

Consumer protection in the banking sector



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Executive Summary

The new law on consumer protection entered into force in June 2018.¹ Unlike the previous law, this law is in harmony with European Union directives on consumer protection. Concretely, the law contains consumer protection obligations pertaining to sale, prices, unfair trade practices, comparative advertising and financial agreements. Additionally, the law is supplemented with measures prohibiting the sale of alcohol and tobacco to persons under 18 years old; placement of flags of countries of origin of products sold by retail sellers, and sellers' obligations to return exact change.

This report treats a specific part of said law on consumer protection, concretely the section regulating consumer loan agreements. In addition to addressing amendments and supplementation of the legislation in this sphere, we've analyzed protection of borrower consumers, specifically their information in line with legal requirements regarding products and services provided by banks, and the progress of relevant institutions as regards their protection and information.

Findings of the legislation review show that supplementation of the relevant part pertaining to loans benefits consumer protection. In specific, the law establishes the obligation to create an information form on consumer loans, which serves as means for potential borrowers to compare various loan offers and understand in detail their loan-related liabilities. While analyzing pricing and tariffs on the pricelists published on banks' websites, we find that not all banks present information legally required. Also, banks differ in the type of information they include in their pricelists.

Regarding satisfaction with and reliability of financial institutions, our survey found that some of the respondents do not trust commercial banks. However, only little more than half of them know that they can complain with the Central Bank of Kosovo (CBK) and less than five percent know that they can file a complaint with the Ministry of Trade and Industry (MTI). Main causes of dissatisfaction in obtaining loans are related to information on administrative fees or penalties.

However, in addition to legal regulation, financial education of citizens is considered substantial for the creation of reliable financial systems. Studies in different countries show that even people with better education and higher income have problems in understanding financial concepts. In relation to this CBK creates informative videos, maintains a financial education division and organizes activities with pupils and students. Despite this, videos published don't reach a large portion of citizens. Additionally, CBK doesn't have an adequate system for measuring the impact of education campaigns, including by surveying financial or legal knowledge. Our survey reveals that in Kosovo some 19% of bank clients fail to recognize the difference between debit and credit cards, and 35% mix differences between nominal and effective interest rates.

The perspective of licensed banks in relation to the review of consumer appeals, and their information sharing practices, were not covered in this analysis due to the lack of cooperation. Regardless, the combination of law implementation with financial education campaigns from respective institutions and in cooperation with the civil society would help in ensuring financial sustainability of individuals and entities, and would establish a reliable financial system.

¹ Law No. 06/L-034 on consumer protection. Article 97.3. Source: <https://bit.ly/2F3xfy2>.

Introduction

In general, consumer protection is a practice regulated by law and aims to eliminate fraudulent practices of dissemination of false information on products and services offered in various markets.

Consumer protection in financial services aims to establish clear rules for financial institutions regarding services they offer and on the manner of their advertising. This helps bank clients make well-informed decisions and provides for them an address for the expression of dissatisfaction or seeking solution for their potential problems.

Entry into force of the new law on consumer protection establishes certain obligations on the financial sector, including banks, financial institutions and insurance companies, the implementation of which is vital. Considering the ever growing spectrum of financial products, various types of risk, support schemes for banks and coverage of risk for micro, small and medium enterprises (MSMEs), and the objective of European Union membership, an adequate regulation of consumer protection is necessary.

This research aims to provide an overview of the legal regulation of consumer protection in obtaining loans and financial services from banks licensed in Kosovo. Hence, it aims to analyze if the wide access to various financial services benefits consumers, offers them means for decision-making based on appropriate information, acquaintance with their rights and instances of legal violations, all of which will enhance the trust on the formal financial sector.

Law on consumer protection review

The new consumer protection law was supplemented and amended in its consumer loan agreement sections. Pre-contractual information now needs to include data on the type of the loan, an example containing assumptions used to calculate the effective interest rate (RIE)² and more. This law is the basis for the consumer loan information form, the format of which is defined in the Central Bank of Kosovo's (CBK) sublegal act, and is applicable as of 1 March 2019.³ Said form contains detailed information on the type of loan sought by the potential borrower, and important information on parties included in the lending process, including the guarantors.

Also, the law was supplemented in the section regulating preliminary contracts for overdraft loans and special loan agreements, which will, among other, offer the lender sufficient information and the consumer the ability to compare between offers. As regards overdrafts and loans paid within the month, consumers are to be notified at least on the total amount of the loan, the interest rate, potential change in applicable tariffs, and will be provided an illustrative example on the calculated rate and loan amount to be paid at any time.

The new law defines that in the event the loan application is rejected based on data obtained from the Kosovo Credit Registry (KRC), the lenders shall inform the applicant on the decision that is totally based on the consultation of credit history data and providing details on said data.

In the event that the borrowers wish to repay their loan before the maturing term⁴, according to the law, the lenders shall be granted 15 days to complete their loan repayment procedures. The previous law did not define a timeline for loan servicing. Also, the ceiling of compensation for the lenders in case of preliminary repayment of the loan by the borrower, the maturing term of which is longer than one year, shall be no higher than 1%. The old law allowed 2% for said compensation. Similarly, compensation for loans shorter than one year repaid before their maturing term was decreased from 1% to 0.5%.

² Note: Effective interest rate includes the nominal rate, but also administrative fees that may be envisaged in the loan agreement, namely the total cost of the loan or deposit return, presented as an annual rate of the total amount of the loan or deposit return. The methodology for calculating the effective interest rate is defined in the regulation on effective interest rate and disclosure requirements. Source: <http://bit.ly/2YIcAqA>

³ Central Bank of Kosovo. Instruction on information form on consumer loans. Source: <https://bit.ly/2SDpFha>.

⁴ Note: Maturity or maturity term refers to the date of final payment of a loan, including the amount borrowed and the interest.

The new law also contains provisions on remotely executed financial contracts, through communication media, but despite the fact that the legal basis for electronic signature exists in Kosovo the relevant law is as of yet not being implemented.⁵

Table 1. Financial information in the old law vs. the new law on consumer protection

	Old law	New law
Detailed loan information	– Standardized form missing	✓ Consumer loan information form
Loan repayment	– Unspecified	✓ 15 days upon receipt of consumer notice
Loan repayment before its maturity	– 2% of the remaining amount if the maturing term is over 1 year; 1% of the remaining amount if the maturing term is under 1 year;	✓ 1% of the remaining amount if the maturing term is over 1 year; 0.5% of the remaining amount if the maturing term is under 1 year;
Assessment of loan applications based on KCR	– Unspecified	✓ Specified
Remotely executed financial contracts	– Not included	✓ Included

⁵ Interview with Venera Agani, Head of Division for Financial Services User Complaints in CBK.

CBK role in consumer protection

CBK regulates around 120⁶ financial institutions, including 10 commercial banks, 11 microfinance institutions (MFIs), 18 non-banking financial institutions (NBFIs), 43 NBFIs active in currency exchange, 14 insurance companies, 23 insurance brokers and two pension funds. The CBK role is to provide financial regulation, quality of service and reliability, to promote financial stability, protect consumers and establish a financial system that fosters economic development.

CBK's legal framework includes oversight and provision of financial stability and consumer protection and receives financial sector client complaints, inspects appeals addressed to banks and contributes in the advancement of policies, regulations and instructions regulating the sphere.

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The amended and supplemented Law on Central Bank entered into force on 18 April 2017, and contains small changes compared to that of 2010. This law defines Central Bank's duties and responsibilities, including its support to general government policies and activity in accordance with free market economy and free competition principles. In addition to serving as an advisor and informer of executive and legislative branches, CBK collects and produces relevant statistics and reports on the financial system in Kosovo.

CBK is entitled to undertaking legislative initiatives or defining specific policies on financial institutions, including the definition of minimum reserves in banks, or serving as the ultimate source for saving a given bank from bankruptcy.⁷ As stressed above, in addition to financial sustainability, CBK is legally obliged to assist and establish good and reliable financial practices, aiming to ensure consumer protection, although not based on this law.

In 2006, the Kosovo Credit Registry (KCR) was established,⁸ an online portal established and maintained by CBK. Through this portal, banks and other lending institutions provide information on loan repayment performance as well as borrower assessments. Borrowers too can establish accounts and see which category they belong to.⁹

As regards appeals treatment procedures, commercial banks and other financial institutions are bound to review them in line with the Regulation on Internal Appeals Treatment Processes. This regulation defines minimum requirements for the internal appeals process, and obliges financial institutions to register appeals in a standardized manner, continuously evaluate registered data and report to the senior management and the board of directors of the respective bank and to CBK.¹⁰

On the other hand, CBK reviews appeals received based on the internal procedure for treating appeals, which is of procedural nature and not a regulation with an obligatory legal character, and therefore can't be published.¹¹

6 Interview with Venera Agani, Head of Division for Financial Services User Complaints in CBK.

7 Law No. 05/L-150, on amendment and supplementation of Law No. 03/L-209 on Central Bank of the Republic of Kosovo. Source: <http://bit.ly/2LtEOU3>

8 Kosovo Credit Registry. Source: <http://bit.ly/2VTPBvz>

9 Central Bank of Kosovo. Regulation on Credit Registry. Source: <http://bit.ly/2WxkC4Y>

10 Central Bank of Kosovo. Regulation on Credit Registry. Source: <http://bit.ly/2WxkC4Y>

11 Interview with Venera Agani, Head of Division for Financial Services User Complaints in CBK.

Role of financial education in consumer protection

Financial education is substantial for the financial safety and reliability of individuals, families, companies and organizations. For this reason, there are international and regional mechanisms on best practices of consumer protection in the financial sector. Through financial education, citizens enhance their knowledge on financial products, risks and opportunities.

According to the European Economic and Social Council, consumer protection in financial markets and financial education are key. This because consumers are faced with various and often complex financial instruments that are sometimes difficult to understand.¹²

According to the Organization for Economic Cooperation and Development (OECD), the level of financial knowledge among consumers is low, including those in developed countries. Certainly, this level differs for different education and income levels, but data shows that consumers with higher education and income levels can be as unknowledgeable on financial matters as those with less education and lower income levels.¹³

In this aspect, CBK creates and publishes videos to contribute to consumers' financial education, in order to enable the latter to gain knowledge and skills on risks and benefits of utilization of financial products and services, and their legal rights and obligations related to their use. The complaints division in CBK has produced an information brochure for citizens explaining how they are able to defend their rights and has produced an information video related to the right to appeal. Said leaflet is published in the official webpage, while the video is shared in the institution's official Facebook account.¹⁴

However, the publication of informative videos in social media doesn't suffice, as the number of citizens informed of such initiatives may remain very low and the effects of such videos limited.¹⁵

CBK also has a financial education division and the financial education platform, found only in the main page of the official webpage.¹⁶ However, there are no links to the platform in the financial education division page.¹⁷ This division has a financial education program, under the auspices of which activities with students and pupils are organized to explain the significance of money and similar topics. The division also creates information brochures and educational materials, but they are not all published in the official webpage, but rather only within the relevant platform.¹⁸ These materials are not promoted in social media.¹⁹ This makes the impact of such activities limited to certain days and certain pupil and student groups, and doesn't allow the expansion of knowledge to other citizens and age groups.²⁰

¹² European Economic and Social Committee. Financial Education For All. Source: <http://bit.ly/2V4cGGD>.

¹³ Organization for Economic Cooperation and Development (OECD). Significance of financial education. Source: <http://bit.ly/2V4Feje>

¹⁴ Interview with Venera Agani, Head of Division for Financial Services User Complaints in CBK.

¹⁵ This because CBK only has 6,936 likes in its official Facebook account by 20 May 2019.

¹⁶ Central Bank of Kosovo. Financial Education Platform. Source: <http://bit.ly/2YXKJ5T>

¹⁷ Central Bank of Kosovo. Financial Education. Source: <http://bit.ly/2M8vBkk>

¹⁸ For additional information, see: <http://bit.ly/2X92v5q>

¹⁹ Interview with the Financial Education Division in CBK.

²⁰ Central Bank of Kosovo. Financial Education news. source: <http://bit.ly/2VX2jKf>, <http://bit.ly/2HNkDLH>

Bank obligations for disclosing prices and consumer complaints

Kosovo banks have an obligation to disclose and make available to clients the pricelist of products and services offered.²¹ Pursuant to the Law on consumer protection²² prices presented shall be final, and in the banking sector the effective interest rate, based on the Regulation on Effective Interest Rate and Disclosure Requirements, should be published as an indicator of the total loan cost. Such pricelists and tariffs shall be printed in all bank branches and published in their webpages.²³

Individual loan pricelists presented by commercial banks in Kosovo in their respective webpages differ in terms of information contained.²⁴ The main point in information contained in the pricelists is the effective interest rate.²⁵ Among banks operating in Kosovo, Ziraat Bank is the only bank that has not published in its webpage the effective interest rate for individual loans. Also, additional information presented in the pricelists is not uniform for all banks. Most banks, as presented in Table 1, don't provide in their pricelists information on loan maintenance tariffs, repayment provisions or monthly interest rates.

21 Central Bank of Kosovo. Regulation on effective interest rate and disclosure requirements. Source: <https://bit.ly/2C9bbQO>.

22 Law No. 06/L-034 on consumer protection. Source: <https://bit.ly/2F3xfy2>.

23 Central Bank of Kosovo. Regulation on effective interest rate and disclosure requirements. Source: <https://bit.ly/2C9bbQO>.

24 Note: latest pricelists posted in bank webpages by 01 March 2019 were analyzed.

25 Law No. 06/L-034 on consumer protection. Article 45. Source: <https://bit.ly/2F3xfy2>.

Table 2. Information presented by Kosovo banks in individual loan pricelists

Individual loans

	Raiffeisen Bank	Procredit Bank	NLB	Teb Bank	BKT	Banka Ekonomike	BPB	Türkiye İş Bankası	Ziraat Bank
Amount	✓	✓	✓	✗	✓	✓	✓	✓	✗
Prepayment provision	✓	✗	✓	✓	✗ **	✗	✗	✗	✗
Late payment interest	✓	✓	✓	✓	✓	✓	✓	✗	✗
Loan maintenance tariff	✓ *	✗	✗	✗	✗	✗	✗	✗	✗
Maximum term	✓	✓	✓	✓	✓	✓	✓	✓	✗
Administrative costs	✓	✓	✓	✓	✓	✓	✓	✓	✓
Annual interest rate	✓	✓	✓	✓	✓	✓	✓	✓	✓
Monthly interest rate	✗	✗	✗	✓	✗	✗	✗	✗	✗
Effective interest rate	✓	✓	✓	✓	✓	✓	✓	✓	✗

* Applied only for overdrafts

** Presented only in loan agreements, but not pricelists

As regards pricelists for business loans, three banks in Kosovo - Procredit Bank, Türkiye İş Bankası and Ziraat Bank – have not reported the total cost of the loan. Also, many banks have not reported in their pricelists their monthly interest and prepayment provision. In specific, Türkiye İş Bankası and Ziraat Bank, have not provided any of the data below on business loans in their webpage pricelists for business clients.

Table 3. Information presented by Kosovo banks in business loan pricelists

Business loans

	Raiffisen Bank	Procredit Bank	NLB	Teb Bank	BKT	Banka Ekonomike	BPB	Türkiye İş Bankası	Ziraat Bank
Amount	✓	✓	✓	✓	✓	✓	✓	✗	✗
Late payment interest	✓	✓	✗	✓	✗	✓	✓	✗	✗
Prepayment provision	✓	✗	✓	✓	✗	✓	✗	✗	✗
Maximum term	✓	✓	✓	✓	✓	✓	✓	✗	✗
Administrative costs	✓	✓	✓	✓	✓	✓	✓	✗	✗
Annual interest rate	✓	✓	✓	✓	✓	✓	✓	✗	✗
Monthly interest rate	✗	✗	✗	✓	✗	✗	✗	✗	✗
Effective interest rate	✓	✗*	✓	✓	✓	✓	✓	✗	✗

*Only presented in loan agreements and not in pricelists

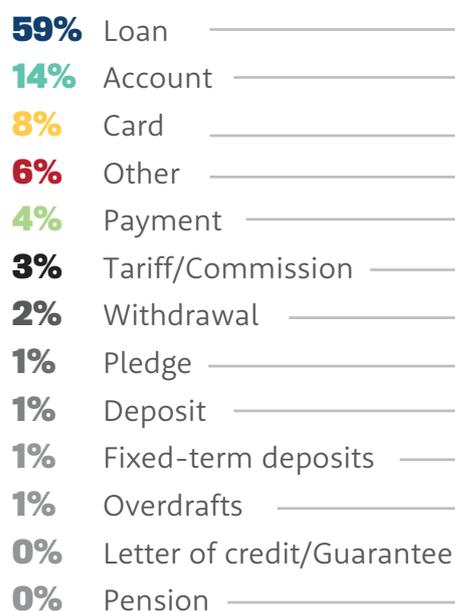
In case of dissatisfaction with information provided by banks, consumers complain in CBK and in the banks in which they have active accounts or obtain services. Complaints received by CBK are categorized in those against financial institutions, including commercial banks, micro-financial institutions (MFI), non-banking financial institutions (NBFI) and pension funds on one side, and insurance companies on the other. In 2018, in total 14.855 complaints were filed to commercial banks, MFI, NBFI and pension funds, while CBK received 532 complaints against these institutions.²⁶

Most frequent complaints in this category are those related to loans, accounts and tariffs. In 2018. Only 166 of 532 complaints were upheld by CBK. The reason for rejecting the remainder is the missing legal basis. Among the received complaints, 312 related to loans, 75 to accounts, 45 to cards and 30 to payments.²⁷

²⁶ Central Bank of Kosovo. Report received via email on type and number of complaints on monitored institutions.

²⁷ Ibid.

Figure 1. Complaints against commercial banks, MFI, NBFi and pension funds received by CBK in 2018



Source: Central Bank of Kosovo

Of the categories with most complaints, the most frequent loan-related complaints pertain to client categorization in KCR²⁸ (120), account closure (50) and loan prepayment (39). The most frequent account-related complaints were submitted for account blocking (23), account closure (11) and misuse of accounts and imposition of tariffs and provisions (9). Card-related complaints are for unfounded debts (13), client categorization in the KCR (9) and non-closure of credit obligations (9). The complaints on payments are related to general payment defaults, wrong payments, non-execution of payment with nine, eight and three complaints respectively.

²⁸ KCR categorization is performed under Kosovo Credit Registry (KCR) established and maintained by the Central Bank of Kosovo (CBK). Classification under these categories is regulated on the credit risk management regulation, which establishes minimum standards and requirements on credit risk management. Source: <http://bit.ly/2JWy-QbY>

Table 4. Complaints on commercial banks/MFIs/NBFIs/pension funds received by CBK in 2018

Type of complaint ▼	Product/Service ►				
	Deposit	Deposit	Card	Loan	Credit letter/ guarantee
Account authorization					
Co-borrower				1	
Account blocking				4	
Unfounded debt			13	25	
KCR categorization of borrowers			9	124	
ATM Deposit	5				
Deposit		2			
Judicial decision execution					
Guarantor				7	
Account opening					
Interest			1	4	
Misuse of credit card			3		
Misuse of account				1	
Misuse of documents				1	
Loan closure				50	
Account closure					
Non-execution of guarantees					1
Non-execution of judicial decisions					
Loan non-financing			1	18	
Non-closure of credit obligations			9	3	
Non-execution of payments					
Deposit contract related defaults		1			
Late payments					
Payments			1		
Default payment					
Loan prepayment				39	
Pledge				7	
Provisions					
Card reimbursements			1		
Loan reprogramming				12	
Payment term extensions			1		
Tariffs/provisions	2		1	6	
Withdrawals from accounts				1	
ATM withdrawals			1		
Other		1	4	9	
Total	7	4	45	312	1

Source: Central Bank of Kosovo

	Account	Overdraft	Payment	Pledge	Pension	Tariff/ Provision	Overdraft	Other
	1							
	23							
	2		1				2	
		3	1	2				
	1							
	5							
	9		1				1	
	11							
	2							
		1						
	2		3					
			1					
	2		9		1			
			8					
				6				
						1		
	9					13		
	3						3	
							6	
	5		6		1			18
	75	4	30	8	2	14	12	18

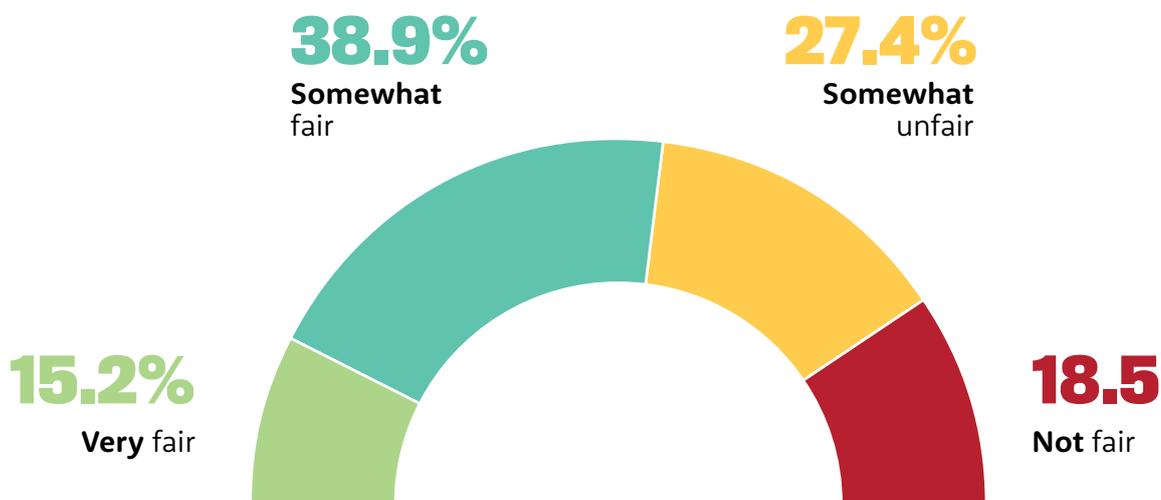
Consumer impressions on bank services

GAP Institute implemented an online survey with bank consumers to assess their impressions with financial products and services obtained by their primary bank. Results from such research serves the creation of reliable financial systems and bank-client relations.

The online survey encompassed 675 respondents, of which 42% were 25-34 years-old, around 29% between 35 and 44, and 14% 45-54 years-old. In terms of education level, 39% had concluded university studies, and 40% had master degrees, while 9% had finished secondary education, 5% had higher education and 3% had doctoral degrees. Less than 1% had only concluded primary education and none stated to have no formal education, while those under the 'other' category were still students.

Around 94% of the respondents had individual accounts, while some 6% had business accounts. Based on their experience with the banks in which they hold accounts, around 54% of the respondents consider that the bank in which they receive services is fair, while 46% consider their banks to be unfair.

Figure 2. Respondent assessment of the bank in which they receive services, based on personal experiences



Source: GAP Institute

Article 105 of the Law on Consumer Protection emphasizes that information on potential agreement changes shall be communicated by means of a durable medium²⁹ – such as letters, email, phone message or similar.

As regards changes of tariffs, interest rates or services offered, around 51% of the respondents are contacted via phone messages, around 22% via telephone and email, and 28% have stated not to have been contacted at all. The others said to be informed only through the official webpage or via direct contact with bank employees.

Around 64% of the respondents have loans. Of them, 53% had obtained personal/consumer loans, 26% home improvement loans, 17% home purchase loans, 6% vehicle purchase loans, and 6% business expansion loans. The ‘others’ category was dominated by loans obtained to cover living expenses, studying, phone purchases, overdrafts and coverage of prior loans.

Table 5. Types of loans obtained

Consumer/personal loan		53%
Home purchase loan		17%
Vehicle purchase loan		6%
Home improvement loan		26%
Travel loan		1%
Business facility purchase loan		1%
Business facility improvement loan		1%
Business establishment loan		2%
Business expansion loan		6%
Other		3%

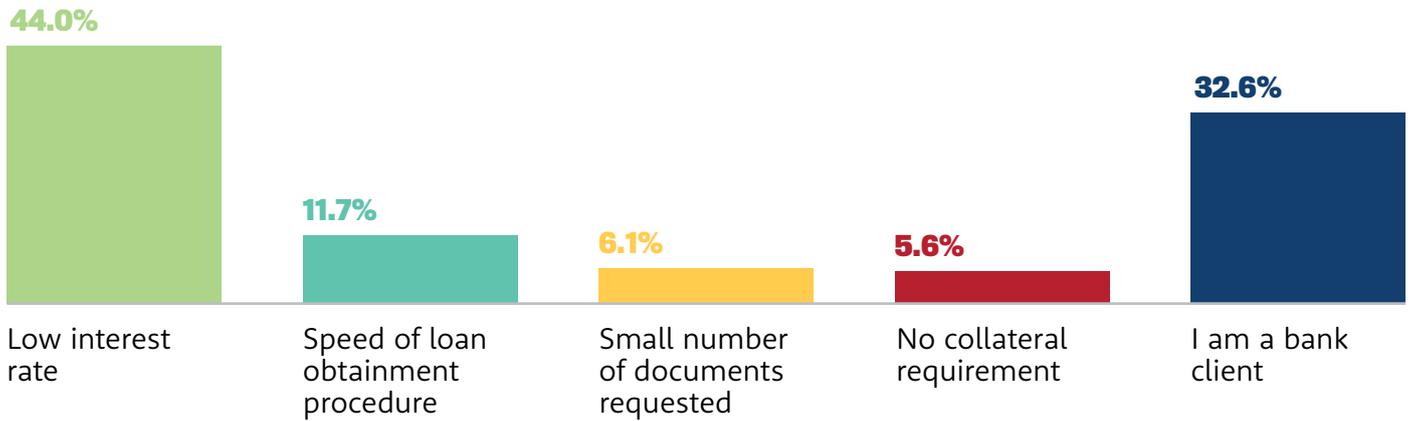
Source: GAP Institute

Around 64% of clients with loans don't believe that their bank offers low interest rates, while around 20% believe that they do, and the remainder claims not to be aware if their bank offers lower interest rates than the other banks.

²⁹ Law No. 06/L-034 on consumer protection. Article 97.3. Source: <https://bit.ly/2F3xfy2>

Some of the main reasons for deciding which bank shall be used for loans include the interest rate (around 44%), being a given bank's client (around 33%) and speed of loan obtainment (around 12%).

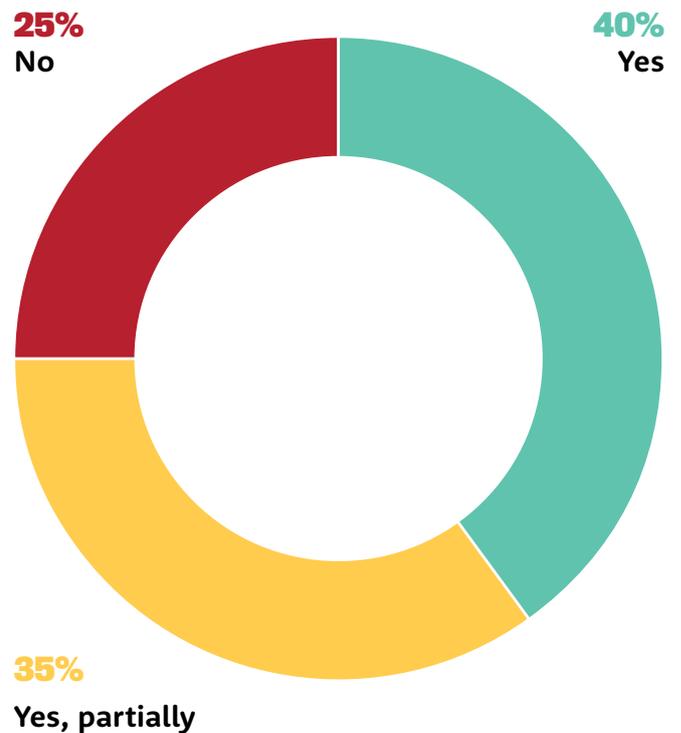
Figure 3. Most significant reasons for choosing the lending bank



Source: GAP Institute

Our survey shows that a considerable number doesn't read the agreement (around 23%), others partially read it (around 35%), while the majority states to read the agreements in their entirety (around 40%).

Figure 4. Loan agreement reading



Source: GAP Institute

Of those partially or completely reading the agreements, around one third are neutral in their satisfaction with the various elements contained in the contract. For instance, regarding the information contained on the interest rate, around 29% are satisfied, 27% are neutral and 23% are dissatisfied. However, as noted in the table below, the greatest dissatisfaction is related to information on administrative fees (around 22% dissatisfied and 11% very dissatisfied) and penalties (around 23% dissatisfied and 12% very dissatisfied).

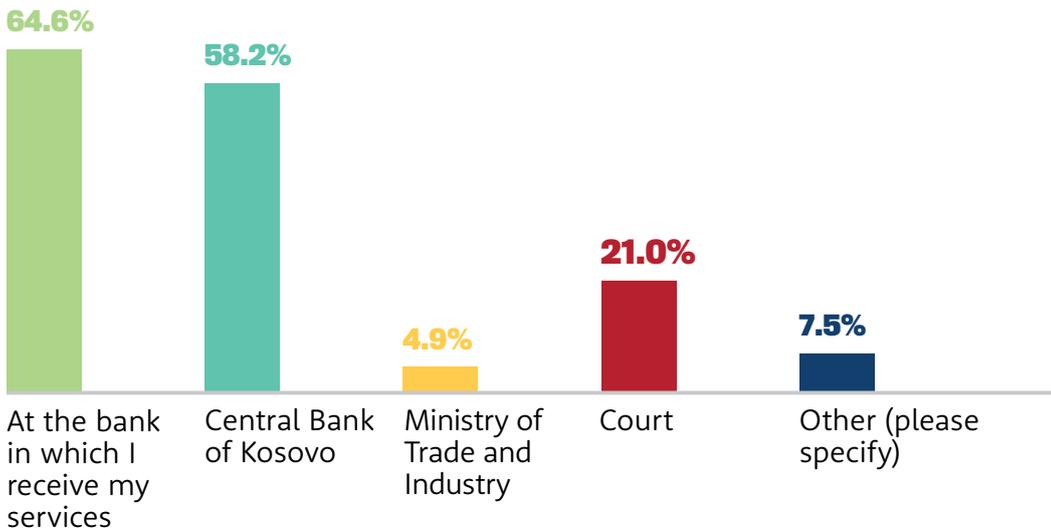
Table 6. Satisfaction with contract contents

	Very satisfied	Satisfied	Neutral	Dissatisfied	Very dissatisfied
Contains the contract terms described verbally	9%	25%	37%	22%	6%
Easy to read/comprehend	10%	28%	32%	21%	9%
Contains exact information on loan type	13%	35%	33%	15%	4%
Contains exact information on interest rate	13%	29%	27%	23%	8%
Contains exact information on payment modalities	16%	51%	21%	8%	4%
Contains exact information on administrative fees	13%	33%	21%	22%	11%
Contains exact information on penalties (in case installments are not paid on time)	12%	25%	28%	23%	12%
Contains information on loan maturity	16%	36%	27%	15%	5%

Source: GAP Institute

Respondents stated that they can complain in the bank in which they obtain services (65%), in CBK (58%), in court (21% - implying they can sue the bank) and in MTI (around 5%). However, the remainder showed distrust in institutions, considering that a significant number of respondents stated that they can't complain anywhere as their complaints are not taken into account, while some said that complaints can be filed in the Kosovo Bank Association or Data Protection Agency.

Figure 5. Possible complaint submission addresses, as per respondents (Where can you complain?)



Burimi: Instituti GAP

Fewer than half of the respondents claimed to have complained in the past, but around 27% of them complained regarding online services, 15% regarding loans, 10% regarding interest rates, while the other complains related to ATM failure, tariff change, default payments and staff behavior. Most claim to have complained in the bank in which they obtain services, or in CBK.

As regards bank client complaint status, around 40% stated that their complaint was rejected, 34% said that they were partially upheld and 27% said that they were entirely upheld.

Results of the two questions on financial knowledge reveals that around 35% of the respondents don't understand the difference between nominal interest rates and effective interest rates, and 19% of the respondents can't distinguish between debit and credit cards.³⁰

³⁰ Note: Debit cards are bank-issued cards allowing payment or transfer of account holder funds, while credit cards are cards issued by banks allowing payment or transfer of funds that are not in the possession of the account holder, but are rather borrowed by the bank and can be repaid at a later date.

Conclusion and recommendations

Entry into force of the new Law on Consumer Protection, in June 2018, resulted in improvement of consumer protection in the financial sector. In terms of loan obtainment, one of the most valuable new requirements is the one defining that pre-contractual information shall also contain information on EIR calculation and an illustrative example. Also, the pricelist published online shall include prices and tariffs for all products and services provided.

Findings of the analysis show that not all commercial banks publish in their webpages information on loan costs, expressed in effective interest rates, in line with CBK rules.

In its role of protecting consumers through financial education, despite its projects and programs, CBK has not done enough to disseminate information to a greater portion of citizens, and subsequently for their education. As noted in our survey, around one third of the citizens can't distinguish between nominal interest rates and effective interest rates, and around one fifth can't tell the difference between debit and credit cards. Therefore, a part of the respondents don't have sufficient financial knowledge to ensure that the information obtained by the banks is clear. Banks too fail to publish easily comprehensible information.

Around 54% of bank clients believe that banks in which they have their main accounts are fair, while 46% believe on the contrary. Bank clients mostly obtain bank loans for personal purchases, for buying homes/apartments, or for covering personal expenses. As regards contract contents, the greatest dissatisfactions are noted with administrative fees or penalties. Also, little more than half of the respondents know that they can complain in CBK and in the bank in which they obtain services, while very few also mention MTI as a complaint address. Some of the respondents distrust institutions and say that in reality their complaints are not taken into account.

Based on these findings, GAP Institute recommends the following:

- Central Bank of Kosovo to monitor adherence with the Regulation on Effective Interest Rates and Disclosure Requirements, which imposes the obligation to publish prices and tariffs in the respective bank webpages;
- Central Bank of Kosovo to link the financial education platform with the financial education division link in the official webpage and to publish information and educational materials in summarized form;
- Central Bank of Kosovo to establish a system for measuring citizen knowledge levels, through financial education initiatives, and to implement surveys on financial knowledge among citizens;
- Central Bank of Kosovo to publish summarized data on commercial bank tariffs and nominal and effective interest rates, in order for citizens to be able to easily compare them;
- Commercial banks and all financial institutions to engage in complete advertising in physical and digital leaflets, by including information on conditions that potential borrowers should fulfill, including those related to a certain level of salary or employment in a given sector;
- Commercial banks to inform consumers on changes in terms of tariffs, contract conditions, or interest rates, in a given form;
- Commercial banks to inform consumers on administrative fees and penalties calculation methodology, on time;
- Banks licensed by CBK to link the financial education platform in their official webpages to provide their clients direct access;
- Increase cooperation of banks with the civil society, by showing readiness to improve practices by means of information sharing and their provision to clients.



GAP INSTITUTE

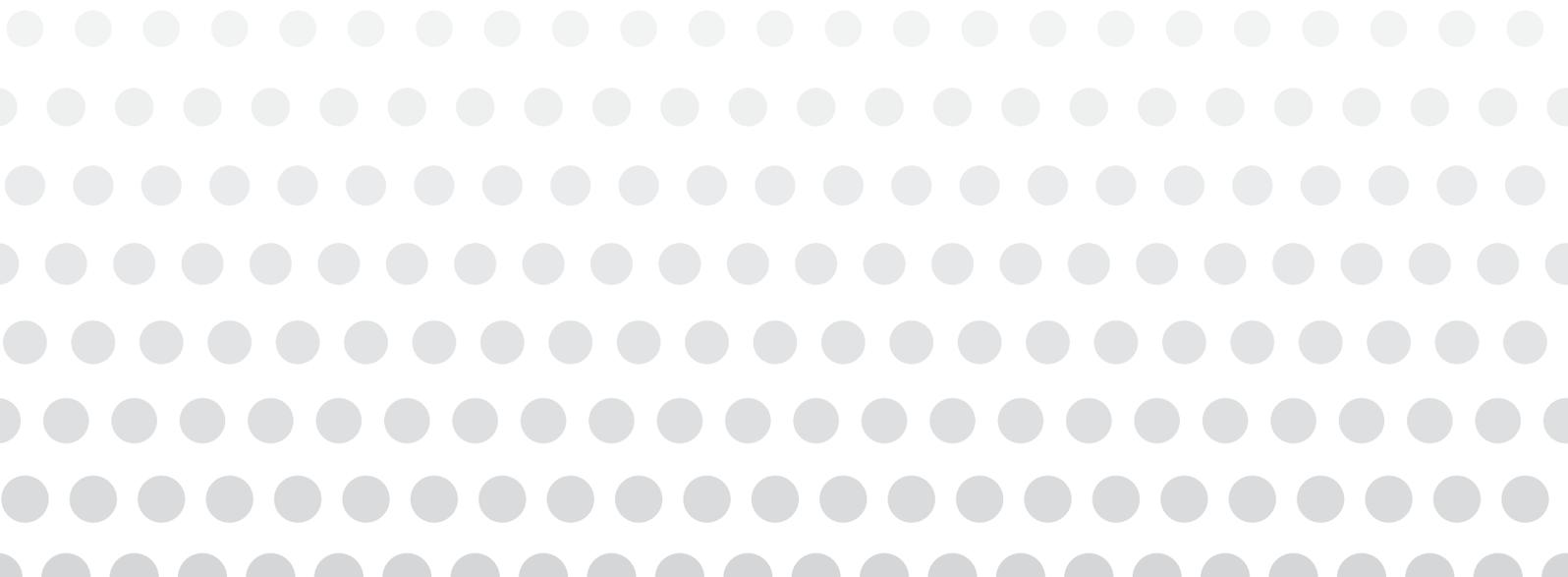
GAP Institute is a Think Tank established in October 2007 in Kosovo. GAP's main goal is to attract professionals to create an environment of professional development and research, as seen in similar institutions in Western countries. This also provides Kosovars with opportunities to research, develop and implement projects in order to advance the Kosovo society. Priority for this institute is the mobilization of professionals to address the country's economic, political and social challenges. GAP's main goals are to fill the gaps between government and citizens, and between problems and solutions.

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