petition, if

   a) the petitioner does not qualify as a consumer,
   b) the petition is not against a financial service provider,
   c) the petition was submitted against a workout company, but the underlying legal relationship was not aimed at financial services
   d) the subject of the petition is not a financial consumer dispute.

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

3. The acting panel rejects the petition without fixing a hearing, if

a) the submission of the petition has not been preceded by the investigation of his complaint, at his initiative, or the petitioner has not previously lodged a failed petition for equitable treatment to the given service provider,

b) the complaint was not rejected,

c) there is pending action between the parties based on the same facts for the same right, or already a non-appealable judgment has been passed on the subject thereof; or if the proceeding of the Board has been initiated before and it was closed by a resolution, except when in such earlier proceeding the petition was rejected due to failure to comply or to the inadequate compliance with the call for supplementation, or the petitioner has withdrawn his petition or the parties jointly requested that the proceeding be terminated,

d) there is a criminal procedure in progress with regard to the case, in which the consumer also requests that his civil claim be enforced, or a warrant for payment has been issued in respect of a case between the parties arising from the same facts of the case being conducted for the same right, or a mediation procedure has been launched by the parties,

e) the time allowed for supplementation ended unsuccessfully,

f) the petition cannot be judged even after the supplementation,

g) the dispute is frivolous, namely, the petitioner makes a declaration of a content or shows a conduct that is obviously not aimed at the settlement of the dispute on the merits and is clearly unfit for launching the procedure,

h) the dispute is vexatious, namely, the tone of the petition, the declaration and behaviour of the party are indecent, rude or personal,

i) the Board has no competence to judge the dispute (petition).

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

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

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

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

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

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

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

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

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

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

8 THE HEARING

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

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

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

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

5. If the petitioner authorises a proxy, the power of attorney must be made out in a private deed of full probative value or in a public instrument. If the petitioner and his representative attend the hearing together, the authorisation may also be recorded in the minutes of the hearing. If the proxy or authorised representative attending the hearing on behalf of the party fail to confirm right of representation, he may not represent the party at the hearing.

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

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

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

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

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

9. If no compromise is effected the chair of the acting panel obtains the declaration of the attendees whether they maintain their position stated in the petition or in the answer, or wish to supplement it verbally. It reminds the petitioner of the restrictions applicable to the modification and supplementation of the petition. The panels should first obtain the declaration of the consumer; thereafter the representative of the financial service provider may present the facts and evidences underlying its declaration and may request that its written declaration be supplemented. After the declarations and the supplementations, the members of the acting panel may request information from the parties

with regard to any additional circumstances, facts or data related to the case. The presented facts and data must be confirmed, if necessary. If at any stage of the hearing the possibility of a compromise arises, the chair of the acting panel initiates that the compromise be effected. If this necessitates the consent of a person absent from the hearing (particularly in the case of representation), the chair of the acting panel may order a short break so that the party or his representative can quickly obtain the consent required for the compromise.

10. The principle of free evaluation of evidence is enforced at the hearing with the proviso that
    a) all acts of evidence may be made during the hearing, no on-site verification is allowed,
    b) no expert is appointed, but the parties may submit – before the hearing – an expert opinion to support their position,
    c) during the hearing the acting panel may ignore the evidences when the purpose of which was clearly to hinder the proceedings,
    d) instruments containing classified data may be used at the hearing in accordance with relevant provisions of the law,
    e) if the presented facts or data are not evidenced or confirmed, the acting panel will ignore them when making its decision.

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

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

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

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

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

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

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

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

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

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

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

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

9 MAINTAINING THE PEACE AND DURATION OF THE PROCEEDINGS

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

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

10 DIFFERENT RULES APPLICABLE TO CROSS-BORDER FINANCIAL CONSUMER DISPUTES

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

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

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

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

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

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

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

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

3. The petitioner may submit a petition to the Board within 30 days from the receipt of the financial service provider's letter rejecting the complaint, or if the financial service provider failed to respond to his complaint within 60 days. If the petitioner was prevented from the submission of the petition, he may initiate the proceeding within 30 days from the termination of the prevention, but not later than 6 months after the delivery of the rejection of the complaint. The petitioner must confirm the prevention and the termination thereof.

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

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

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

7. The acting panel rejects the petition and terminates the procedure, if
   a) the case does not fall within the laws stipulated in point 1,
   b) the submission of the petition was not preceded by the investigation of the petitioner's complaint at the petitioner's initiative at the respective service provider,
   c) the complaint was not rejected within the statutory deadline,
   d) the petition was submitted late
   e) the petitioner failed to comply with the call for supplementation,
   f) The petition cannot be judged even after the supplementation,
   g) the petitioner withdraws his petition,
   h) the petitioner and the financial service provider jointly apply for the termination of the proceedings,
   i) the petition is unfounded

j) in the case of petitions aimed at the dispensing with the conversion into forint, the attempt to involve co-borrowers failed
k) any of the petitioners submits a petition due to the same reason in respect of which the Board has already passed a decision in connection to the same settlement,
l) if the financial service provider prepared a new settlement statement, against which independent remedy lies.

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

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

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

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

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

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

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

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

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

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

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

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

18. The Board will not publish the binding resolutions.

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

12 PROCEDURE IN ONLINE FINANCIAL CONSUMER DISPUTES

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

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

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

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

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

13 PUBLICATION OF THE DECISIONS

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

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

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

14 RECESS

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

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

15 CONTACT DETAILS

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

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

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

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

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

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

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

ANNEX 2

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

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

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

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

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

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

2. PROXY'S data

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

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

3. Data of the FINANCIAL SERVICE PROVIDER:

3.1	**Name of the financial service provider:**	
3.2	**Address of the financial service provider:**	
Data of ADDITIONAL SERVICE PROVIDER (*Please fill in this section only, if you request that the procedure be launched against the additional service provider.*)		
3.3	**Name of the additional financial service provider:**	
3.4	**Address of the additional financial service provider:**	

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

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

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

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

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

5.1	**When did you submit your complaint/equity petition to the financial institution?**	…… day ……………… month 201... year
5.2	**Please mark with X, if the financial institution <u>did not respond</u> 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

2/7

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**

3/7

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):

4/7

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.)*	

5/7

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

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

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

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

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

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

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

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

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

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

POWER OF ATTORNEY

I, the undersigned:

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

hereby authorise:

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

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

Name of financial service provider:	
address:	

at the Financial Arbitration Board.

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

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

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

Witnesses:

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

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

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

7/7

ANNEX 3

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

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

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

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

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

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

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

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

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

4. Statements and data relating to INSTITUTING THE PROCEDURE:

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

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

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

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

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

5.2 Detailed presentation of the reasons for the petition:

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

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

2/5

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

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

3/5

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

6. ANNEXES TO THE PETITION:

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

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

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

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

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

……………………………………………………………………………… ………………………………………………………………………………….

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

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

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

4/5

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

POWER OF ATTORNEY

I, the undersigned:

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

hereby authorise:

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

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

Financial service provider's name:	
address:	

concerning an equity case.

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

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

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

Witnessed by:

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

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

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

5/5

ANNEX 4

financial dispute resolution network

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, mellyel kapcsolatban áll	
A pénzügyi szolgáltató elérhetősége (telefon, e-mail cím)	
Az ország, ahol a pénzügyi szolgáltató irodája működik	
A panasz adatai	
Rövid összefoglalás a panaszról	
A panasz alapjául szolgáló tények keletkezésének időpontja	
Szerződés száma, adatai	
Panaszbejelentés időpontja a pénzügyi szolgáltató felé	
A pénzügyi szolgáltató utolsó válaszának időpontja	

ANNEX 5

Financial service providers involved in procedures in 2019

	Service Provider	General cases Number of cases	Settlement cases Number of cases
1	OTP Bank Nyrt.	217	1
2	OTP Faktoring Zrt.	209	3
3	Allianz Hungária Biztosító Zrt.	196	
4	Erste Bank Hungary Zrt.	194	1
5	AEGON Magyarország Általános Biztosító Zrt.	174	
6	Groupama Biztosító Zrt.	161	
7	Generali Biztosító Zrt.	152	
8	Intrum Justitia Követeléskezelő Zrt.	113	
9	Raiffeisen Bank Zrt.	108	2
10	UNION Vienna Insurance Group Biztosító Zrt.	107	
11	K&H Bank Zrt.	95	3
12	K&H Biztosító Zrt.	90	
13	Fundamenta Lakáskassza Zrt.	88	
14	MKB Bank Nyrt.	88	
15	EOS Faktor Magyarország Zrt.	85	1
16	MKK Magyar Követeléskezelő Zrt.	79	1
17	Budapest Bank Zrt.	78	
18	CIB Bank Zrt.	71	
19	UniCredit Bank Hungary Zrt.	68	
20	UNIQA Biztosító Zrt.	60	
21	Merkantil Bank Zrt.	58	
22	Magyar Posta Biztosító Zrt.	42	
23	KÖBE Közép-európai Kölcsönös Biztosító Egyesület	33	
24	SIGNAL IDUNA Biztosító Zrt.	28	
25	Dunacorp Faktorház Zrt.	26	
26	MKB Bank Zrt.	26	1
27	Colonnade Insurance S.A. Magyarországi Fióktelepe	24	
28	Takarékbank Zártkörűen Működő Részvénytársaság	24	
29	Erste Lakástakarék Zrt.	23	
30	GENERTEL Biztosító Zrt.	23	
31	Provident Pénzügyi Zrt.	23	
32	Takarék Központi Követeléskezelő Zártkörűen Működő Részvénytársaság	21	
33	Cofidis Magyarországi Fióktelepe	20	
34	Erste Befektetési Zrt.	20	
35	Magyar Cetelem Bank Zrt.	20	
36	CARDIF Biztosító Zrt.	19	
37	CIG Pannónia Életbiztosító Nyrt.	18	
38	Takarék Kereskedelmi Bank Zrt.	18	
39	Magyar Posta Életbiztosító Zrt.	17	
40	OTP Jelzálogbank Zrt.	15	
41	OTP Lakástakarékpénztár Zártkörűen Működő Részvénytársaság	14	

	Service Provider	General cases Number of cases	Settlement cases Number of cases
42	Momentum Credit Pénzügyi Zártkörűen Működő Részvénytársaság	13	
43	Sberbank Magyarország Zrt.	13	
44	InHold Pénzügyi Zrt.	12	
45	4Life Direct Kft.	10	
46	Lombard Pénzügyi és Lízing Zrt.	10	
47	Magyar Biztosítók Szövetsége	10	
48	Budapest Bank Zrt. Autófinanszírozási Üzletág	8	
49	Skandia Lebensversicherung AG	8	
50	Wáberer Hungária Biztosító Zrt.	8	
51	DEBT-INVEST Pénzügyi Szolgáltató és Befektetési Zártkörű Részvénytársaság	7	1
52	Intrum Hitel Zrt.	7	
53	Reg-Finance Pénzügyi és Szolgáltató Zrt.	7	
54	3A Takarékszövetkezet	6	
55	Oney Magyarország Pénzügyi Szolgáltató Zrt.	6	
56	PRÉMIUM Önkéntes Egészség- és Önsegélyező Pénztár	6	
57	SIGMA FAKTORING Zártkörűen Működő Részvénytársaság	6	
58	Sopron Bank Burgenland Zrt.	6	
59	Takarék Jelzálogbank Nyrt.	6	1
60	KDB Bank Európa Zártkörűen Működő Részvénytársaság	5	
61	Korona Takarék Takarékszövetkezet	5	
62	MagNet Magyar Közösségi Bank Zrt.	5	
63	Magyar Posta Befektetési Zrt.	5	
64	Magyar Posta Zrt.	5	
65	Magyar Ügyvédek Kölcsönös Biztosító Egyesülete	5	
66	MTB Magyar Takarékszövetkezeti Bank Zártkörűen Működő Részvénytársaság	5	
67	OTP Országos Egészség- és Önsegélyező Pénztár	5	
68	AEGON Magyarország Önkéntes Nyugdíjpénztár	4	
69	ARGENTA LÍZING Pénzügyi Szolgáltató Zrt.	4	
70	CENTRÁL TAKARÉK Szövetkezet	4	
71	Citibank Europe plc. Magyarországi Fióktelepe	4	
72	M7 TAKARÉK Szövetkezet	4	
73	MetLife Europe d.a.c. Magyarországi Fióktelepe	4	
74	NN Biztosító Zrt.	4	
75	Q13 Pénzügyi Zártkörűen Működő Részvénytársaság	4	
76	Agria Portfólió Pénzügyi Tanácsadó és Szolgáltató Zrt.	3	
77	Arthur Bergmann Hungary Pénzügyi Zrt.	3	
78	CARDIF Életbiztosító Magyarország Zrt.	3	
79	CASPER Consumer Finance Zrt.	3	
80	CESSIO Követeléskezelő Zrt.	3	
81	Chubb European Group Limited Magyarországi Fióktelepe	3	
82	CIB Lízing Zrt.	3	
83	CLB Független Biztosítási Alkusz Kft.	3	
84	DEFACTORING Pénzügyi Szolgáltató Zártkörűen Működő Részvénytársaság	3	
85	Equilor Befektetési Zártkörűen Működő Részvénytársaság	3	
86	Európai Utazási Biztosító Zrt.	3	

	Service Provider	General cases Number of cases	Settlement cases Number of cases
87	HUNGÁRIA-FAKTOR Pénzügyi Szolgáltató Zártkörűen Működő Részvénytársaság	3	
88	Legal Rest Pénzügyi Szolgáltató Zrt.	3	
89	Medicover Försakrings AB (publ) Magyarországi Fióktelepe	3	
90	Pannon 2005 Faktor és Hitel Zrt.	3	
91	VS-Faktor Pénzügyi Szolgáltató Zártkörűen Működő Részvénytársaság	3	
92	Western Union Payment Services Ireland Limited	3	
93	Aegon Magyarország Befektetési Alapkezelő Zártkörűen Működő Részvénytársaság	2	
94	AEGON Magyarország Hitel Zrt.	2	
95	AEGON Magyarország Lakástakarékpénztár Zrt.	2	
96	Allianz Hungária Önkéntes Nyugdíjpénztár	2	
97	Aranykor Országos Önkéntes Nyugdíjpénztár	2	
98	B3 TAKARÉK Szövetkezet	2	
99	CIB Biztosítási Alkusz Kft.	2	
100	CREDITIÁL Pénzügyi Szolgáltató Zrt.	2	
101	D.A.S Jogvédelmi Biztosító Zrt.	2	
102	Determin Hitelcentrum Zártkörűen Működő Részvénytársaság	2	
103	Diákhitel Központ Zártkörűen Működő Részvénytársaság	2	
104	DUNA TAKARÉK BANK Zártkörűen Működő Részvénytársaság	2	
105	Edenred Magyarország Korlátolt Felelősségű Társaság	2	
106	Faktor-Ring Pénzügyi és Tanácsadó Zrt.	2	
107	FINALP Zártkörűen Működő Részvénytársaság	2	
108	FWU Life Insurance Austria AG	2	
109	GRAWE Életbiztosító Zrt.	2	
110	KáPé Hitel és Követeléskezelő Korlátolt Felelősségű Társaság	2	
111	MediCredit Pénzügyi Szolgáltató Zrt.	2	
112	MKB-Euroleasing Autóhitel Zrt.	2	
113	NOVIS Poistovna a.s.	2	
114	Nyugat Takarék Szövetkezet	2	
115	Orgovány és Vidéke Takarékszövetkezet felszámolás alatt	2	
116	Pénzügyi Stabilitási és Felszámoló Nonprofit Kft.	2	
117	SPB Befektetési Zártkörűen Működő Részvénytársaság	2	
118	SVEA Finance Zártkörűen Működő Részvénytársaság	2	
119	Tiszántúli Takarék Takarékszövetkezet	2	
120	TKK Takarék Követelésbehajtó Zártkörűen Működő Részvénytársaság	2	
121	UniCredit Jelzálogbank Zrt.	2	
122	AIG Europe Limited Magyarországi Fióktelepe	1	
123	ALPHA FINANCIAL SERVICES Tanácsadó Kft.	1	
124	AURITA Pénzügyi Szolgáltató Zártkörűen Működő Részvénytársaság	1	
125	Autocentrum AAA AUTO Gépjármű - Kereskedelmi és Szolgáltató Korlátolt Felelősségű Társaság	1	
126	AXA Bank Europe SA Magyarországi Fióktelepe	1	1
127	B2Kapital Magyarország Zártkörűen Működő Részvénytársaság	1	
128	BAG KAPOSVÁR Biztosítási Alkusz Kft.	1	
129	Banco Primus Fióktelep Magyarország	1	
130	Banküzlet Vagyonkezelő és Hasznosító Zártkörűen Működő Részvénytársaság	1	

	Service Provider	General cases Number of cases	Settlement cases Number of cases
131	BaranyaCredit Pénzügyi Zártkörűen Működő Részvénytársaság	1	
132	BÁTOR Pénzügyi Zártkörűen Működő Részvénytársaság	1	
133	BÁV Aukciósház és Záloghitel Zártkörűen Működő Részvénytársaság	1	
134	Békés Takarék Szövetkezet	1	
135	BHP-9 Pénzügyi Szolgáltató Zártkörűen Működő Részvénytársaság	1	
136	BUDA-Cash Brókerház Zrt.	1	
137	Budapest Országos Önkéntes Kölcsönös Nyugdíjpénztár	1	
138	Burgenlaendische Anlage & Kredit Bank AG	1	
139	Cash Claim Szolgáltató Kft.	1	
140	CIG Pannónia Első Magyar Általános Biztosító Zrt.	1	
141	DELTA FAKTOR Pénzügyi Zártkörűen Működő Részvénytársaság	1	
142	DRB DÉL-DUNÁNTÚLI Regionális Bank Zrt. "f.a."	1	
143	E.ON Ügyfélszolgálati Korlátolt Felelősségű Társaság	1	
144	EURORISK Biztosítási Alkusz Kft.	1	
145	Fókusz Takarékszövetkezet	1	
146	Foldana Pénzügyi Zártkörűen Működő Részvénytársaság	1	
147	FORS Faktor Zártkörűen Működő Rt.	1	
148	FŐNIX Faktor Követeléskezelő zártkörűen működő Részvénytársaság	1	
149	Főnix Hitelcentrum Kft.	1	
150	Golden Gate Global Független Biztosítás Közvetítő és Tanácsadó Zártkörűen Működő	1	
151	GRÁNIT Bank Zártkörűen Működő Részvénytársaság	1	
152	Hungária Takarék Takarékszövetkezet	1	
153	KUDO TRADE PLUS Korlátolt felelősségű társaság	1	
154	Lombard Zala Pénzügyi Szolgáltató Zártkörűen Működő Részvénytársaság	1	
155	MagNet Faktor Zártkörűen Működő Részvénytársaság	1	
156	MAPFRE ASISTENCIA S.A. Magyarországi Fióktelepe	1	
157	Medicover Egészségközpont Zrt.	1	
158	Meritum Hungary Pénzügyi Zrt.	1	
159	MetLife Biztosító Zrt.	1	
160	MKB - Pannónia Egészség- és Önsegélyező Pénztár	1	
161	MKB Nyugdíjpénztár	1	
162	MKB-Euroleasing Autólízing Szolgáltató Zrt.	1	
163	MKB-Euroleasing Pénzügyi Szolgáltató Zrt.	1	
164	MORGAN Hitel és Faktor Pénzügyi Szolgáltató Zrt.	1	
165	MPK Magyar Pénzügyi Közvetítő Zrt.	1	
166	Multifaktoring Pénzügyi és Szolgáltató Zártkörűen Működő Részvénytársaság	1	
167	Netrisk.hu Első Online Biztosítási Alkusz Zrt.	1	
168	NHB Növekedési Hitel Bank Zrt.	1	
169	OTP Ingatlanlízing Zrt.	1	
170	OTP Pénztárszolgáltató és Tanácsadó Zártkörűen Működő Részvénytársaság	1	
171	OVB Vermögensberatung Általános Biztosítási és Pénzügyi Szolgáltató Kft	1	
172	Overdraft Hungary Kereskedelmi és Szolgáltató Zártkörűen Működő Rt.	1	
173	PANNONINVEST LIBRA Pénzügyi Zrt. felszámolás alatt	1	
174	PayPal (Europe) S.á r.l. et Cie, S.C.A.	1	
175	PESTI HITEL Zártkörűen Működő Részvénytársaság	1	

	Service Provider	General cases Number of cases	Settlement cases Number of cases
176	Porsche Bank Hungaria Zártkörűen Működő Rt.	1	
177	Prémium Önkéntes Egészségpénztár	1	
178	Quality Financial (Magyarország) Pénzügyi Szolgáltató Zártkörűen Működő Rt. felszámolás alatt	1	
179	QUANTIS Consulting Zrt.	1	
180	Revolut Ltd.	1	
181	S.A.P. Követeléskezelő Zrt.	1	
182	TIGÁZ Tiszántúli Gázszolgáltató Zártkörűen Működő Részvénytársaság	1	
183	Timberland Capital Management GmbH	1	
184	Trading Point of Financial Instruments UK Limited	1	
185	TransferWise Limited	1	
186	UFS Group Pénzügyi Tervező Korlátolt Felelősségű Társaság	1	
187	Vindicatio Követeléskezelő és Szolgáltató Korlátolt Felelősségű Társaság	1	
	All financial service providers	**3 341**	**16**
	Non-financial service providers	**35**	**0**
	Non-identifiable service providers	**11**	**1**
	Total	**3 387**	**17**

ANNEX 6

RULES GOVERNING THE REGISTRATION OF THE SUBMISSION DECLARATIONS

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

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

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

3. The designated colleague of the Office loads the data included in the registered submission declarations in the register. The following data must be captured:
   3.1. the name of the financial service provider;
   3.2. the seat of the financial service provider;
   3.3. the registration number of the financial service provider;
   3.4. the market classification of the financial service provider;
   3.5. the fact that submission declaration is restricted to certain services or amounts, and the content of such restriction;
   3.6. the validity of the submission declaration;
   3.7. the file number of the submission declaration.

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

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

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

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

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

ANNEX 7

RULES PERTAINING TO DATA COLLECTION AND THE MANAGEMENT OF DATA ASSET

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

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

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

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

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

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

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

7. The data management for registration purpose creates a dataset included in the internal records, comprising of data files collected on the basis of data ranges defined in advance in the laws, during the time of the data management, ensuring

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

1) Number of rejected petitions
2) Reason for rejection
3) Number of cases closed with a settlement agreement
4) Number of binding resolutions
5) Number of recommendations
6) Number of petitions rejected after hearing
7) Number of contested FAB decisions
8) Number of court decisions
9) Number of cross-border consumer disputes, service providers involved
10) Subject of petitions
11) Breakdown of petitioners (petitions) by place of residence
12) Breakdown of petitions by the service providers involved
13) Types of petitioned financial services

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

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

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

ANNEX 8

Contact data of the Financial Advisory Offices operating as partners of the Magyar Nemzeti Bank			
ADVISORY OFFICE	**HOURS OF OPERATION**	**TELEPHONE NUMBER / E-MAIL ADDRESS**	**ADDRESS OF FRONT OFFICE SERVICE**
Békéscsaba Financial Navigator Advisory Office	Monday: 8:00-14:00 Tuesday: 10:00-16:00 Thursday: 10:30-16:30	70/243-2840 bekescsaba@penzugyifogyaszto.hu	5600 Békéscsaba, Árpád sor 2/6. fsz. (in the Employment Centre's customer area)
Debrecen Financial Navigator Advisory Office	Monday: 8:00-14:00 Wednesday: 11:00-17:00 Friday: 8:00-14:00	52/504-329 debrecen@penzugyifogyaszto.hu	4025 Debrecen, Piac u. 77. 2nd Floor 15.
Eger Financial Navigator Advisory Office	Monday: 10:00-16:00 Wednesday: 9:00-15:00 Friday: 9:00-15:00	70/607-2191 eger@penzugyitanacsadoiroda.hu	3300 Eger, Hadnagy utca 6. 2nd Floor 34.
Győr Financial Navigator Advisory Office	Monday: 8:00-14:00 Wednesday: 8:00-14:00 Thursday: 11:00-17:00	30/923-4942 gyor@penzugyifogyaszto.hu	9021 Győr, Szent István utca 10/a 2nd Floor Office No. 208
Kaposvár Financial Navigator Advisory Office	Mondaytől Fridayig 8:00-16:00	82/950-906 tavoszkozpont@gmail.com	7400 Kaposvár, Ady Endre u. 3. fsz.
Kecskemét Financial Navigator Advisory Office	Monday: 11:30-17:30 Wednesday: 8:30-14:30 Friday: 8:30-14:30	30/958-8210 fogyasztovedelem.merkating@gmail.com	6000 Kecskemét, Csányi János krt. 14. 1st Floor 123.
Miskolc Financial Navigator Advisory Office	Monday: 8:00-14:00 Wednesday: 10:00-16:00 Thursday: 8:00-14:00	30/487-3609 miskolc@penzugyifogyaszto.hu	3530 Miskolc, Szemere Bertalan u. 2. 1st Floor 10.
Nyíregyháza Financial Navigator Advisory Office	Monday: 8:00-14:00 Wednesday: 10:00-16:00 Thursday: 8:00-14:00	30/650-1029 nyiregyhaza@penzugyifogyaszto.hu	4400 Nyíregyháza, Széchenyi u. 2. 2nd Floor
Pécs Financial Navigator Advisory Office	Monday: 8:00-14:00 Wednesday: 8:00-14:00 Thursday: 11:00-17:00	70/243-3356 pecs@penzugyifogyaszto.hu	7621 Pécs, Király u. 42.
Salgótarján Financial Navigator Advisory Office	Tuesday: 9:00-15:00 Wednesday: 10:00-16:00 Thursday: 10:00-16:00	32/780-845 salgotarjan@penzugyitanacsadoiroda.hu	3100 Salgótarján, Főtér 1. 2nd Floor 4. (SZMT headquarters)
Szeged Financial Navigator Advisory Office	Monday: 9:00-15:00 Tuesday: 9:00-15:00 Wednesday: 10:00-16:00	30/958-8210, 62/484-384 fogyasztovedelem.gte@gmail.com	6723 Szeged, Alsó kikötő sor 11/D 1st Floor No. 115 (Incubator Building)
Székesfehérvár Financial Navigator Advisory Office	Monday: 9:00-15:00 Wednesday: 11:00-17:00 Thursday: 9:00-15:00	20/402-9669 fogyasztovedelem.merkating@gmail.com	8000 Székesfehérvár, Móricz Zsigmond u. 18. 1st Floor No. 202
Szekszárd Financial Navigator Advisory Office	Tuesday: 9:00-15:00 Wednesday: 11:00-17:00 Thursday: 9:00-15:00	30/274-0828 pti@maltai.hu	7100 Szekszárd, Augusz Imre utca 9. 2nd Floor, Office No. 214
Szolnok Financial Navigator Advisory Office	Monday: 10:00-16:00 Wednesday: 10:00-16:00 Thursday: 9:00-15:00	70/607-2186 szolnok@penzugyitanacsadoiroda.hu	5000 Szolnok, Szapáry utca 19. Ground floor No. 8
Szombathely Financial Navigator Advisory Office	Monday: 12:00-18:00 Tuesday: 10:00-16:00 Thursday: 8:00-14:00	94/512-345 szombathely@penzugyitanacsadoiroda.hu	9700 Szombathely, Géfin Gyula utca 22.
Tatabánya Financial Navigator Advisory Office	Monday: 8:30-16:30 Tuesday: 8:00-16:00 Wednesday: 10:30-16:30	20/506-0106 tatabanya@cpcontact.hu	2800 Tatabánya, Fő tér 8.
Veszprém Financial Navigator Advisory Office	Tuesday: 9:00-15:00 Wednesday: 9:00-15:00 Thursday: 9:00-15:00	70/502-7967 pti@maltai.hu	8200 Veszprém, Óváros tér 10. 1st Floor
Zalaegerszeg Financial Navigator Advisory Office	Monday: 8:00-14:00 Wednesday: 11:00-17:00 Friday: 8:00-14:00	30/699-0056 zalaegerszeg@penzugyifogyaszto.hu	8900 Zalaegerszeg, Tompa M. u. 1-3. 1st Floor No 19

REPORT ON THE ACTIVITIES

OF THE HUNGARIAN FINANCIAL ARBITRATION BOARD

2019

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