



## 3 Financial consumer protection

Národná banka Slovenska has since 2015 been the authority responsible for consumer protection in Slovakia's financial market. The Bank's activity in this area includes handling complaints made by consumers and other customers about financial services. It also involves on-site and off-site supervision, the main purpose of which is to determine whether consumers are victims of unfair commercial practices or unfair terms. If a breach of rules is established and rectification is required, sanctions are imposed.

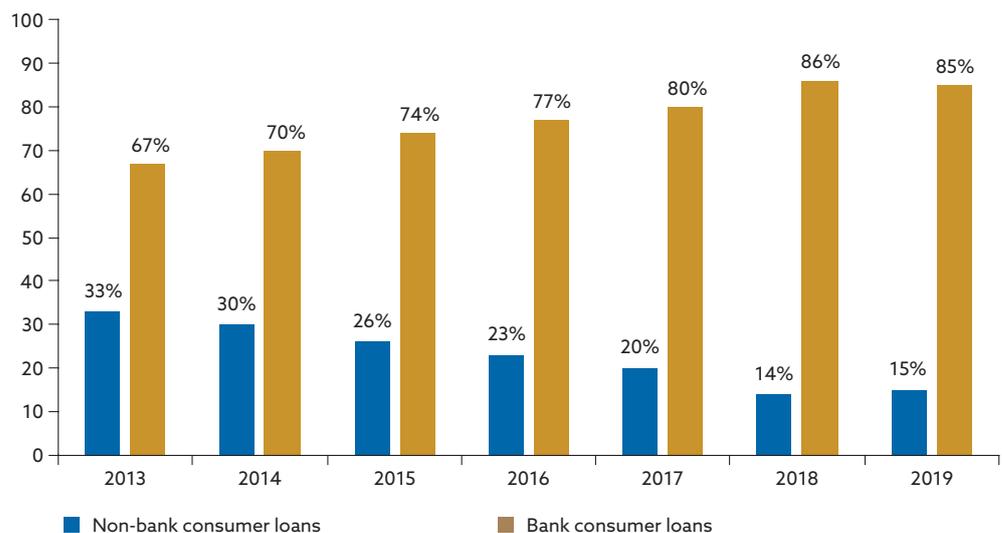
### 3.1 Supervisory themes

#### 3.1.1 From the supervision of consumer lending to the supervision of consumer debt recovery

When, in 2015, NBS assumed responsibility for the financial consumer protection in Slovakia, the number of non-bank lenders providing consumer loans was as high as 256. They were conducting this business without being authorised by NBS, since it was not until after 2015 that new legislation requiring an authorisation took effect. As at 31 December 2019 a total of 31 companies were authorised to provide consumer loans in unlimited scope and one was authorised to provide them in limited scope. Trends in consumer lending by banks and non-bank lenders are shown in Chart 24.

**Chart 24**

**Consumer lending by banks and non-bank lenders**



Source: NBS.

The period from 2015 to 2017 saw further restrictions on consumer lending as well as a tightening of regulatory policy. The provision of loans in cash was prohibited, as was the sale of ancillary services making a loan more expensive. In addition, a further price ceiling was introduced which affected mainly loans with a term of up to one year. Obligations to maintain a credit register and to verify borrowers' income with the Social Insurance Agency were also laid down. Detailed legal provisions on the ability of borrowers to repay loans were elaborated; limits were set on consumers' borrowing capacity and on loan terms.

Supervisory activities in the consumer protection field responded to these developments. From almost the moment they obtained their authorisation, non-bank lenders came under supervisory scrutiny. As regards cases of rule-breaking in area of consumer lending, Table 5 summarises the number of cases that NBS dealt with between 2016 and 2019.

Table 5 Consumer complaints about bank and non-bank lenders					
Year	Complaints in total	Complaints about lending by			
		banks		non-bank lenders	
		Number of complaints	Percentage of total complaints	Number of complaints	Percentage of total complaints
2016	2,410	6	0.20	425	17.60
2017	2,371	31	1.30	356	15.00
2018	1,949	131	6.70	136	7.00
2019	2,171	123	5.70	124	5.70

Source: NBS.

In 2019 NBS supervisory activities continued to include ongoing monitoring of banks and non-bank lenders for compliance with consumer lending rules, as well as monitoring of housing loans. Supervision also examined debt recovery practices in relation to consumer lending, i.e. at the end of the credit relationship. Debt collection companies that purchase credit claims arising from consumer loans must by law be authorised by NBS to provide such loans. Thus, these companies fall into the category of supervised entities subject to the NBS supervisory regime. Their customers may send complaints about them to NBS and request protection of their consumer rights. The trend shift from complaints about consumer loan contracts to complaints about debt collection activities is evident from the figures in Table 6.

Table 6 Consumer complaints about lending and debt recovery					
Year	Loan-related complaints in total	Complaints about loans provided by non-bank lenders		Complaints about debt recovery	
		Number	Percentage of total complaints	Number	Percentage of total complaints
2016	726	425	58.50	11	1.50
2017	655	356	54.40	28	4.30
2018	409	136	33.30	36	8.80
2019	408	124	30.40	66	16.20

Source: NBS.

In its supervision of debt collection companies, NBS analyses mainly the following risks related to consumers:

- Risk related to inadequate scrutiny of purchased claims arising from consumer loans. In this situation, the amounts recovered may not correspond to the contractual terms and conditions or the debt may be time-barred and therefore not recoverable through judicial proceedings.
- Where debt collection companies, in seeking to recover a debt, put pressure on the debtor – through how they choose to communicate, through the content of the communication, or through the number of times they make contact – to an extent that may constitute an illegal unfair practice.
- Where the debt recovery process includes offering the debtor a new repayment arrangement in return for consideration, that arrangement constitutes a new consumer loan. This will entail an obligation to comply with all statutory requirements, and material information may not be withheld from the consumer.

During on-site inspections conducted at debt collection companies in 2019, NBS examined all the above aspects. Where any shortcoming was found, the company was asked to rectify it. The Bank also issued a recommendation on how procedures should be modified so as to respect consumers' statutory rights. Where it found serious shortcomings, the Bank responded with sanction proceedings.

### **3.1.2 Unfair commercial practices in the sending of premium assessments in non-life insurance**

A new insurance premium tax on non-life insurance business was introduced in 2019. In this connection, insurers were notifying customers of increases in the final price of non-life insurance products. Early in the year, consumers started to complain about insurers unilaterally raising the price of their insurance. NBS received dozens of such complaints.

The Bank examined all insurers that were offering non-life insurance products. As a result, it found that several insurers had breached their own insurance contracts by unilaterally increasing the final price of the insurance product. In May NBS imposed interim measures on insurers ordering them to stop sending deceptive premium assessments to other customers. By this step, the Bank prevented the sending of some 360 thousand deceptive premium assessments to consumers.

In the end, NBS initiated sanction proceedings against seven insurers for infringing consumer rights in this matter. In the Bank's judgment, they had committed an unfair commercial practice by unilaterally increasing the final price of insurance products without having any contractual or statutory basis for doing so. None of the sanction proceedings were com-

pleted in 2019; only the interim measures by which they were initiated took effect. It is therefore not yet possible to provide information on the amount of fines or the nature of sanctions imposed.

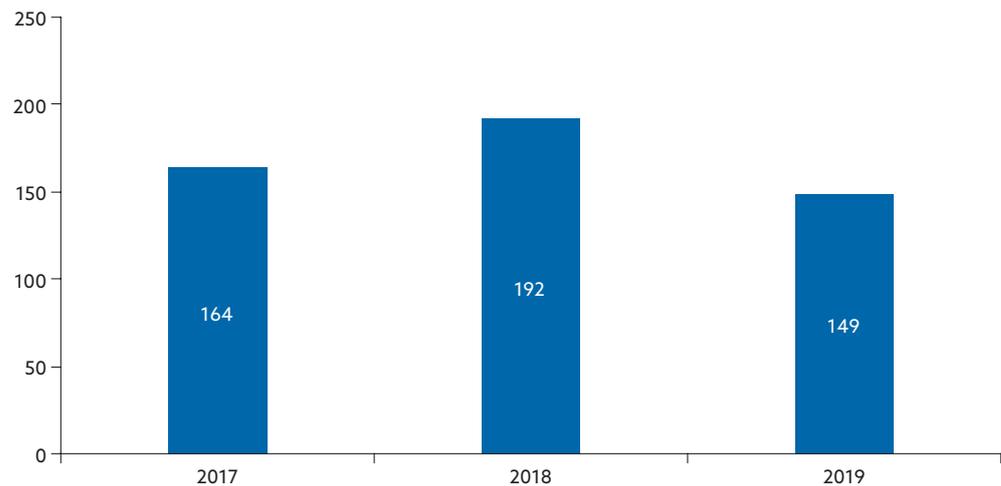
In the insurance sector, the Bank's consumer protection supervision in 2019 was focused mainly on non-life business. Towards the end of the year, preparations were being made for supervisory activities in the area of unit-linked insurance.

### 3.1.3 Monitoring the advertising and promotion of financial products

Marketing communication is an important part of the interaction between financial service providers and consumers, and to varying degrees it affects the purchasing decisions of those to whom it is directed. NBS monitors the financial campaigns run by financial institutions, and between the years from 2017 to 2019 it monitored a total of 505 campaigns (Chart 25).

**Chart 25**

**Number of financial campaigns monitored from 2017 to 2019**



Source: NBS.

The Bank monitors advertising campaigns in all their various forms: on the internet and social media, on radio and television, in print media, and through various forms of external advertising.

In response to some of the most serious advertising problems identified in practice, the Bank has in the past also issued guidance explaining to supervised entities some of their obligations in relation to the marketing of loans and insurance products.<sup>11</sup>

<sup>11</sup> Methodological Guideline No 3/2015 of the Financial Market Supervision Unit of Národná banka Slovenska of 21 April 2015 on the naming and promotion of insurance products, and Opinion of the Financial Market Supervision Unit of Národná banka Slovenska of 24 April 2017 on certain questions concerning the promotion of credit product prices.

In 2019 the Bank's activity in this area centred on giving supervised entities swift feedback on their advertisements. The purpose was to warn the entities of any problems with their advertisements and to ask that they rectify them, in other words to "teach" them how to meet the advertising standards required by the Bank.

In its 2019 monitoring of the advertising of **consumer loans and housing loans** by banks, foreign bank branches, and non-bank lenders, NBS identified shortcomings in the provision of information about loan prices, about contractual terms and conditions, and about benefits offered along with the loan. In response, supervised entities promptly modified their advertisements to rectify the problems.

Also in 2019 the Bank examined **bank account** advertising campaigns run by banks and foreign bank branches. The most frequently identified shortcomings in this area were the inaccessibility of terms and conditions for student accounts and the fact that benefits linked to opening a payment account were promoted without stating the conditions for obtaining them.

At the beginning of 2019 NBS undertook a comprehensive review of the promotion of **travel insurance** on the websites of insurers and branches of foreign insurers. Three websites were found to contain shortcomings, which concerned mainly the following: deceptive information about the extent of the insurance coverage provided by the advertised products; insufficient information (when concluding policies online) about what is excluded from coverage; the presentation of the territorial validity of the insurance product to be broader than it actually was; and inadequate provision (when concluding policies online) of pre-contractual information.

In response to numerous consumer complaints that various websites were providing deceptive information about consumer loans, NBS conducted an ad hoc off-site review of the issue. The Bank analytically identified more than 500 webpages whose content was problematic. These pages were in various ways and degrees misleading or deceptive in their marketing of loan products. The webpages that needed rectifying were spread across 88 websites. The Bank requested the entities concerned both to rectify the shortcomings and not to repeat them.

### 3.1.4 Fight against unauthorised business

In its supervisory role, NBS is tasked among other things with ensuring that business requiring NBS authorisation is not conducted by unauthorised entities. Unauthorised business in the area of financial services takes various forms. Occurring in all segments of the financial market, unauthorised business may be conducted by entities established in Slovakia or,

as is frequently the case, by entities established abroad which market their products and services in Slovakia. It is important that potential customers of any such entity first check whether it is included in the Financial Entities Register, published on the NBS website at <https://subjekty.nbs.sk>.

If NBS finds or suspects that anyone is conducting unauthorised or fraudulent business in the financial market, it will notify the law enforcement authorities of this fact. The Bank conducts its own monitoring in this area and issues warnings about possible cases of unauthorised or fraudulent business, published on the following page of the NBS website: [www.nbs.sk/upozornenia](http://www.nbs.sk/upozornenia). In 2019 NBS published eight warnings.

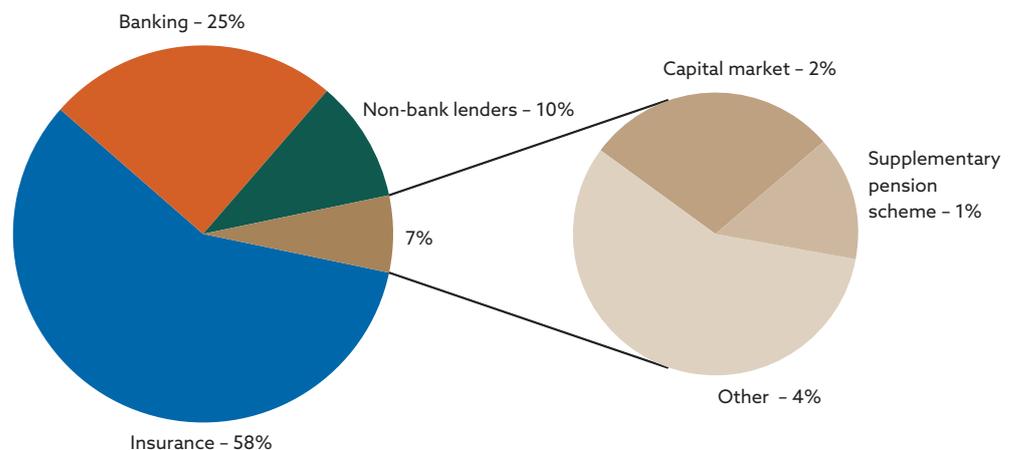
### 3.2 Consumer complaints

Handling consumer complaints is an important part of the Bank's supervisory role in the area of consumer protection. Complaints about supervised entities constitute an important source of information for monitoring of the market. In handling complaints, the objective is to resolve whatever it is the complaint is about. Although NBS is not an alternative dispute resolution body, each year it manages to resolve some 50% of the justified complaints in the customer's favour.

In 2019 the Bank received a total of 2,171 complaints about financial market participants, which was 11% more than it received in 2018. Of those complaints, 58.2% concerned insurance undertakings (Chart 26). This is to be expected, since the payout of insurance claims is a matter typically related to an adverse situation in the life of the policyholder. Policyholders who do not receive the payment they expect tend to take the matter further.

**Chart 26**

**Breakdown of financial consumer complaints in 2019<sup>1)</sup>**



**Source:** NBS.

**Note:** 1) Complaints about financial agents are not reported separately, since the complaints are not usually about just the agent, but about the financial product itself together with the way it is provided.

When handling a complaint, NBS first assesses whether the complaint is justified. In 2019 almost one-third (29.3%) of all complaints were justified. In 305 cases, the supervised entity rectified the shortcoming voluntarily after being asked by NBS to do so. In these cases, the entities concerned paid the customers almost €405 thousand in total.

The following table gives a more detailed overview of the justified complaints made in 2019 and of the related rectification in terms of the amount of payments to customers:

Table 7 Overview of complaints in regard to justification and voluntary rectification					
Product	Number of complaints in total	Complaints under assessment	Justified complaints		Amount of rectification (EUR)
			without rectification	with rectification	
<b>Banking sector</b>	<b>539</b>	<b>77</b>	<b>45</b>	<b>75</b>	<b>64,111</b>
current accounts	232	33	12	43	60,290
consumer loans	124	20	9	13	2,629
other (banking sector)	105	12	15	11	1,192
housing loans	78	12	9	8	-
<b>Insurance sector</b>	<b>1,263</b>	<b>107</b>	<b>222</b>	<b>214</b>	<b>337,206</b>
non-life insurance – MTPL and windscreen	463	41	122	115	136,479
non-life insurance – civil liability	329	4	11	12	7,241
personal insurance	200	23	32	34	110,143
non-life insurance – comprehensive motor insurance	127	12	28	30	29,135
non-life insurance – property	104	22	21	14	17,599
non-life insurance – other	40	5	8	9	36,609
<b>Non-bank lenders</b>	<b>226</b>	<b>70</b>	<b>36</b>	<b>5</b>	<b>1,184</b>
consumer loans	124	46	26	4	1,184
debt collection companies	66	15	9	1	-
Other (outside the scope of NBS)	36	9	1	-	-
<b>Other</b>	<b>49</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>354</b>
<b>Capital market</b>	<b>34</b>	<b>2</b>	<b>4</b>	<b>1</b>	<b>24</b>
Supplementary pension scheme	31	1	14	2	-
Financial brokers	29	2	6	6	1,464
<b>Total</b>	<b>2,171</b>	<b>262</b>	<b>330</b>	<b>305</b>	<b>404,343</b>

Source: NBS.

### 3.2.1 Insurance

Regarding complaints related to **property insurance** made to NBS in 2019, the most frequent issue was that the payout was too low. In its investigation of these complaints, the Bank found that the value of the damage was not always calculated in accordance with the decree<sup>12</sup> that lays down rules for determining the value of property and of property damage. The Bank is pressing for increased transparency in this area, so that insurers provide injured parties with detailed information on how damage is calculated.

A large number of the complaints concerning **personal insurance** described a situation where the insurer refused to pay the claim on grounds that the insured person, before the insurance contract was concluded, was suffering from the illness that was the basis of the occurrence of the event insured against. In response to these complaints, NBS took the view that insurers that knowingly insured a sick person could refuse to pay the claim only if there was a direct causal relationship between the illness the insured had prior to the conclusion of the insurance contract and the occurrence of the event insured against. It does not suffice for illness to be a probable cause of the event or a risk factor behind it.

Compared with the previous year, 2019 saw an increase in the number of complaints about insurers refusing to pay claims under **civil liability insurance policies** related to the performance of an occupation or employment. The reason given for the refusals was a breach of obligation by the insured, typically involving their incorrect maintenance or handling of equipment. According to NBS, insurers may not refuse claims in such cases, but they may reduce the payout.

### 3.2.2 Consumer lending

Compared with the past, the complaints received in 2019 in relation to consumer loans indicated that lenders were offering customers higher quality contracts, free of terms that were substantially unfair. There was, however, an increase in the number of complaints about the recovery of consumer loan debts. Consumers felt debt collection companies were harassing them by contacting them excessively by telephone and SMS. In most cases, however, the consumers were unable to furnish proof of harassment. The Bank therefore advises consumers to save their SMS messages and to keep a record of their telephone call history. It also recommends them to warn the caller that the call is being recorded.

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<sup>12</sup> Decree No 492/2004 of the Ministry of Justice of the Slovak Republic on determining the general value of property, as amended.

### 3.2.3 Financial intermediation

As regards complaints in the area of financial services intermediation, a lack of evidence continued to be a problem in 2019. Complaining customers stated to NBS that what the financial agent told them during the contractual discussions did not correspond to what was in the eventual contract. Customers were claiming that the agent promised them an advantageous offer without giving any warning of the risks associated with it. In the absence of any other evidence, NBS can do no more than check such claims against the record of the financial intermediation to see whether the customer has been given all the necessary information. The Bank recommends customers to send their financial agent an email stating their questions and requirements, so that they can later prove whether their requests and requirements were met.

### 3.2.4 Payment services

The Bank regularly receives complaints about misuse of payment instruments (internet banking, payment and credit cards). In some cases, the issue concerns “phishing”, where a third party fraudulently obtains access data for a natural or legal person’s internet banking. If customers disclose the access data for their accounts or cards so that, contrary to the applicable business terms and conditions, a third party is able to use the funds in their account, the bank in question is not required to reimburse the customer.

### 3.2.5 Investment

As for complaints concerning trading in financial instruments, in 2019 the Bank had several cases where customers recorded relatively large financial losses when trading on foreign platforms. Trading in currency pairs (FX or forex) and trading in derivatives are high risk. The markets are not intended for retail clients, and that is why some three-quarters of those who engage in such trading suffer losses, mostly on foreign trading platforms that are not subject to NBS supervision. On its website, NBS warns consumers not to conclude contracts with entities that are not subject to NBS supervision and to give thorough consideration to the risks associated with investing with such entities.

## 3.3 Sanctions in brief

A total of 16 NBS decisions in the field of financial consumer protection took effect in 2019. Decisions in this area are published on the NBS website only when they are final.

### 3.3.1 Banking sector – legislative accounts

In June 2019 five decisions took effect in which NBS imposed a sanction on a bank for engaging in unfair commercial practices in regard to the provision of information about so-called legislative accounts. The decisions were issued against Slovenská sporiteľňa, a.s., [Všeobecná úverová banka, a.s.](#), [Tatra banka, a.s.](#), [Československá obchodná banka, a.s.](#), and [Prima banka Slovensko, a.s.](#) In 2016 banks in Slovakia became obliged to provide customers with legislative accounts on request. These accounts comprise two types of current account whose maintenance fees are regulated by law; one is termed a ‘basic bank product’ and the other a ‘payment account with basic features’. These accounts must fulfil the basic payment features associated with a current account. Under the decisions, the banks received fines ranging from €8 thousand to €28 thousand.

### 3.3.2 Insurance sector – windscreen coverage

A relatively large number of the complaints sent to NBS concern non-payment of claims for the repair/replacement of car windscreens damaged by stones or gravel thrown up by the wheels of another vehicle. The Bank handled 138 such complaints in 2019.

Under two NBS decisions that took effect in 2019, an insurer was sanctioned for engaging in an unfair commercial practice in regard to the refusal to pay windscreen damage claims. The decisions were issued against [KOMUNÁLNA poisťovňa, a.s. Vienna Insurance Group](#) and [KOOPERATIVA poisťovňa, a.s. Vienna Insurance Group](#). The practice in question was the refusal to pay the claim without properly determining the circumstances in which the damage arose. At the same time, the insurers did not give the injured party an appropriate reason for their procedure or for their refusal to pay the claim. Besides fining the insurers, the Bank prohibited them from continuing to engage in this practice.

### 3.3.3 Insurance sector – unfair commercial practices and unfair terms

The insurer Novis is one of the newest insurance undertakings operating in the Slovak market, and it is active in a number of other EU countries. Based on the exchange of information between national supervisory authorities in the EU, NBS learnt that some authorities were examining the compliance of Novis’s products with regulatory rules. Although it had not received a significant number of consumer complaints about Novis, the Bank on its own initiative conducted off-site supervision of the company’s marketing practices and its contractual documentation for consumers in

Slovakia. As a result, the Bank identified eight unfair commercial practices and eight unfair terms in the contractual documentation.

Given the extent of these infringements, NBS issued a decision imposing a fine of €175 thousand on NOVIS Insurance Company, NOVIS Versicherungsgesellschaft, NOVIS Compagnia di Assicurazioni, NOVIS Poistovňa, a.s. and prohibiting the company from using unfair terms and from engaging in unfair commercial practices. The decision took effect in October 2019.

### 3.3.4 Insurance sector – interim measures

In 2019 NBS issued five interim measures requiring an insurer to refrain from actions that were subject to NBS prohibitions. The measures were issued against the following insurers: ČSOB Poistovňa, a.s.; KOMUNÁLNA poisťovňa, a.s. Vienna Insurance Group; KOOOPERATIVA poisťovňa, a.s. Vienna Insurance Group; Union poisťovňa, a.s.; and Uniqa poisťovňa, a.s. In regard to the products named in the measures, the insurers may not send consumers premium assessments where the insurer has unilaterally increased the premium price due to the introduction of the insurance tax. Insurers may, however, send the premium assessment as a new price proposal together with guidance on how the consumer may accept the proposal and on what the consequences of non-acceptance will be.

### 3.3.5 Consumer loans – debt recovery

In 2019 NBS issued a [decision](#) to sanction POHOTOVOSŤ, s.r.o. for engaging in an aggressive commercial practice in the course of debt recovery activity. According to the Bank, the company had harassed and pressured the so-called “contact persons” stated in the credit agreement. The company sent the contact persons a reminder which included a demand that they, in cooperation with the borrower, repay the debt, and it described the debt as a debt of one of the contact persons. In this way, POHOTOVOSŤ caused the contact person to be afraid that he or she had a debt obligation under the credit agreement and was required to proceed as stated in the reminder, even though no such obligation could be construed either from the agreement or any other source. Besides fining the company, NBS prohibited it from further engaging in this practice.

In September 2019 NBS issued a [final decision](#) prohibiting Intrum Slovakia, s.r.o. from engaging in an unfair commercial practice. In recovering a debt arising from consumer loans, the company engaged in an aggressive commercial practice through two types of letter. In the first it exerted pressure in a threatening way by saying that if the debt was not repaid voluntarily, a lawyer would visit the debtor’s home to verify their assets. In the second letter, debtors were told that if the debt was not repaid, they would

be ordered by the court to pay all the recovery, court and execution costs. Besides fining the company, NBS prohibited it from using such threatening communication in the debt recovery process.

A December 2019 decision in the area of financial consumer protection did not impose a sanction, but rather lifted an interim measure issued on 30 May 2019 against KRUK Česká a Slovenská republika, s.r.o., a company operating in Slovakia through a branch. The measure was lifted after the company rectified the shortcoming before the sanction proceedings were concluded. The decision concerned consumer loan agreements originally concluded with Provident Financial, s.r.o. After purchasing the debts arising under these agreements, KRUK gave the debtors incorrect information about the amounts owed. The interim measure was issued to prohibit the company from doing this. In a 2018 decision NBS ruled that claims of Provident Financial in relation to these agreements were illegal.