



**FA | THE OFFICE OF THE CZECH
FINANCIAL ARBITRATOR**

ANNUAL REPORT ON THE ACTIVITIES OF THE FINANCIAL ARBITRATOR IN 2024

(Presented pursuant to Section 21 of Act No. 229/2002 Coll.,
on the Financial Arbitrator, as amended)

May 2025

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I. FINANCIAL ARBITRATOR'S FOREWORD, SUMMARY

Dear readers,

The Financial Arbitrator and the Office of the Financial Arbitrator present to you a report on their activities for the year 2024.

The presented Annual Report of the Financial Arbitrator on her activities for the year 2024 contains information on the Financial Arbitrator's jurisdiction, the results of her decision-making activities, and the costs of the Financial Arbitrator's operations.

The Financial Arbitrator is by Act no. 229/2002 Coll., on the Financial Arbitrator, as amended (the "Financial Arbitrator Act") an established body to resolve out of court consumer disputes on the financial market.

The tasks related to the professional, organisational and technical support of the Arbitrator's activities are performed by the Office of the Financial Arbitrator (hereinafter referred to as the "OFA"), which is an organisational unit of the state, an accounting unit and whose income and expenditure are part of the budget chapter of the Ministry of Finance.

In the period under review, consumers could turn to the Financial Arbitrator - free of charge and without the need for legal representation - if they were involved in a dispute with their payment service provider (or a potential provider offering payment services), a building savings bank, a consumer credit provider or intermediary, a life insurance company, a management company, an investment firm, an investment or insurance intermediary, a pension company or an intermediary for supplementary pension insurance or supplementary pension savings, a money exchange provider, a beneficiary of a single deposit, a distributor of a long-term pension product, a provider of money exchange services, or a person providing these financial services without the appropriate license.¹

Proceedings are initiated only at the consumer's request, and the financial institution is required to participate in the proceedings. In the proceedings, the Financial Arbitrator proceeds in accordance with the rules laid down in the Financial Arbitrator Act and in accordance with Act No. 500/2004 Coll., the Administrative Procedure Code, as amended (hereinafter referred to as the "Administrative Procedure Code"), unless the Financial Arbitrator Act provides otherwise.

The Financial Arbitrator is obliged to decide each dispute to the best of her knowledge and conscience, impartially, fairly and without delay and only based on the facts established in accordance with the Financial Arbitrator Act and special regulations i.e., in the same way as a general court. The Financial Arbitrator shall always seek an amicable settlement of the dispute.

Therefore, if the dispute is resolved amicably, the Financial Arbitrator will terminate the proceedings (for withdrawal or irrelevance). If the dispute is not amicably resolved, the Financial Arbitrator shall decide the case. A final decision of the Financial Arbitrator in a case shall have the same effect as a final decision of the general court, unless a party to the dispute brings an action against it in the general court to replace the decision of the Financial Arbitrator.

In 2024, 5,683 proceedings were initiated before the Financial Arbitrator. That is 114% more than in the previous year. In total, the Financial Arbitrator heard more than 7,500 disputes and handled more than 5,000 written and telephone inquiries in 2024.²

During the period under review, the Financial Arbitrator succeeded in bringing more than 4,100 disputes to a conclusion, while almost 170 more disputes were brought to a non-final conclusion by the end of the period under review.

The average length of proceedings concluded in 2024 was 160 days from the commencement of the proceedings to the decision becoming legally binding, terminating the proceedings.

¹ More on the competence of the Financial Arbitrator on the page 10 and beyond.

² More on the decision-making activities on the page 14 and beyond.

While this represents a slight increase compared to the 149 days in 2023, given that the number of cases handled has more than doubled, it constitutes a significant acceleration. Since 2021, the Financial Arbitrator has been successful in speeding up proceedings or rather shortening the average duration of concluded proceedings, even as the number of cases has increased.

To ensure the efficient and prompt resolution of disputes, additional systemic measures were adopted during the period under review, consisting of modifications to the information systems used by the Financial Arbitrator to communicate with the public and to conduct individual proceedings. At the same time, proceedings were expedited by the fact that the Financial Arbitrator began to deliver correspondence and requests as well, beginning to communicate with consumers both by hand-delivery via postal service providers or data boxes and by email or telephone.

Systemic or serious problems leading to disputes have been identified by the Financial Arbitrator when assessing creditworthiness before granting consumer credit, in relation to the misuse of means of payment and when providing investment services to retail customers.³

As in previous years, the OFA spent only the necessary expenses for the activities of the Financial Arbitrator and the operation of the OFA. Most of the public contracts in which the OFA participated are centrally awarded by the Ministry of Finance. Other procurement (development of information systems and language training for staff) is organised by the OFA. The OFA did not use external legal or advisory services in the period under review. The OFA sent only the Deputy of the Financial Arbitrator on foreign and domestic business trips as part of fulfilling its statutory obligations of foreign cooperation and awareness raising.

Since 2020, the stagnant number of systemised posts, has been insufficient to ensure the proper performance of the duties of the Financial Arbitrator and the OFA as an independent organisational unit of the state. First, year after year, there is a significant increase in the number of new disputes. Second, during both the period under review and the preceding period, the scope of the Financial Arbitrator's jurisdiction was further expanded. Third, as a governmental body, the KFA is subject to, among other things, new obligations related to cybersecurity and digitization.⁴

In Prague on 12 May 2025

Mgr. Monika Nedelková
the Financial Arbitrator

³ More information on the identified shortcomings on page 25.

⁴ More information on the costs of the Financial Arbitrator's operations on page 41.

II. INSTITUTION OF THE FINANCIAL ARBITRATOR

One of the basic motives for the establishment of the institute of the Financial Arbitrator was an effort to harmonise the Czech legal system with the law of the European Union in the period before the Czech Republic was admitted as a member state. The requirement resulted from:

- Article 10 of Directive 97/5/EC of the European Parliament and of the Council of 27 January 1997 on cross-border credit transfers (repealed by Directive 2007/64/EC of the European Parliament and of the Council),
- European Commission Recommendation 98/257/EC of 30 March 1998 on the principles applicable to the bodies responsible for out-of-court settlement of consumer disputes,
- European Commission Recommendation 2001/310/EC of 4 April 2001 on the principles for out-of-court bodies involved in the consensual resolution of consumer disputes,
- Regulation (EC) No 2560/2001 of the European Parliament and of the Council of 19 December 2001 on cross-border payments in euro.

The establishment of the institution of the Financial Arbitrator in the Czech Republic dates to 1 January 2003 with the approval of Act No. 229/2002 Coll., on the Financial Arbitrator.

Regarding the out-of-court settlement of money transfer disputes pursuant to Act No. 124/2002 Coll., on money transfers, electronic means of payment and payment systems (the Payment System Act), with the proviso the clients could have referred disputes arising between transferring institutions and their clients in the course of money transfers to a dispute resolution body operating under a special legal regulation. Similarly, in disputes arising between issuers and holders in the issuance and use of electronic payment instruments, holders could start to refer to a dispute resolution body operating under a specific legal provision, i.e. the Financial Arbitrator. However, the customer's right to go to court was not affected.

A new specialised administrative body has been established in the Czech legal system, which is competent to adjudicate disputes of a personal nature between private persons, disputes of a substantive nature between private persons, and disputes of a legal nature between persons defined by law, where it adjudicates subjective private rights.

From the point of view of procedural means, the proceedings are optional, and application based.

At the same time, they are decisions of a public authority (which, however, is not part of the judicial system of the Czech Republic), where the individual rights of the disputing parties are the subject of the decision and the result of the decision is an individual administrative act that is binding and enforceable. In accordance with the constitutional order, the possibility of reviewing the decision of the Financial Arbitrator (award, decision to impose a fine) by the court has been retained.

The completely exceptional position of the Financial Arbitrator in the adjudication of disputes was enshrined in the provision that the Financial Arbitrator is a conciliator. The resolution of consumer disputes, where possible, by conciliation is a trend that is explicitly required within EU countries.

In connection with the adoption of the Payment Services Act No. 284/2009 Coll.⁵, which, through a related amendment to the Financial Arbitrator Act, expanded the Financial Arbitrator's jurisdiction in payment services. As of November 1, 2009, the Financial Arbitrator

⁵ Adopted primarily to transpose Directive 2007/64/EC of the European Parliament and of the Council on payment services in the internal market, Directive 98/26/EC of the European Parliament and of the Council on the finality of settlement in payment and securities settlement systems.

has jurisdiction to resolve disputes between payment service providers and users in connection with the provision of payment services, or between issuers and holders of electronic money in connection with the issuance and redemption of electronic money.

Effective July 1, 2011, Act No. 180/2011 Coll. expanded the Financial Arbitrator's jurisdiction to resolve disputes in additional areas of the financial market, specifically disputes between creditors or intermediaries and consumers regarding the offering, providing, or brokering consumer credit, and disputes between investment funds, investment companies, or foreign investment companies and consumers regarding standard collective investment funds and special collective investment funds that raise funds from the public.

Effective November 1, 2013, Act No. 278/2013 Coll. and Act No. 241/2013 Coll. expanded the Financial Arbitrator's authority to adjudicate disputes between an insurance company or insurance intermediary and a prospective insurance customer, insurance policyholder, the insured, a beneficiary, or a designated beneficiary in connection with the offering, provision, or brokerage of life insurance, and between a currency exchange operator and a person interested in conducting a currency exchange transaction or a person with whom a currency exchange transaction was conducted.

Effective February 1, 2016, Act No. 378/2015 Coll. amended the Financial Arbitrator's authority to resolve disputes between a consumer and a creditor or intermediary in connection with the offering, provision, or brokerage of consumer credit, such that it now also applies to other types of credit, loans, or similar financial services. At the same time, the Financial Arbitrator's jurisdiction has been expanded to include the resolution of disputes between a consumer and a building savings bank or an intermediary in connection with the offering, provision, or intermediation of building savings, as well as to resolve disputes between a consumer and a securities dealer, a tied agent, a manager of an investment fund or a foreign investment fund, or an investment intermediary in connection with the provision of investment services or the performance of activities under Section 11(1)(c) through (f) of Act No. 240/2013 Coll.

At the same time, as of that date, the Financial Arbitrator's jurisdiction was limited in all areas (particularly in the area of payment systems) to the resolution of consumer disputes—that is, disputes in which the claimant is a consumer, that is, a natural person who, outside the scope of their business activities or outside the scope of the independent practice of their profession, enters into a contract with a business or otherwise deals with a business.

Effective January 13, 2017, Act No. 452/2016 Coll. expanded the Financial Arbitrator's authority to resolve disputes between a consumer and a person who maintains a non-payment account, in connection with the maintenance of such an account, as well as to resolve disputes between a consumer and the recipient of a one-time deposit in connection with the receipt or return of such a deposit.

Effective December 1, 2018, Act No. 171/2018 Coll. clarified the Financial Arbitrator's authority to adjudicate disputes in life insurance distribution or in the exercise of rights and fulfilment of obligations under life insurance policies, as well as in investment services.

With the entry into force of Act No. 91/2022 Coll., as of May 11, 2022, the Financial Arbitrator's jurisdiction was expanded to include the resolution of disputes arising from the provision of all pension products, namely disputes between a consumer and a pension company or intermediary regarding the offering, provision, or intermediation of supplementary pension savings with a state contribution; disputes between a consumer and a pension company or intermediary regarding the offering, provision, or intermediation of supplemental pension savings; and, last but not least, disputes between a consumer and a person who provides or distributes a pan-European personal pension product regarding its provision or distribution.

Effective July 1, 2022, Act No. 129/2022 Coll. the authority of the Financial Arbitrator has been expanded to include the resolution of disputes between a consumer and a provider of currency exchange services that are offered to the payer via an ATM or at the point of sale of goods or services prior to the initiation of a payment transaction, in connection with the provision of such currency exchange services.

The Financial Arbitrator's jurisdiction was further expanded as of January 1, 2024, when Act No. 462/2023 Coll. took effect, granting the Financial Arbitrator the authority to adjudicate disputes between consumers and providers of long-term investment products arising from the provision of such products. The most recent expansion of the Financial Arbitrator's jurisdiction to date occurred at the beginning of 2025 and covers disputes involving crypto assets.

Effective July 1, 2011, Act No. 180/2011 Coll. established the OFA as an organizational unit of the state to perform tasks related to the professional, organisational and technical support of the activities of the Financial Arbitrator and is an independent accounting unit whose income and expenditure are part of the budget chapter of the Ministry of Finance. The Financial Arbitrator is the head of the OFA.

As of 1 July 2011, the Financial Arbitrator and the Deputy Financial Arbitrator are appointed and dismissed by the Government by a request of the Minister of Finance. The Financial Arbitrator is held responsible for the exercise of her duties to the Government.

Only irreproachable, fully legally capable persons with good reputation, sufficient qualification and experience may be appointed Financial Arbitrator or Deputy Financial Arbitrator. A prerequisite for the appointment of the Financial Arbitrator and the Deputy Financial Arbitrator is also a university degree obtained in the master's program in law at a university in the Czech Republic and a proof of a 5 years' experience in the financial market or in the area of consumer protection in the financial market. The employment relationship and remuneration of the Financial Arbitrator and of the Deputy Financial Arbitrator shall be governed by the Labour Code.

- **Financial Arbitrator**

As of 16 November 2011, the function of the Financial Arbitrator is executed by Monika Nedelková.

- **Deputy Financial Arbitrator**

From 7 March 2013 until 9 March 2025 the function of the Deputy Financial Arbitrator has been executed by Lukáš Vacek. As of 10 March 2025, Jana Lix Andraščíková was appointed into the function of the Deputy Financial Arbitrator.

- **Organisational structure of the OFA**

The development of job positions since the establishment of the Office of the Financial Arbitrator (including the Financial Arbitrator herself and the Deputy Financial Arbitrator) has been following:

Year 2011	14 systemised posts
Year 2012	14 systemised posts
Year 2013	14 systemised posts
Year 2014	35 systemised posts
Year 2015	39 systemised posts
Year 2016	45 systemised posts
Year 2017	55 systemised posts
Year 2018	55 systemised posts
Year 2019	60 systemised posts
Year 2020	57 systemised posts
Year 2021	57 systemised posts

Year 2022 57 systemised posts

Year 2023 57 systemised posts

The number of systemised posts in the OFA has been set at 57 for 2024.

As of 31 December 2024, the average number of staff in the OFA was 52. During the year, 6 employees terminated their employment. At the same time, the OFA employs several part-time employees. These are primarily employees caring for minor children or employees caring for a close relative. In addition, the OFA has vacancies for employees on maternity/parental leave who are expected to return in 2025. These positions cannot be filled temporarily due to a lack of interest among job seekers in temporary employment.

During the period under review, the OFA employed 7 employees (including 2 female employees on parental leave) under agreements for work performed outside of an employment relationship. These activities primarily involved ensuring the OFA's participation in public procurement, fulfilling obligations under laws governing cybersecurity, archiving activities, and managing the Collection of Decisions.

Resolving disputes naturally requires a completely different set of expertise (Czech and European financial market and consumer protection law, general civil and commercial law, administrative law, as well as insolvency and enforcement law, among others) and skills than the Authority's day-to-day operations (labour law, budgetary rules, accounting, public procurement, archiving and records management, freedom of information, cybersecurity, the right to digital services, etc.).

The KFA does not have separate, formally established positions to handle activities in the areas of public procurement, digitization, and cybersecurity, as is typically the case at other agencies. It must handle all these areas through agreements concluded outside of employment relationships or beyond the scope of regular job duties, using its own specialized staff assigned to activities related to dispute resolution.

During the period under review, daily professional communication with the public was not adequately ensured. There were restrictions on the operation of telephone lines intended for the public and parties to proceedings before the Financial Arbitrator, as well as delays in responding to public inquiries regarding the Financial Arbitrator's activities, requests for assistance in ongoing proceedings, or inquiries about the status of such proceedings.

Organisational structure of the Office of the Financial Arbitrator changes based on the number of disputes being processed. In the period under review, it was formed by its organisational units:

- the Financial Arbitrator,
- the Deputy Financial Arbitrator,
- the Department of Payment Services, Building Savings and Money Exchange,
- the Department of Credits I,
- the Department of Credits II,
- the Department of Credits III,
- the Department of Investments,
- the Department of Life Insurance and Pension Products,
- the Department of the Secretary of the Financial Arbitrator,
- the Department of Administrative Support,
- the Internal Auditor.

The structure of the management is:

- the Financial Arbitrator and, in her absence, the Deputy Financial Arbitrator,
- the Deputy Financial Arbitrator, if authorised by the Financial Arbitrator to the permanent exercise of her decision-making powers,
- a department headed by the head of department (each department provides a comprehensive support in the specific area of the competence of the Financial

Arbitrator, i.e., in activities that are usually directly related to each other and build on each other, except for decision-making).

In addition to the post of Financial Arbitrator and Deputy Financial Arbitrator, the following posts have been established to support the work of the OFA in accordance with the Catalogue of Jobs in Public Services and Administration:

- 2.10.03 – Out-of-court dispute resolution officer in the financial market,
- 2.10.01 – Officer for joint state and local government,
- 1.01.02 – Secretary,
- 1.01.06 – PR Manager,
- 1.02.03 – Accountant,
- 1.01.01 – Administrative Officer,
- 2.10.07 – State and local government property management officer,
- 1.01.09 – Internal Auditor,
- 1.02.01 – Personnel officer.

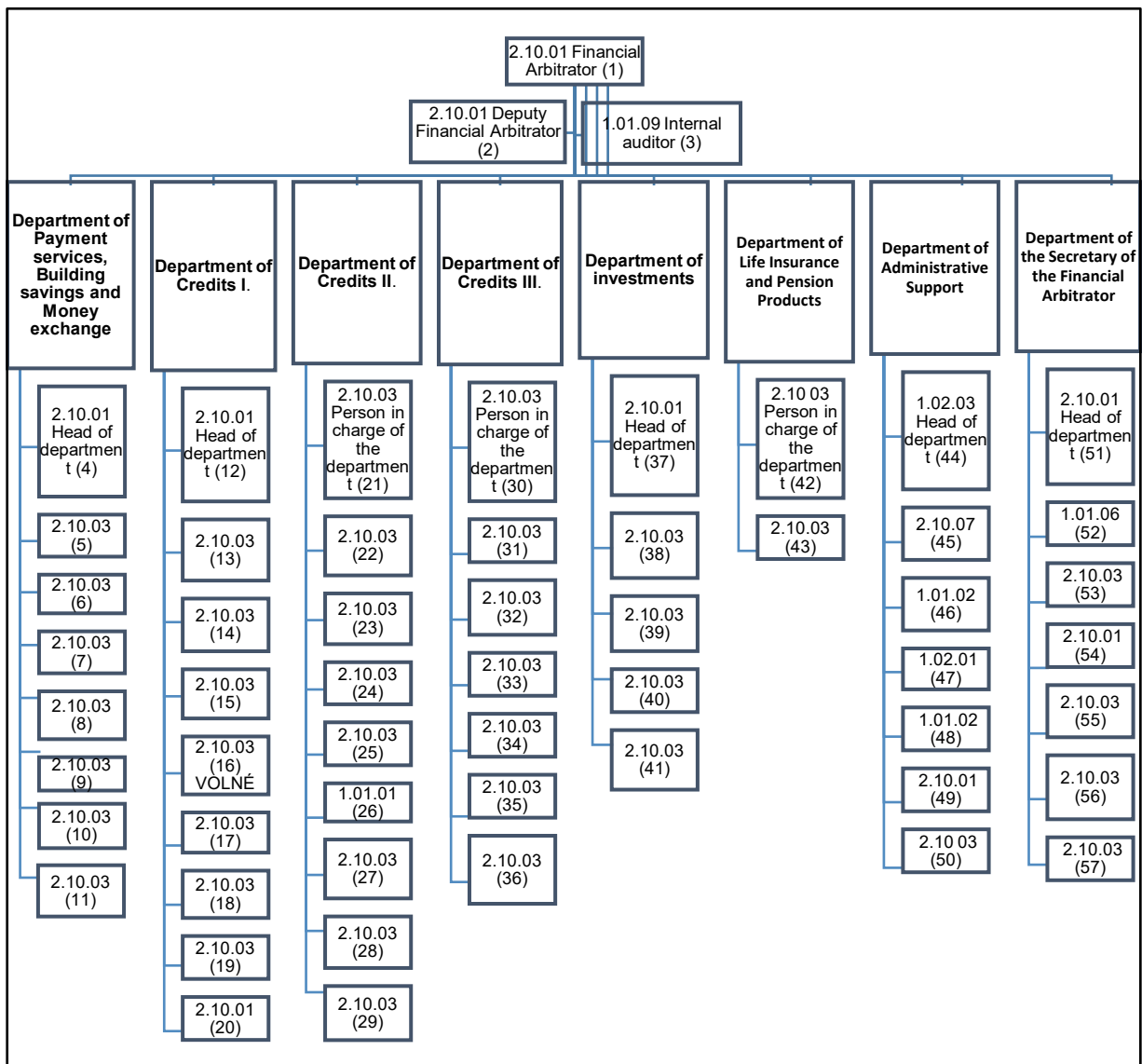
- **Gender equality**

There are no significant differences in the representation of women and men in management positions in the OFA. In the management function of the OFA, the representation of women is 50% (Financial Arbitrator, Deputy Financial Arbitrator). In senior positions, the representation of women is 50 %.

- **Employee care**

During the period under review, the OFA was only able to provide its employees with language training and professional seminars to the extent necessary, particularly in the areas of civil and financial law.

○ Organisational chart as of 31 December 2024



III. COMPETENCE OF THE FINACIAL ARBITRATOR

The Financial Arbitrator is pursuant to Section 1(1) of the Financial Arbitrator Act competent to decide a dispute otherwise falling under the jurisdiction of the Czech courts, if it is a dispute between a consumer and

- a) a payment service provider in connection with offering and providing payment services;
- b) an electronic money issuer in connection with issuing and redeeming electronic money;
- c) a creditor or an intermediary in connection with offering, providing or mediating a consumer credit or any other credit, loan or similar financial service;
- d) a person managing or administering a collective investment fund or offering investments in a collective investment fund or comparable foreign investment fund in connection with managing or administering a collective investment fund or offering investments in a collective investment fund or in a comparable foreign investment fund;
- e) an insurer or an insurance intermediary in connection with distribution of life insurance or in connection with exercising rights and obligations from life insurance;
- f) a money exchange provider in connection with money exchange;
- g) a building savings bank or intermediary in connection with offering, providing or mediating building savings;
- h) a person providing investment services in connection with providing investment services;
- i) a person servicing a non-payment account in connection with servicing such account;
- j) a beneficiary of a single deposit in connection with accepting and refunding of such deposit;
- k) a pension company or intermediary in connection with offering, providing or arranging a state-contributory supplementary pension insurance;
- l) a pension company or intermediary in connection with offering, providing or arranging supplementary pension savings;
- m) a person providing or distributing a pan-European personal pension product in connection with providing or distributing a pan-European personal pension product;
- n) a person providing a currency exchange service offered to the payer via an ATM or at the point of sale of goods or services before the payment transaction is initiated, in connection with providing that currency exchange service;
- o) a provider of a long-term investment product in connection with providing that product.

- **Disputes under the competence of the Financial Arbitrator**

The Financial Arbitrator is therefore competent to decide, for example, the disputes in connection with providing payment services regarding:

- misuse of electronic banking or mobile banking;
- misuse of a payment card by a third party to withdraw from an ATM or to make a purchase at a merchant;
- malfunction of an ATM – failure to dispense cash;
- failure to credit money deposited via an ATM or personally at a cash desk;
- validity of a payment account statement;
- deduction of charges from the amount of a payment transaction made by an intermediary payment service provider;
- non-execution of a payment transaction (or refusal to execute it);
- multiple money debiting from an account when withdrawing from an ATM or making a purchase at a merchant;
- delayed execution of a payment transaction or failure to provide a direct debit;
- incorrect exchange rate used for a cross-border wire transfer;
- incorrect fee for providing a payment service;
- payment transaction made without the consent of a payment service user.

The Financial Arbitrator is competent to decide disputes arising in connection with consumer credits (including, but not limited to, non-purpose, mortgage and building savings credits) and

disputes arising from other credit, loans or similar financial service concluded between the consumer and the creditor or mediated by an intermediary, regarding:

- validity of a credit agreement, contractual penalty or other contractual arrangement;
- determination of the amount of the obligation (debt) under the credit agreement;
- invalidity of a credit agreement because of a failure to assess the creditworthiness of the debtor before its conclusion;
- amount of a creditor's remuneration for providing a credit;
- right to a discount interest rate (after being claimed);
- calculation of the annual percentage rate of charge (APRC);
- right to early repay a credit, in particular the amount of the costs reasonably incurred in connection with early repayment of the credit or the amount of the early repayment fee;
- validity of a withdrawal of a credit agreement or an intermediary agreement;
- validity of declaring the whole credit payable;
- fees under a credit agreement or an intermediary agreement;
- damages caused by a creditor to a debtor in connection with a conclusion of a credit agreement.

The Financial Arbitrator is competent to decide disputes arising from collective investment, such as disputes between a consumer and an investment company or an investment fund regarding:

- settlement of the executed order to buy/sell/exchange a unit;
- value of a unit;
- proper execution of an order to buy/sell/exchange a unit by an investment firm;
- proper execution of an order to buy/sell/exchange a unit by an investment intermediary;
- damages caused by an investment advice provided by an investment firm or an investment intermediary in connection with providing investment advice on collective investment;
- fee charged in connection with the purchase/sale/exchange of a unit;
- damages caused in connection with a fulfilment of information duties by a management company or an investment fund.

The Financial Arbitrator is competent to decide disputes arising from a provision of investment services between a consumer and a person providing investment services, e.g., an investment firm, an investment intermediary, a tied agent, a foreign person authorised by the oversight authority of another EU Member State, regarding:

- proper execution of an order to buy/sell a financial instrument;
- damages caused by an investment firm or an investment intermediary in connection with a provision of investment advice;
- fee charged in connection with a purchase/sale of a financial instrument;
- validity or termination of an investment service agreement.

The Financial Arbitrator is competent to decide disputes arising out of money exchange regarding:

- withdrawal from a currency exchange contract;
- fee charged for the execution of a currency exchange transaction;
- validity of a currency exchange contract;
- calculation of an exchange rate.

The Financial Arbitrator is competent to decide life insurance disputes between a consumer and an insurance company or insurance intermediary, regarding:

- validity of an insurance agreement or its provision,
- amount of insurance proceeds,
- amount of a surrender value,
- damages caused by a breach of duties during a negotiation of an insurance contract.

The Financial Arbitrator is competent to decide disputes arising not only from already concluded contracts on building savings, but also disputes that arise during a pre-contractual stage or during a mediation of building savings regarding:

- validity of a building savings contract or its provision,
- validity of withdrawal or termination of a building savings contract,
- validity of a unilateral change of a building savings contract (e.g., decrease of the interest rate on deposits or increase of the fee for keeping the building savings account),
- fee charged by a building savings bank to a building savings account,
- amount of state support for a building savings contract,
- damages caused by a breach of duties during the mediation of a building savings contract.

The Financial Arbitrator is competent to decide disputes between a consumer and a pension company or intermediary in connection with offering, providing or mediation of state-contributory supplementary pension insurance, or with offering, providing or mediation of supplementary pension savings and between a consumer and a person providing or distributing a pan-European personal pension product (PEPP) in connection with providing or distributing this product regarding:

- validity of a supplementary pension insurance contract, supplementary pension savings contract, PEPP contract or the terms of such a contract,
- validity of withdrawal or termination of a supplementary pension insurance contract, supplementary pension savings contract or PEPP contract,
- fee charged on the account held for a pension product by the entity that concluded the supplementary pension contract, supplementary pension savings contract and PEPP contract with a consumer,
- amount of the state contribution credited and paid,
- payment of financial benefits from pension products,
- damages caused by a breach of duties in connection with a mediation of a supplementary pension insurance, supplementary pension savings or PEPP.

The Financial Arbitrator is competent to decide disputes arising from currency conversion service offered to the payer prior to the initiation of a payment transaction via an ATM or at the point of sale of goods or services between a consumer and a merchant or an ATM operator, concerning particularly:

- damages for failure to properly comply with the information obligation.

The Financial Arbitrator is competent to decide disputes arising from a long-term investment product in connection with the provision of such a product, for example regarding:

- validity of a contract for a long-term investment product or a contractual provision of such a contract;
- validity of the termination or cancellation of a long-term investment product contract;
- amount of fees charged by the provider of a long-term investment product;
- payment of financial benefits from a long-term investment product;
- compensation for damages in connection with a breach of obligations by the provider of a long-term investment product.

Effective February 15, 2025, the Financial Arbitrator will have jurisdiction to resolve disputes in the new area of crypto assets. However, the Financial Arbitrator's jurisdiction does not extend to all disputes involving crypto assets, but only to those governed by Regulation (EU) 2023/1114 on Markets in Crypto Assets (MiCA). Only those crypto assets that have a financial use fall within the scope of the MiCA Regulation; this generally means that they are used for investment or as a medium of exchange. The Financial Arbitrator is competent to decide disputes between consumers and providers of crypto-asset-related services regarding:

- the proper execution of the exchange of crypto-assets for cash or other crypto-assets;
- the proper execution of an order to buy or sell crypto-assets;
- the proper receipt and transmission of an order regarding crypto-assets;
- compensation for damages in connection with a breach of duties when providing advice regarding crypto assets;
- compensation for damages in connection with a breach of duties when providing crypto asset portfolio management;
- fees charged in connection with the purchase, sale, or exchange of crypto assets.

• Disputes out of competence of the Financial Arbitrator

Some disputes between consumers and financial institutions, even though they directly or indirectly concern the financial market, have not been expressly assigned to the Financial Arbitrator by law.

During the period under review these disputes primarily regarded:

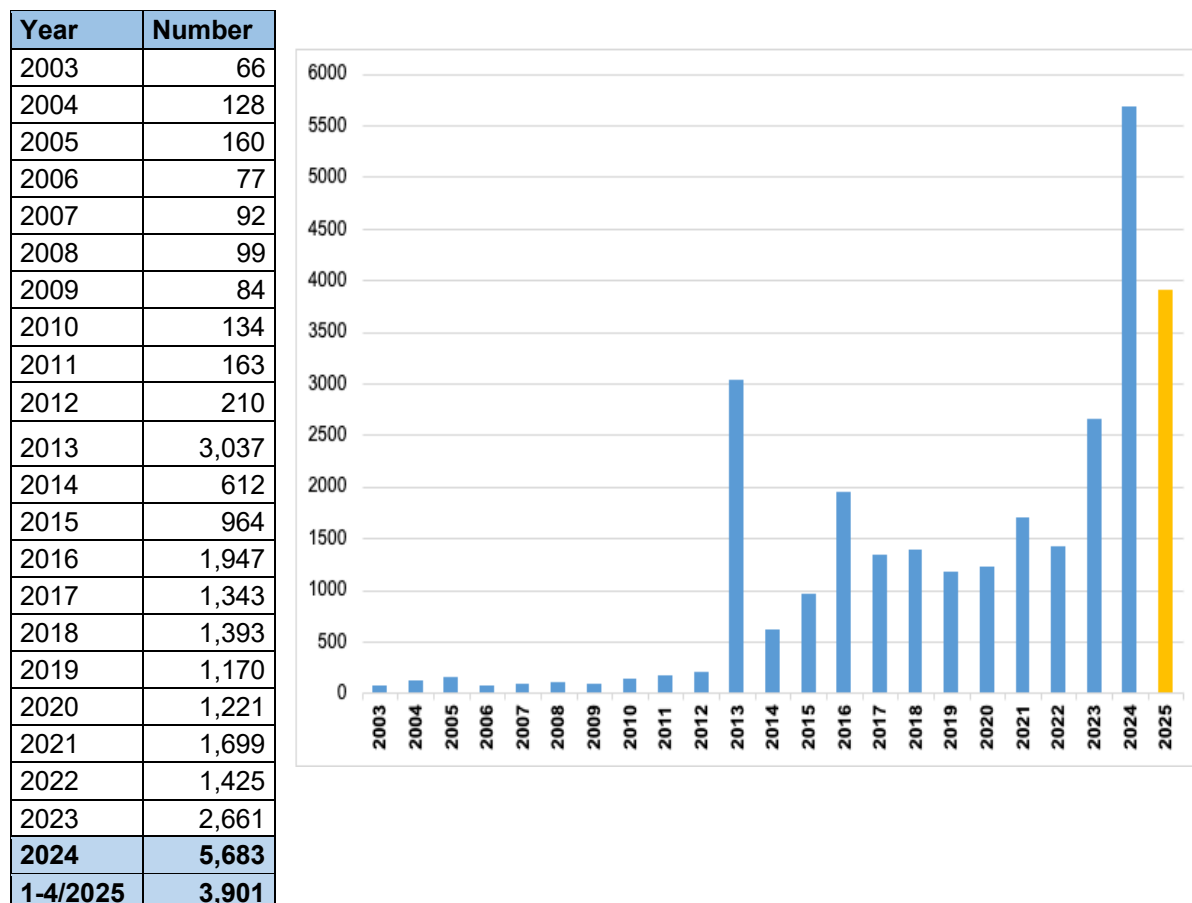
- from provision of financial services exempted from the regime of Act No. 370/2017 Coll., on Payment System, as amended,
- concerning non-life insurance (property insurance, accident insurance, liability insurance, injury insurance, incapacity work insurance, sickness insurance etc.), even if it was negotiated as a supplementary insurance to a life insurance,
- from investing into cryptocurrencies,
- from asset management comparable to management of an investment funds under Act No. 240/2013 Coll., on Management Companies and Investment Funds, as amended,
- between bondholders and bond issuers,
- between shareholders and joint stock companies,
- concerning personal data protection connected with a provision of financial services.

In these cases, the Financial Arbitrator must refer the consumers to the Czech Trade Inspection Authority. It is because in cases where the Financial Arbitrator, the Czech Telecommunication Office or the Energy Regulatory Office are not competent to decide the dispute, the Czech Trade Inspection Authority is the main body for out-of-court resolution of consumer disputes (in the case of non-life insurance, also the Office of the Ombudsman of the Czech Insurance Association is competent).

The Financial Arbitrator shall, upon the filing of an inadmissible complaint before the Financial Arbitrator, advise each consumer of the right to apply to another body for the out-of-court settlement of a consumer dispute, or to a General Court, or, in the case of suspicion of a criminal offence, to the criminal law enforcement authorities. The Financial Arbitrator will also inform the consumer about the possibility of using commercial legal aid, legal advice provided by the Czech Bar Association or free civil advice centres.

IV. SUMMARY OF THE FINANCIAL ARBITRATOR'S DECISIONMAKING ACTIVITY

- Number of proceedings commenced
 - Number of proceedings commenced in each year since the establishment of the Financial Arbitrator (2003–2024)



The number of proceedings initiated in 2024 (5,683) represents a year-on-year increase of 114 % compared to the total number of proceedings initiated in 2023 (2,661).

In the first four months of 2025, the Financial Arbitrator had already received nearly 4,000 requests to initiate proceedings. The year-over-year increase in the number of proceedings initiated will therefore most likely be even higher than in the period under review.

Individual requests for the initiation of proceedings, which are submitted en masse by lawyers offering representation before the Financial Arbitrator as a paid service on social networks, contribute significantly to this increase. These primarily involve disputes arising from consumer loans; in 2024, these representatives filed nearly one-third of all complaints.

The complaints submitted in this way show frequent errors in the description of the factual circumstances, and their assessment cannot in any case be carried out en masse. The duration of the proceedings on these complaints is then fundamentally extended by the lawyers themselves, who repeatedly request an extension of the deadline to eliminate the shortcomings of the complaints or to negotiate an amicable settlement of the dispute with the other party.

The unrepresented complainant, i.e. the consumer himself, is usually faster and better able, in cooperation with the Financial Arbitrator, to eliminate the shortcomings of the complaints, to

go through the proceedings themselves, as well as negotiations for an amicable settlement of the dispute.

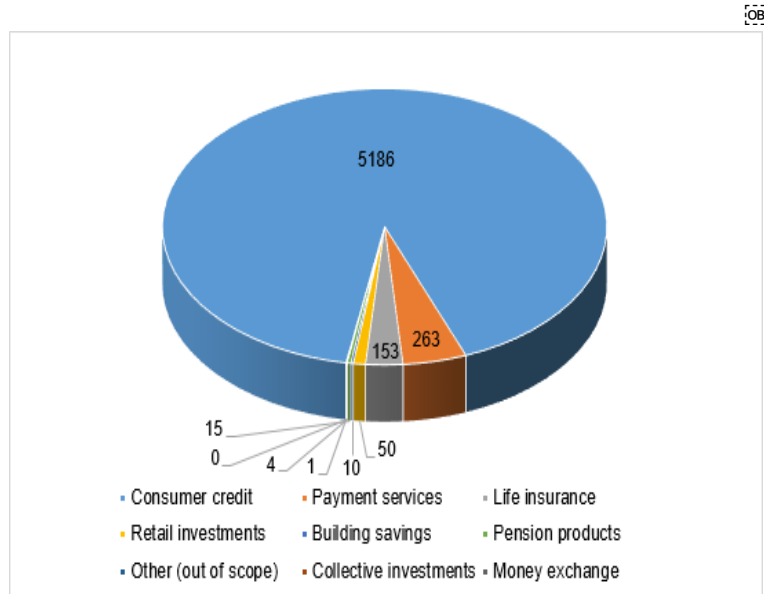
- The number of proceedings commenced in individual months in 2024 and at the beginning of 2025

Month	Number	Average
January 2024	394	474
February 2024	310	474
March 2024	361	474
April 2024	418	474
May 2024	433	474
June 2024	355	474
July 2024	468	474
August 2024	557	474
September 2024	623	474
October 2024	554	474
November 2024	513	474
December 2024	697	474
January 2025	930	986
February 2025	815	986
March 2025	1183	986
April 2025	1016	986
Average 2023	222	222
Average 2024	474	474
Average 2025	986	986

Average number of new complaints during 2024 is on an upward trend in comparison to the previous period. This upward trend continued in the first five months of 2025. In 2025 (January – April) the Financial Arbitrator received a total of 3,944 complaints. Compared to 2024 the increase in complaints adds up to 166 %.

○ Breakdown of proceedings initiated by area in 2024

Area	Number
Consumer credit	5,186
Payment services	263
Life insurance	153
Retail investments	50
Building savings	10
Pension products	15
Other (out of scope)	4
Collective investment	0
Money exchange services	1
Total	5,683



Consumer credit disputes accounted for the largest number of complaints received in 2024. With the number of 5,187 complaints the consumer credit disputes accounted for 91% of all complaints received.

The second largest group consisted of 263 complaints in payment services, representing 5% of all complaints received. Life insurance complaints were the third most frequent. Of course, proceedings initiated in previous periods were also ongoing during the period under review. In addition to the 5,683 proceedings initiated in 2024, a further 1,833 proceedings initiated in the previous periods were still ongoing.

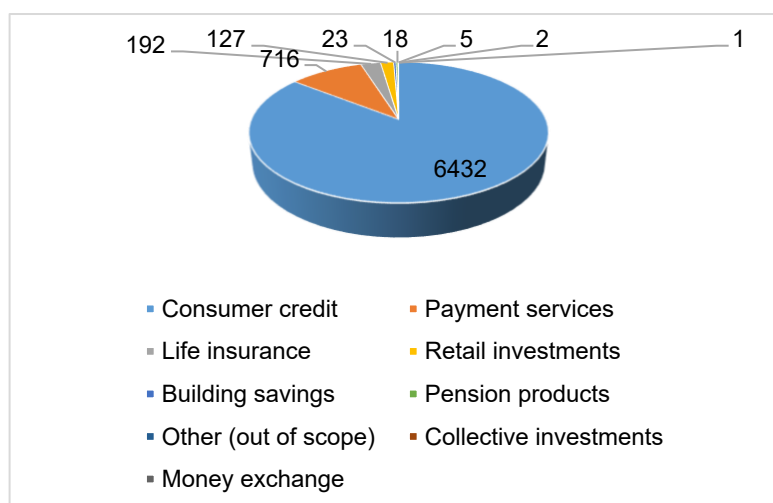
Excluding the previously terminated proceedings, a total of 7,516 proceedings were pending in 2024, of which 198 were subsequently merged with other proceedings already pending for reasons of procedural economy (disputes between the same parties but arising from a different obligation), 14 proceedings were terminated (most often due to the declaration of insolvency proceedings on the complainant's property), 4,117 were rightfully terminated in 2024 and 3,201 proceedings are continuing in 2025.

Pending proceedings are proceedings which have not yet reached a conclusion because

- the gathering of evidence for a decision on the dispute is still ongoing (the consumer is rectifying deficiencies in the application to initiate proceedings, or the institution or the requested party has not yet submitted all the evidence that the Financial Arbitrator has asked them to submit;
- the Financial Arbitrator informs the parties of the dispute of the preliminary legal assessment so that each party can consider whether it is willing to resolve the dispute amicably or, in the case of a consumer, to withdraw from the dispute;
- negotiations are held on an amicable settlement of the dispute or on the terms of an amicable settlement or the conclusion of a settlement agreement, or the time limit agreed in the settlement agreement for the payment of the consideration and the agreed time limit for the withdrawal of the application to initiate proceedings;
- the time limit for the issuance of a decision or the Financial Arbitrator's processing of the collected documents into an award or decision on objections;
- an award has been made but the opposition procedure is pending;
- a decision has been rendered but the decision has not yet been delivered to both parties;
- a decision has been delivered to both parties but the time limit for appeal is still running for some of them.

- Distribution of all disputes handled by area in 2024

Area	Number
Consumer credit	6,432
Payment services	716
Life insurance	192
Retail investments	127
Building savings	23
Pension products	18
Other	5
Collective investment	2
Money exchange	1
Total	7,516



- Consumer credit

In the area of consumer credit, 5,187 proceedings were initiated in 2024, with a total of 6,432 proceedings pending in the period under review.

The most frequent disputes arising from consumer credit were disputes concerning the assessment of the validity of the credit agreement due to the breach of the credit provider's obligation to assess the borrower's creditworthiness with professional care before concluding the credit agreement (almost 95%).

In the context of creditworthiness assessments, the Financial Arbitrator also decided disputes about the validity of a settlement agreement concluded between the debtor and the creditor after the debtor objected to the invalidity of the credit agreement for failure to assess creditworthiness. In most of these cases, the Financial Arbitrator found that the settlement agreement concluded was invalid or that the agreement concluded between the consumer and the financial institution was not a settlement agreement.

In the period under review, the Financial Arbitrator also ruled on disputes arising from early repayment of consumer housing loans.

Consumer credit agreements concluded under the previous legislation, which were already subject to arbitration and enforcement proceedings, were also subject to proceedings before the Financial Arbitrator. Since in the enforcement proceedings the court had stopped the enforcement proceedings, e.g. because of the immorality of the enforced performance or because the enforcement title was ineligible, the Financial Arbitrator concluded in the proceedings that there was no obstacle and assessed the validity of the credit agreement under the applicable legal and contractual provisions.

- Payment services (payment transactions, electronic money, non-payment accounts, time deposits, dynamic currency conversion)

A total of 263 proceedings were initiated in the payments area in 2024, a 29% year-on-year decrease in disputes, with a total of 716 proceedings pending.

The most frequent type of payment disputes were disputes during the provision of payment services by banks and within them disputes arising from unauthorised payment transactions, usually in connection with the misuse of payment instruments (phishing, vishing) such as internet/mobile banking, payment cards or applications in the consumer's electronic device

intended for controlling the account, or also disputes arising from authorised payment transactions made by consumers as a result of being misled by a third party when selling goods on advertising portals or by a person claiming to be a bank employee in a telephone call, etc.

These disputes are among the most complex in terms of gathering evidence and its legal assessment.

Disputes over proper execution of a payment transaction were also frequent in the period under review, especially in connection with the use of an ATM, e.g. disputes over the amount of cash deposited into an ATM, where the consumer claims that the amount deposited was higher than the amount credited to the account by the payment service provider, or disputes over the amount of cash withdrawn from an ATM, where the consumers claim that they received a different (lower) amount than they requested or that the payment service provider debited their account with a different (higher) amount than they actually withdrew. In these disputes, the Financial Arbitrator must assess the output of the banks' information systems as well as the output of the individual ATMs, including the performance of test deposits or withdrawals, in order to provide a credible basis for her decision.

The Financial Arbitrator has also dealt with disputes over the proper execution of the transfer of funds abroad, which involves the exchange of currencies or the charging of fees by the correspondent banks through which the transfers abroad take place.

- **Life insurance**

In the area of life insurance, 153 proceedings were initiated in 2024, with a total of 192 proceedings pending; in the period under review, there was almost a twofold increase in the number of proceedings initiated compared to the previous period.

Almost a third of the proceedings initiated in the period under review had to be terminated by the Financial Arbitrator because during the proceedings the Arbitrator found that the dispute did not concern life insurance, but nonlife insurance (most often it was insurance against accident, illness, incapacity for work).

The most common type of life insurance disputes were disputes over the validity of the insurance contract – because the sum insured had not been specified in the contract – disputes over insurance benefits, where insurers refused to pay claims, and disputes over the return of premiums paid by consumers under investment life insurance contracts to the insurer because they claimed they were not interested in investment life insurance, but were interested in saving, and the insurance intermediary or the insurance company misled them when they took out the insurance contract about the nature and, in particular, the cost of the product, or they alleged various defects in the insurance contracts and contractual documentation for which the insurance contracts should have been invalid.

- **Pension products**

In the area of disputes arising from pension products, which were only entrusted to the Financial Arbitrator from 1 May 2022, 15 proceedings were initiated in 2024, in addition to the 3 proceedings initiated in previous periods.

The most frequent claims were for payment of a pension benefit to which consumers believe they were entitled to and which the pension company has denied them; they also allege a mistake, either in the conclusion of the contract or in the application for the benefit or in the termination of the contract. Next to that another group were claims for compensation for damage which the pension companies have caused to the complainants in the management of the funds or in the termination of the contract.

- **Retail investments**

A total of 50 proceedings were initiated in the provision of investment services, with a total of 127 proceedings pending.

The number of disputes in collective investment and investment services (retail investment) was lower compared to other areas of the Financial Arbitrator's competence, but these disputes are factually more complex, as the subjects of the individual disputes vary considerably, and their assessment affects many areas of the financial market.

The most common investment disputes are disputes for compensation for loss-making investments.

- **Building savings**

In the area of building savings (the subject of the dispute is the savings part of the product), 10 proceedings were initiated, with a total of 23 proceedings pending.

The most frequent building savings disputes were disputes about the validity of the unilateral termination of the building savings by the building savings bank.

- **Collective investment**

No dispute arising from collective investment has been initiated. There were a total of 2 proceedings pending.

- **Money exchange**

In the period under review, only 1 money exchange dispute was initiated.⁶

- **Average length of proceedings before the Financial Arbitrator in 2024**

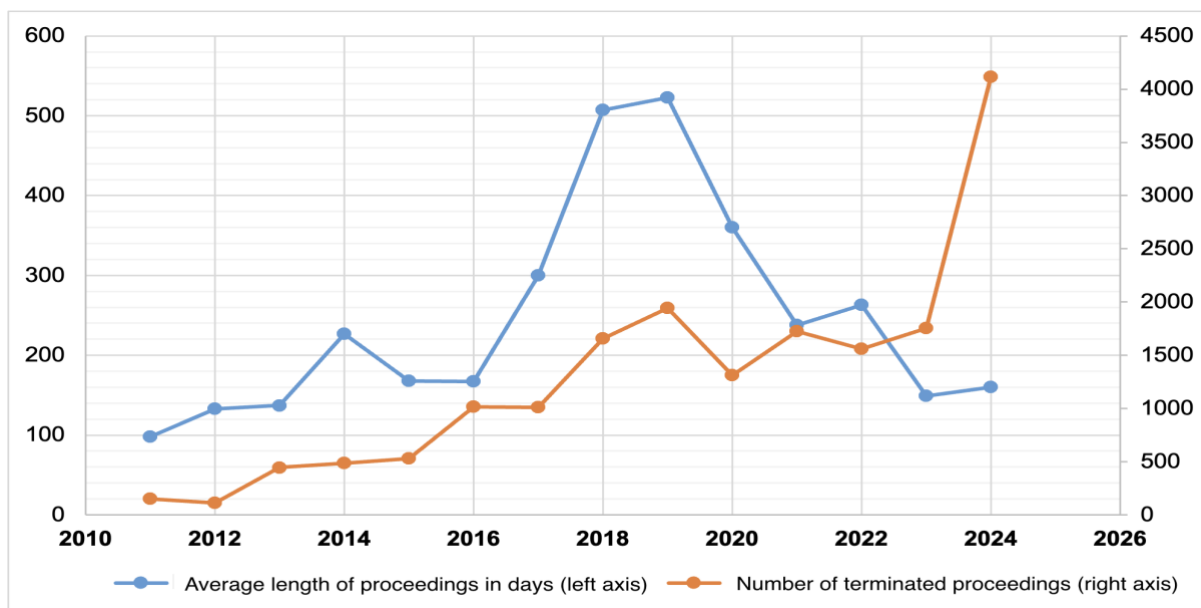
The average length of proceedings concluded in 2024 was 160 days from the start of the proceedings to the legally binding decision concluding the proceedings, compared to 125 days in 2023. The median length of proceedings was 125 days, which represents an increase in comparison to the 102 days in 2023.

Some disputes can be resolved within weeks of the commencement of proceedings, while other complex disputes may take more than two years before the parties reach an amicable settlement or the financial arbitrator manages to gather sufficient evidence to render a decision on the matter. At the same time, it can be said that one half of the proceedings were finally concluded (including the service of the decision, the expiry of the time limit for lodging an appeal, etc.) within about 3 months from the moment the proceedings were initiated, regardless of the quality of the application or the defects it suffered.

The methodology used to calculate the average length of proceedings also takes no account of the period of interruption of proceedings, which leads to an effective increase in the length of proceedings.

⁶ Since April 1, 2019, when the amendment to the Currency Exchange Act took effect—introducing the customer's right to withdraw from a currency exchange transaction or part thereof—disputes have been virtually non-existent. The Financial Arbitrator responded to complaints from foreign consumers in roughly three dozen cases, referring them to the rules governing withdrawal from currency exchange transactions and the rules of proceedings before the Financial Arbitrator—in particular, the requirement to file a properly qualified motion to initiate proceedings—which these complainants subsequently failed to do.

- Average length and number of completed proceedings between 2011 and 2024



With the number of staff at the Financial Arbitrator's Office remaining unchanged, a fundamentally positive trend has been observed since 2021, as the number of concluded proceedings has been increasing, while the average duration of concluded proceedings has been decreasing or remaining stable.

- Average and median length of proceedings finally concluded in 2024 compared to 2023

Area	Number of concluded proceedings in 2024	Average duration of proceedings in 2024 (in days)	Median duration of proceedings in 2024 (in days)	Number of concluded proceedings in 2023	Average duration of proceedings in 2023 (in days)	Median duration of proceedings in 2023 (in days)	Change in the number of concluded proceedings 2024/2023	Change in average duration of proceedings 2024/2023	Change in median duration of proceedings 2024/2023
SÚ	3,580	137	122	1,265	111	96	+183 %	+23 %	+27 %
ŽP	107	80	56	86	209	57	+24 %	-62 %	-1 %
PS	352	355	335	301	235	163	+17 %	+51 %	+106 %
ST	14	190	232	26	378	256	-46 %	-50 %	-9 %
RI	53	503	247	50	386	278	+6 %	+30 %	-11 %
KI	1	1,973	1,973	1	54	54	0 %	+3.554 %	+3.554 %
PP	6	128	116	19	91	78	-68 %	+41 %	+49 %
SM	0	0	0	0	0	0	0 %	0 %	0 %
Other	4	32	34	4	30	31	0 %	+7 %	+10 %
Total	4,117	160	125	1,752	149	102	+135 %	+7 %	+23 %

SÚ – Consumer credit, ŽP – Life insurance, PS – Payment services, ST – Building savings, RI – Investment, KI – Collective investment, PP – Pension product, SM – Money exchange

In 2024, the number of concluded proceedings increased by 135% compared to 2023, with only a minimal increase in the average duration of proceedings.

In 2024, the Financial Arbitrator was most efficient in resolving life insurance disputes in terms of average case duration. The average duration of proceedings—80 days—represents a 62% decrease compared to 2023, while the median duration of proceedings remained unchanged from 2023.

The largest group of cases handled consisted of consumer credit disputes, with 3,580 concluded proceedings (87% of all concluded proceedings). Although the average duration of proceedings in this area increased by 23% from 111 days in 2023 to 137 days in 2024 (similarly, the median duration of proceedings increased by 27% from 96 days to 122 days), these figures must be viewed in the context that the Financial Arbitrator managed to conclude 183% more proceedings in the area of consumer credit than in 2023.

A total of 352 concluded proceedings in payment services represents a year-over-year increase of 17%. The average duration of proceedings rose from 235 days in 2023 to 355 days in 2024, representing a year-over-year increase of 51%. The median duration of proceedings rose from 163 days in 2023 to 335 days in 2024, representing a twofold year-over-year increase. It should be noted that disputes in the area of payment systems primarily involve disputes arising from cyberattacks on the payment instruments of payment service users, and because these attacks are becoming increasingly sophisticated, such disputes are among the most complex in terms of both facts and law, which also necessitates the collection of a large amount of diverse evidence not only from financial institutions but also from other parties, thereby prolonging the duration of the proceedings.

In the area of pension products, there was a year-over-year decrease in the number of closed cases from 19 to 6 (a 68% decrease); however, the average duration of proceedings increased by 41%, from 91 days to 128 days (Similarly, the median duration of proceedings rose from 78 days to 116 days).

In disputes involving building savings accounts, the number of concluded proceedings fell by 46% from 26 to 14. The average duration of proceedings then fell by 50% from 378 days in 2023 to 190 days in 2024. The median duration of proceedings fell by 9% from 256 days in 2023 to 232 days in 2024.

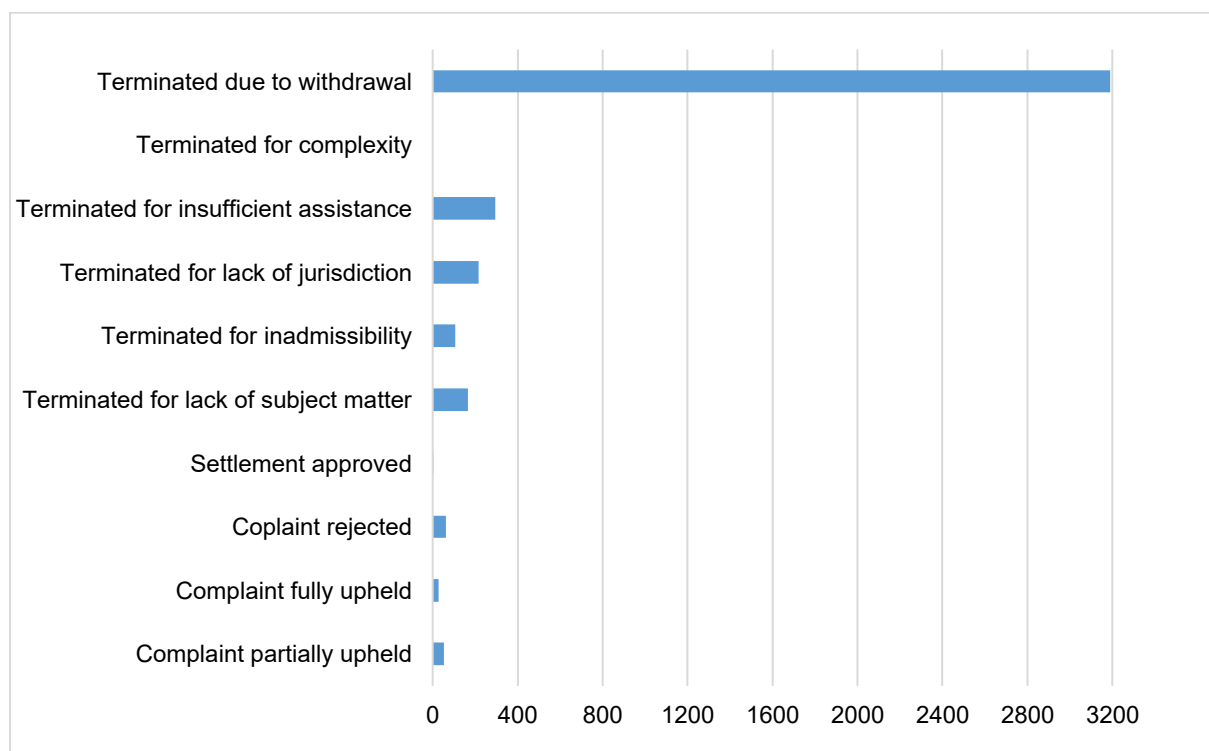
For disputes involving retail investments, the number of resolved disputes in 2024 was similar to that in 2023. For these disputes, the average duration of proceedings increased by 30%, from 386 days in 2023 to 503 days in 2024. In contrast, the median duration of proceedings decreased by 11%, from 278 days in 2023 to 247 days in 2024.

Although there was a significant increase in the number of completed proceedings in 2024 (a year-over-year increase of 135%), the average duration of proceedings rose by only 7% and the median duration by 23%.

- Average and median length of proceedings pending on 31 December 2023 depending on how the dispute is resolved

Proceedings result	Number of concluded proceedings	Average length of concluded proceedings (in days)	Median length of concluded proceedings (in days)
Complaint partially upheld	54	429	316
Complaint fully upheld	27	472	261
Complaint rejected	61	478	419
Settlement approved	1	475	475
Terminated for lack of subject matter	167	182	170
Terminated for inadmissibility	106	75	36
Terminated for lack of jurisdiction	217	99	90
Terminated for insufficient assistance	295	189	158
Terminated for complexity	0	0	0
Terminated due to withdrawal	3189	149	122
Total	4.117	160	125

In 2024, the Financial Arbitrator dismissed proceedings in 3,189 cases due to the withdrawal of the petition to initiate them. These cases should be considered amicable resolutions of disputes, because without the need to issue a binding decision, the consumer and the financial institution resolved their dispute amicably (e.g., by entering into a settlement agreement), or, based on the Financial Arbitrator's preliminary legal assessment, the consumer reconsidered their position and the dispute between them and the financial institution was resolved.



The Financial Arbitrator dismissed another 167 proceedings as irrelevant because the financial institution had fully satisfied the claimant's claim and provided evidence of this to the Financial Arbitrator. However, the claimant did not withdraw the claim, as the matter was "closed" for him upon receiving financial compensation. These cases are also disputes resolved through settlement. The Financial Arbitrator approved a settlement in one proceeding by decision.

In total, 3,357 cases were amicably settled in 2024 (3,189, and 167, and 1), which represents more than 81% of the total 4,117 cases concluded.

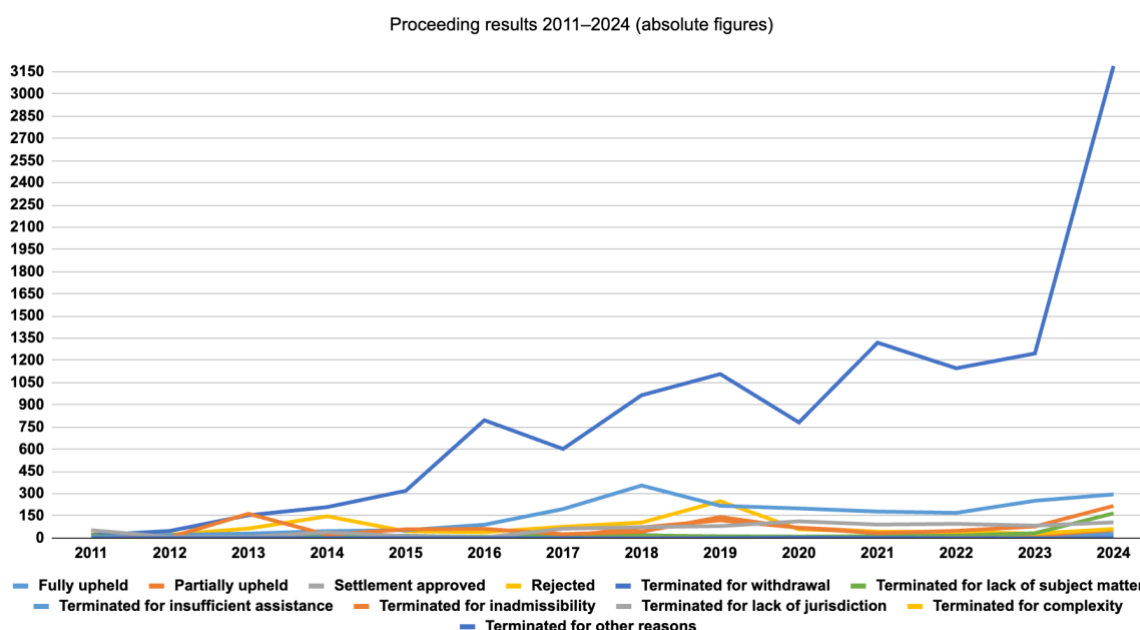
In cases where the parties to the dispute were unable to reach an amicable settlement even during proceedings before the Financial Arbitrator, the Financial Arbitrator issued a ruling upholding or rejecting the claim, either in part or in full. In total, the Financial Arbitrator issued 142 decisions in these cases, of which 61 dismissed the consumer's claim, 54 partially upheld the consumer's claim, and 27 fully upheld the consumer's claim.

Consumers (complainants) have not always provided the Financial Arbitrator with sufficient cooperation to enable the proceedings to be decided fairly and in accordance with the law. This is even though the Financial Arbitrator repeatedly invites and instructs the complainants on what evidence to provide in support of their claims or how to formulate their claims against the financial institution. In total, the Financial Arbitrator had to stop 295 proceedings for consumer non-cooperation, an increase of more than 57% year-on-year compared to the 170 proceedings stopped for consumer non-cooperation in 2023.

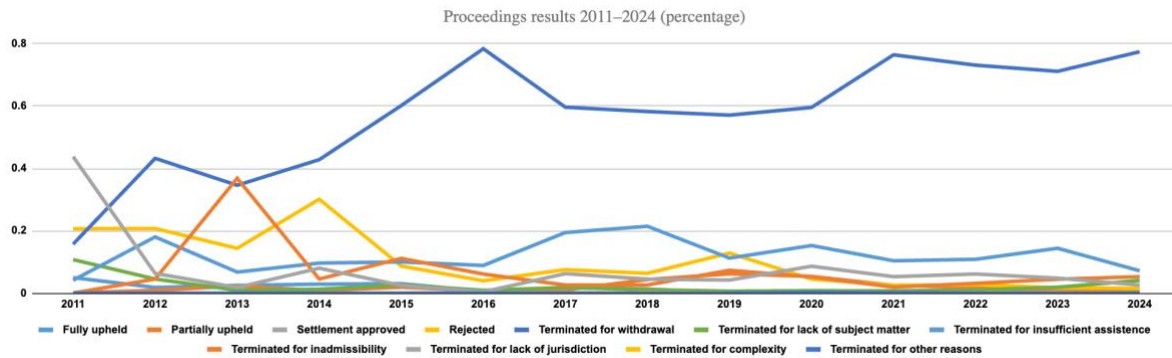
If, during the proceedings, the Financial Arbitrator determines that she lacks jurisdiction to resolve the dispute,⁷ the proceedings are dismissed for lack of jurisdiction. In 2024, a total of 106 proceedings were dismissed in this manner.

Even in cases falling within the Financial Arbitrator's jurisdiction, it may become apparent during the proceedings that the Financial Arbitrator cannot hear the case—for example, because the Financial Arbitrator or a court has already ruled on the same matter, or because similar proceedings are underway concurrently. Due to such inadmissibility, the Financial Arbitrator dismissed a total of 217 proceedings in 2024.

- Outcomes of final proceedings from 2011-2024 by method of dispute resolution (absolute and percentage)



⁷ As a rule, the claimant acted as a businessperson in the legal relationship that formed the subject matter of the proceedings before the Financial Arbitrator, or the dispute does not fall within the Financial Arbitrator's jurisdiction—most commonly, non-life insurance.



The proportion of cases settled out of court in 2024 does not deviate from the long-term trend, with the proportion of cases settled out of court over the past 9 years ranging roughly from 67% to 80% of all concluded cases.

○ Number of proceedings per OFA staff member

Converted number of legal officers in management (including 3 secretaries)	28.98
Number of heads of department	7
Total number of concluded proceedings in 2024	4,117
Total number of pending proceedings in 2024	7,516
Average length of completed proceedings in days	160
Number of cases per full-time legal officer per year (including 3 secretaries)	259
Number of cases per head of department per year	1,074

The total number of 7,516 cases handled in 2024 represents a heavy caseload for individual staff members, including both case officers—the lawyers handling individual disputes—and their department heads.

Considering the number of full-time equivalents and the portion of the year during which the employment relationship lasted, the adjusted average number of legal officers (including 3 secretaries) handling disputes is 28.98. Each full-time legal officer thus handled an average of 259 cases over the course of the entire year. Each of the 7 department heads handled an average of 1,074 ongoing proceedings over the course of the entire year.

• Results of measures taken to speed up proceedings before the Financial Arbitrator

The Financial Arbitrator has been successful in reducing the length of proceedings or speeding up proceedings, despite the significant increase in new disputes. During the period under review, systemic measures were taken to modify the information system used for proceedings before the Financial Arbitrator.

Refraining from sending repeated summonses to financial institutions and replacing them with a fine procedure has contributed to speeding up the procedure.

To expedite the procedure, the Financial Arbitrator delivers notices and requests and communicates with consumers by means of hand-delivered mail through the postal service provider or data box, by email or by telephone (except for the first notice of initiation and the decision).

However, the length of the procedure is influenced by consumers themselves, including those represented by lawyers, when they submit complaints which suffer from several defects and

which need to be clarified or supplemented, and extend the time limits granted for the submission of documents or statements.

Similarly, the same applies to the financial institutions' side, which ask for an extension of the 15-day time limit, even repeatedly. The Financial Arbitrator will only extend the time limit if there are reasons for doing so, in complex proceedings where many different documents need to be obtained and subsequently assessed.

In the case of an amicable settlement of a dispute, the dispute is effectively resolved when the amicable settlement is negotiated between the consumer and the financial institution, followed by the formal process of concluding a settlement agreement, usually the execution of the settlement agreement, and only then by the issuance of a decision to terminate the proceedings and the entry into force of the decision terminate the proceedings, which sometimes occurs after a delay of a month or more.

At the same time, it is not possible to avoid proceedings that are demanding in terms of gathering and assessing documents, serving them abroad, repeated negotiations for an amicable settlement, etc. Their length then distorts the results of the average length of proceedings. The complexity of the dispute, for which the Financial Arbitrator could stop the proceedings, relates to the applicable law rather than to the collection and assessment of documents. The Financial Arbitrator cannot stop such proceedings and is obliged to conduct the proceedings even at the cost of their length.

V. SYSTEMIC OR SERIOUS PROBLEMS LEADING TO DISPUTES

- Assessing the creditworthiness of the borrower of a consumer credit

In disputes over the invalidity of a credit agreement due to failure to assess the consumer's ability to repay the credit before concluding it (in the event of a significant increase in the credit), the Financial Arbitrator concluded in the overwhelming majority of cases that the financial institution, as a provider of consumer credits, did not act with professional care and therefore only has the right to a refund of the principal amount that it provided to the consumer (in cases where the consumer paid more for credit debts than the principal amount, the financial institution is obliged to issue to the consumer everything that he paid in excess of the principal amount of the credit provided).

The Financial Arbitrator usually found that the financial institution did not obtain sufficient documents (especially about the consumer's expenses), did not verify the secured documents and information, or did not keep the alleged documents.

In this type of disputes, the Financial Arbitrator is already based on the decision-making practice of general courts, which have reviewed the decisions of the Financial Arbitrator and have upheld them in all cases so far, when in disputes she judged credit contracts as invalid and, if necessary, ordered credit providers to issue unjust enrichment to consumers in excess of the paid principal of the consumer credits.

According to Section 75 of Act No. 257/2016 Coll., on consumer credit, as amended (hereinafter referred to as the "Act on Consumer Credit 2016"), it applies that the credit provider "shall carry out their activities with professional care". This refers not only to assessing the creditworthiness of a particular consumer, but also to the credible evidence that they have done so.

The content of the obligation to act with professional care is not included in the Consumer Credit Act 2016. It is a so-called vague legal concept that should be interpreted in the context of general legislation and specific factual circumstances. It is therefore a corrective action of the creditor, which in this case will be assessed by a Financial Arbitrator and is based both on an objective point of view, i.e. on professional knowledge and abilities, and on a subjective point of view, consisting in the diligence of a specific creditor.

According to Section 78, paragraph 1 of the Act on Consumer Credit 2016, it is primarily the case that the credit provider should obtain and keep documents for reliable certification that they have properly fulfilled their obligations under this Act.

Thus, the consumer credit provider should be able to demonstrate, among other things, the fulfilment of the requirement of Section 86, paragraph 1 of the Act on Consumer Credit 2016, according to which it is expressly stated that "Prior to concluding a consumer credit contract or changing the obligation from such a contract by significantly increasing the total amount of consumer credit, the provider shall assess the creditworthiness of the consumer on the basis of necessary, reliable, sufficient and reasonable information obtained from the consumer and, if necessary, from the database enabling the assessment of creditworthiness or even from other sources. The provider shall provide consumer credit only if the outcome of the consumer creditworthiness assessment shows that there are no reasonable doubts about the consumer's ability to make repayments of the consumer credit.", when according to paragraph 2 of the same provision "In assessing the creditworthiness of the consumer, a provider shall in particular assess the ability of the consumer to pay the agreed regular repayments of consumer credit, on the basis of a comparison of the consumer's income and expenditure and the manner of fulfilling of existing debts". Regarding the assessment of creditworthiness itself, it is necessary to proceed from the premise that it is necessary to assess creditworthiness not only before concluding the consumer credit agreement itself, but at the same time with each significant increase in the total amount of this credit.

When obtaining relevant information for the purpose of assessing the creditworthiness of the consumer, the creditor should rely both on the information provided by the consumer (i.e. not on the consumer's claims, since mere claims by the consumer cannot be clearly considered sufficient and reliable information without being substantiated in any way) and on information obtained from other available sources, all while respecting the principle of proportionality and at the most to the extent necessary to fulfil this obligation, i.e. with maximum respect for the consumers' rights to the protection of their personal data. At the same time, however, the creditor must obtain such information about the consumer's income and expenses that the sum of this information does not raise doubts that the consumer will be able to repay the consumer credit without difficulty in the normal course of things. In the case of doubts about the correctness of the information obtained from the consumer, the creditor is obliged to check this information further, primarily by documenting the necessary documents from the consumer, by consulting debtor databases, etc.

It is the legal obligation of the creditor to collect the information obtained in this way, to evaluate its sufficiency and to decide whether and which information is necessary to be further verified, or to deepen their knowledge. Only such information about the consumer's income and expenses, from which the creditor can obtain an objective picture of their financial situation, is considered sufficient.

The consumer's ability to repay a consumer credit should be understood as a situation where, depending on the repayment frequency, the consumers will have enough funds left in their personal/household budget to be able to repay the credit in the expected amount without difficulty in the normal course of things. Therefore, the creditor must, among other things, analyse the consumer's personal/household budget, both the income side and the expenditure side, always in relation to the specific credit applicant and information about their specific income from employment or other activities, housing costs, transportation, household or dependent children, as well as other regular expenses of the consumer (e.g. repayments of other credits). When analysing household expenses, it is advisable to leave a certain reserve for possible other unplanned expenses (e.g. the need to purchase a new electrical appliance). The analysis of only one part of the budget is not sufficient to assess creditworthiness. For example, it is not possible to say from the information on the consumer's net monthly income whether they will be able to pay the instalments if their other expenses are not known at the same time. The creditor must also take into account the consumer's family status, i.e. whether they support other people, etc., when assessing ordinary household expenses. Consumer credit repayments should not be added as the exact difference between the consumer's income and expenses, because in the case of any additional expenditure, the proper repayment of the credit would be jeopardised.

In connection with the above, the Financial Arbitrator refers that the Czech legislation is a proper transposition of consumer credit agreements⁸ adopted in the regime of the so-called maximum harmonisation. To which the Court of Justice of the European Union (further referred to as CJEU) concluded, among other things, that "*mere unsupported declarations made by the consumer may not, in themselves, be sufficient if they are not accompanied by supporting evidence*", when it does not preclude "*the consumer's creditworthiness assessment from being carried out solely on the basis of information supplied by the consumer, provided that that information is sufficient and that mere declarations by the consumer are also accompanied by supporting evidence*".⁹

According to the CJEU it also applies that "*event that a credit agreement entered into by a consumer has been performed in full without the consumer having suffered any harmful consequences in the course of or as a result of that performance, the fact remains that, as is clear from paragraphs 33 and 34 of the present judgment, the obligation laid down in Article 8 of Directive 2008/48 is intended not only to protect consumers against such risks but also to hold creditors accountable and to prevent the granting of loans to consumers who are not creditworthy*", whereby "*a breach of the creditor's obligation to examine the consumer's*

⁸ Directive 2008/48/EC of the European Parliament and of the Council of April 23, 2008, on consumer credit agreements and repealing Council Directive 87/102/EEC.

⁹ Judgment of the CJEU dated December 18, 2014, in Case C-449/13, CA Consumer Finance SA v. Ingrid Bakkaus.

creditworthiness, as provided for in that provision, cannot be regularised merely by the credit agreement being performed in full. It is irrelevant that the consumer did not raise any objections about the agreement during the period of repayment of the credit".¹⁰

Thus, the CJEU itself not only confirmed that consumer credit providers should not rely on the mere declarations of consumers who have received credit, but at the same time explained that the assessment of creditworthiness must be handled with professional care and, where appropriate, a legal sanction should be imposed, even if the consumer credits duly repaid, did not object to anything during its repayment and did not suffer any damage.

Reference can also be made to the decision-making practice of the Czech courts, for example, the Supreme Administrative Court¹¹ and the Supreme Court¹². With reference to the 2015 Supreme Administrative Court and 2018 Supreme Administrative Court decisions, the invalidity of the credit agreement is subsequently inferred also by the Constitutional Court¹³. Although these courts in the quoted decisions considered the issue in the light of the legislation in force before the Consumer Credit Act 2016¹⁴ came into force, the above conclusions can be applied without further doubt to the legislation¹⁵. This was also confirmed by the Supreme Administrative Court¹⁶. If the consumer credit provider, then breaches its duty to assess the consumer's creditworthiness with professional care, the contract is void under Section 87(1) of the Consumer Credit Act 2016.

¹⁰ Judgment of the CJEU dated January 11, 2024, in Case C-755/22, Nárokuj s.r.o. v. EC Financial Services, a.s.

¹¹ Reference can also be made to the decision-making practice of the Czech courts, when, for example, in the decision of 1 April 2015, No. 1 As 30/2015, the Supreme Administrative Court concluded that Section 9 paragraph 1 of Act No. 145/2010 Coll., on consumer credit and on the amendment of certain laws, as amended (hereinafter referred to as the "Act on Consumer Credit 2010"), must be interpreted as "the creditor must carefully ascertain the consumer's ability to repay the credit and request documents to support his claim. It is also necessary to conclude that the creditor should actively determine and check the creditworthiness of the borrower and not be satisfied only with his unsubstantiated statements. (...) the procedure of the complainant, who assessed the consumer's creditworthiness only on the basis of their unsubstantiated statements, was contrary to the requirement of ascertaining the consumer's ability to repay the credit with professional care in the sense of Section 9, Paragraph 1 of the Act on Consumer Credit". The Supreme Administrative Court further concluded that "the documents required to prove the consumer's creditworthiness can be, for example, confirmation of employment and income, pay stubs, a statement from the applicant's bank account, and the like. Therefore, it would not be a question of repeated statements of the same content, as the complainant states, because they would really be redundant. It should be documents issued to the consumer by a third party, which will testify objectively and reliably about the consumer's ability to fulfil his obligations under the credit agreement".

¹² With the conclusions of the Supreme Administrative Court, for example, in the decision of 25 July 2018, No. 33 Cdo 2178/2018, the Supreme Court agreed, when it concluded, among other things, that "already from the grammatical and logical interpretation of Section 9, Paragraph 1 of the Act on Consumer Credit, it can be concluded that information obtained only from the consumer is not considered sufficient. Professional care assumes that the data that the debtor has provided to the creditor must be verified, or objectively substantiate at least by confirmation of the debtor's employer", while further "the creditor does not comply with the obligations set for him by the Consumer Credit Act, i.e. does not proceed with professional care when assessing the consumer's ability to repay the consumer credit, if it is based on an Annual report on the activities of the Financial Arbitrator in 2023 25 objectively unsubstantiated personal statement of the debtor about his personal, earnings and property conditions. It does not change the fact that the debtor is not registered in the debtors' databases" (hereafter referred to as "NS Decision 2018"). Also in its decision of 20 March 2019, No. 33 Cdo 201/2018, the Supreme Court interpreted, inter alia, that "the creditor's obligation to use publicly available information, such as the statepublished data on the minimum living and subsistence wage pursuant to Act No. 110/2006 Coll., is undoubtedly crucial, on the minimum subsistence level and on the average expenditure of the population (the Czech Statistical Office database), and to compare this information with known or ascertained (not merely claimed) information on the consumer's income and expenditure".

¹³ The decision of 26 February 2019, No. III ÚS 4129/2018, when "the credit provider, when the borrower is in the position of a consumer, has an unequivocal obligation to verify the consumer's ability to repay the planned credit. The imposition and proper fulfilment of this obligation protects not only the borrower (consumer) and the creditor as the provider of the credit, but also, in a broader sense, society as a whole, as the above-mentioned case law shows."

¹⁴ Specifically, pursuant to Section 9(1) of the Consumer Credit Act of 2010.

¹⁵ Specifically, Section 86(1) in conjunction with Section 75 of the Consumer Credit Act of 2016.

¹⁶ This was also confirmed by the Supreme Administrative Court in its decision of 31 January 2024 in No. 6 As 8/2023, which expressly stated, inter alia, that "both the purpose of the legislation and the requirement of professional care of the credit provider have been preserved, and the Supreme Administrative Court therefore does not share the applicant's view that the conclusion contained in the judgment of the Supreme Administrative Court No. 1 As 30/2015- 39, according to which the assessment of a consumer's creditworthiness solely on the basis of his unsubstantiated statements is contrary to the requirement of professional care, does not stand. This view is confirmed by the Constitutional Court's ruling of 26 February 2019, Case No III ÚS 4129/18, in which the Constitutional Court stated that the legislation has not changed precisely in relation to the obligation of the credit provider to assess the consumer's creditworthiness under Section 9 of Act No. 145/2010 Coll. and Section 86 of the Consumer Credit Act.

Under Section 2991 of the Act No. 89/2012 Coll., the Civil Code, as amended ("Civil Code"), *"A person who is enriched at the expense of another without a just cause must, to the extent of his enrichment, make restitution to the impoverished person"* and, at the same time, under Section 2993 of the same Act, *"If a party has provided a performance not based on a valid obligation, the party is entitled to restitution for the performance provided. If both parties provided a performance, either party may request that the other make restitution for the performance acquired; this does not affect the right of the other party to invoke mutual performance. This also applies where the obligation was extinguished"*.

- **Misuse of a payment instrument (credit card, internet/mobile banking)**

The vast majority of these disputes are related to cyber-attacks targeting the clients of individual institutions (consumers), which should be divided into two basic groups depending on the extent to which the consumer cooperates with the third party (the person carrying out the cyber-attack).

The Financial Arbitrator must first assess whether the consumer has acted under the influence of the third party. Most often in cases of so-called crypto scams the third party convinces the consumer or induces the consumer to invest funds with a high profit or causes the consumer to fear for their funds by telling them that their account and the funds in it are in danger and that they need to be transferred to a secure protected account to save them. Other types of attacks can also be included in this category, where the consumer has allowed a third party, through various applications allowing remote access to an electronic device, to control the consumer's computer or mobile phone and thus freely handle the consumer's funds under their identity; in such cases, it is very difficult, if not impossible, to prove that the consumers did not act by themselves.

The second category of cyber-attacks are disputes in which consumers believe a third party's fabricated scenario and thus give them access to their personal security features (online banking login details, payment card details, including various authorisation codes). Most often, these are so-called marketplace scams, smishing in the form of messages regarding state benefits from the Ministry of Labour and Social Affairs or tax refunds, etc.

At the same time, disputes are differentiated according to the means of payment used by third parties to withdraw funds from (most commonly) current or savings accounts, namely cases in which the third party misuses the consumer's debit or credit card, the consumer's internet/mobile banking (through which the consumer often manages multiple accounts, including business accounts) or a combination thereof. If a third-party gains access to the consumer's internet/mobile banking, they can then set up additional accounts, apply for additional (virtual) payment cards, change limits, view the consumer's personal security features, etc. In some cases, the third party holding the consumer's payment instrument has arranged for hundreds of thousands of crowns of unused consumer credit to be drawn down over and above the available account balance.

The decisive legal regulation for the purposes of assessing claims raised in such proceedings is Act No. 370/2017 Coll., on Payment System, as amended ("Payment System Act"), as a special legal regulation governing the provision of payment services, and then also the Civil Code as a general private law regulation.

Pursuant to Section 156(1) of the Payment System Act, „a payment transaction is authorised if the payer has given its consent thereto". Thus, in proceedings, the Financial Arbitrator first examines whether the payment transactions that the consumer objects to are authorised or unauthorised, i.e. he examines the existence of the consumer's consent.

Furthermore, under Section 165(a) of the Payment System Act, " A user: uses a payment instrument in accordance with the framework contract, in particular, immediately after receiving the payment instrument, the user takes all reasonable measures to protect its personalised security features, [...]." The consumer and the provider then negotiate obligations in the

contract between them to protect the personal security features used to authenticate the client and authorise electronic legal transactions

As to the question of who is liable for the loss from unauthorised payment transactions, the Financial Arbitrator relies on Section 181(1)(a) of the Act. 1 of the Payment System Act, which provides that " If an unauthorised payment transaction has been executed, the payer's provider shall immediately, but no later than by the end of the business day following after the payer's provider has find out or payer has notified him the unauthorised payment transaction: (a) bring the payment account from which the payment transaction amount was debited to a state in which it would have been if the funds had not been debited, Annual report on the activities of the Financial Arbitrator in 2023 27 or (b) refund the payment transaction amount, the fee paid and the lost interest to the payer if the procedure under letter (a) cannot be used.." And the following special provisions for the loss, theft and misuse of a payment instrument, which list the specific cases where the payment service user (here the consumer) is liable for the loss and where the payment service provider is liable.

Therefore, the division of disputes involving claims made in connection with cyber-attacks outlined above has had an impact on the conduct of individual disputes, as the Payment System Act contains special legal regulation for the redress of unauthorised payment transactions only; in the case of authorised payment transactions to which the consumer themselves has given their consent, albeit in the context of a cyber-attack under the influence of a third party, the options are limited, respectively, in particular, the Financial Arbitrator assessed whether the payment service provider's general obligation to prevent and intervene was met (i.e. whether the institution could detect suspicious activities in the context of the use of the payment instrument, whether it reacted quickly enough, approached other payment service providers with a request to block the target account, etc.).

In relation to consumer credits, the Financial Arbitrator then had to examine whether the negotiation of the consumer credit on behalf of the consumer constituted an apparent legal act (Section 551 of the Civil Code) and, in particular, whether the institution had properly assessed the consumer's creditworthiness with due professional care before granting the credit (Section 86 of the Consumer Credit Act 2016).

The value of these disputes reached hundreds of thousands of crowns in individual cases, and in some cases, consumers had all the funds in their accounts "stolen" in a cyber-attack.

In order to properly assess the dispute, outputs from the payment service provider's information system are always required, as only from these outputs is it often possible to identify who acted legally (identification of electronic devices, their location, compliance with agreed procedures); the Financial Arbitrator also evaluates recordings of telephone calls with the institution or explanations submitted to the Police of the Czech Republic, in which consumers often describe in detail the course of the cyber-attack, etc.

The Financial Arbitrator therefore always obtains, in addition to the documents submitted by the consumer, documents from the specific institution in the form of

- records from the institution's information system in the form of the so-called activity log, which shows a complete list of transactions and requests initiated by the consumer or a third party in the internet and mobile banking environment;
- records from the institution's information system showing the details of individual transactions and their outcome, including confirmation of the use of personal security features;
- records of communications with the consumer (in particular telephone calls).

The Financial Arbitrator evaluates the established facts of the case in light of the findings made during the on-site investigation at the institutions, during which the Financial Arbitrator and the authorised OFA staff consulted the files and electronic records of most of the payment service providers against whom the requests to initiate proceedings before the Financial Arbitrator were directed, as required by the Financial Arbitrator Act, and verified the reliability of the

records submitted from internal information systems. This exercise also enabled the Financial Arbitrator to reliably ascertain the facts from the documents collected (as it enabled him to have knowledge of the functioning of the various information systems, how they are recorded, etc.) and to make an impartial and fair decision in accordance with the law.

In the proceedings concluded so far, the Financial Arbitrator has not found that the payment transactions made by consumers subject to the proceedings before the Financial Arbitrator were not correctly recorded, nor that they were affected by a technical malfunction or other defect (cf. Section 187(1) of the Payment System Act). In cases where the Financial Arbitrator found to the contrary, for example, that the institution had not recorded all relevant information relating to the payment transaction, the Arbitrator reprimanded the institution and invited the institution to resolve the dispute amicably.

Among the most common objections raised by consumers are that the consumer acted in error during the cyber-attack, that the institution itself did not (previously) identify that the consumer was a victim of fraud, and in the case of credits, that the consumer was unaware of the possibility of arranging a credit through online banking and that the institution could not properly assess the consumer's creditworthiness within minutes. Institutions most often argue that without the consumer's active conduct, the cyber-attack would not have occurred, either because the consumer cooperated directly with the third party or because the consumers were (at least) grossly negligent in breaching contractual obligations to protect their personal security features.

If the consumers claimed that they did not knowingly authorise the payment transactions, the Financial Arbitrator considered this claim to mean, *inter alia*, that they acted in error. In this context, the Financial Arbitrator always had to examine whether the consumers themselves or a third party had acted on their behalf, who had caused the mistake and whether any mistake was excusable in the light of the facts, in other words, whether any mistake by the consumer could have affected the validity of the consumer's legal action (the validity of the consent given to the payment transaction, etc.) or the liability for loss arising from the disputed transactions. Thus, the Civil Code prosecutes an act in error by invalidating a legal act (e.g. a contract), but only on the condition that it was a mistake in a decisive circumstance and the actor was misled by the other party^[1].

The Financial Arbitrator accepts that consumers may have been misled by a third party, or more than one party, who, for the purpose of obtaining funds from the consumer, induced the consumer to act in anticipation of a transaction, i.e. in error as to a material fact, but the Financial Arbitrator did not find in these cases that the payment service provider was complicit in the consumer's misrepresentation and that any consumer error was excusable. Error cannot be pleaded by one who acted with insufficient diligence and did not pay due attention to their legal conduct (because, with reasonable care, they should and could have known what claims they were confirming).

In most cases of unauthorised payment transactions, the Financial Arbitrator has generally found that the consumer has breached contractually assumed obligations to ensure the protection of personal security features in relation to the payment instrument, thereby enabling the disputed payment transactions. In order to conclude that the consumer has acted grossly negligently (Section 182(1)(b) of the Payment System Act), the Financial Arbitrator has always carefully assessed whether the agreed obligations are appropriate to the relationship between the payment service provider as a professional and the payment service user as a consumer.

Last but not least, the Financial Arbitrator has always assessed whether the payment service provider complied with the strong verification obligation when carrying out the disputed payment transactions (Section 182(3)(c) in conjunction with Section 223 of the Payment System Act).

^[1] According to Section 583 of the Civil Code, "where a person made an act in error concerning a decisive circumstance and the error was caused by the other party, the juridical act is invalid."

At the same time, the Financial Arbitrator also assessed whether the payment service provider had breached a preventive or interventional obligation, e.g. whether it had properly assessed whether the disputed payment transactions showed suspicious features, whether it had blocked the target account, etc.

In the cases where the Financial Arbitrator has found deficiencies on the part of the payment service provider, e.g. in the form of

- insufficient functionality of the means for notification of the misuse of the payment instrument (most often the blocking line), incorrect evaluation of the consumer's notification of the payment instrument being compromised (blocking of the payment instrument not without undue delay, inappropriateness of the measure taken
- instead of blocking, only recommending the consumer to change the password, for example); Annual report on the activities of the Financial Arbitrator in 2023 29
- shortcomings in the set-up of the creditworthiness assessment process for credits granted via internet banking;
- shortcomings in the fulfilment of the obligation to detect fraudulent payment transactions and other operations;
- deficiencies in the contractual documentation relating to the misused means of payment;

the parties have so far always been led to an amicable settlement of the dispute successfully.

- **Investment disputes**

In the disputes heard, the Financial Arbitrator has most often found that consumers are offered or intermediated investment products without exercising professional care when investment service providers fail to properly assess the adequacy and suitability of the investment services and investment instruments offered, fail to properly educate consumers about the risks of investing, and provide misleading and unclear information to consumers regarding their losses. In these cases, the financial losses are usually high.

Disputes arising from contracts for difference are common, which are loss-making for most consumers and should not reach the lay public at all. These disputes usually involve foreign providers of investment services using domestic tied agents or intermediaries, and they usually involve a dispute over the applicable law.

In investment disputes, the Financial Arbitrator also very often encounters breaches of the obligation to properly inform the consumer about the fee structure of the product, or new terms and conditions, or vagueness of contractual provisions due to references to some external unknown conditions.

The quality of investment questionnaires is also often quite poor, because they are not completely filled in, they are very much based on self-assessment, they are crossed out without proof of who did it, containing questions that say nothing.

Failure to exercise professional care in offering or arranging investments in corporate bonds is also common, with investment intermediaries generally defending themselves on the basis that they were not providing an investment service but merely "passing on a tip".

VI. SANCTIONS, FINES, JUDICIAL REVIEW

- Sanctions

In the event that the Financial Arbitrator decides the case by award and grants the consumer's claim, even if only in part, the Financial Arbitrator is obliged under Section 17 a (1) of the Financial Arbitrator Act to impose a penalty on the financial institution of 10% of the amount the financial institution is obliged to pay to the complainant, but not less than 15,000 CZK. This amount is to be paid to the state budget.

In 2024, the Financial Arbitrator imposed sanctions exceeding the amount of 3 million CZK.

- Fines

Pursuant to Section 23 of the Financial Arbitrator Act, the Financial Arbitrator is entitled to impose a fine on a financial institution for violation of the obligation to submit supporting documents in proceedings before the Financial Arbitrator; the fine may be imposed up to 100,000 CZK, and can be imposed even repeatedly, and it is also an income to the state budget.

Compared to the previous period, the Financial Arbitrator has completely refrained from sending repeated notices or from initiating proceedings for a fine by means of a notice of initiation. Accordingly, where a financial institution was in default of its obligation to cooperate with the Financial Arbitrator, the Financial Arbitrator initiated proceedings for a fine by issuing a decision imposing the fine.

In 2024, the Financial Arbitrator imposed administrative fines in 49 proceedings, totalling 490,000 CZK. The Financial Arbitrator had to impose administrative fines in only a small number of cases compared to the total number of ongoing proceedings. At the same time, the lack of cooperation on the part of financial institutions in most cases stemmed from a failure to submit statements or supporting documents, or to negotiate an amicable settlement of the dispute directly with the petitioner.

- Judicial Reviews of Financial Arbitrator Decisions

The primary objective of the establishment of the Institute of Financial Arbitrator is to provide consumers as clients of financial institutions with a fast, efficient and inexpensive out-of-court procedure, in which they could enforce their rights, which would otherwise be discouraging for them to apply to a general court, either because of the costs involved (costs of court proceedings, costs of their own legal representation) or the time required.

Any party to the dispute (both the consumer and the financial institution) may bring an action against the final decision of the Financial Arbitrator in the case (award and decision on objections) before the general court with jurisdiction in the subject matter and place of jurisdiction for the replacement of the decision of the Financial Arbitrator by a decision of the court under Part 5 of the Civil Procedure Code. The parties to the proceedings before the court are not the Financial Arbitrator, but are the complainant and the institution, who shall bear the costs of the proceedings as determined by the court.

Any party may file an administrative action under Act No. 150/2002 Coll., the Administrative Code, as amended, against the decision of the Financial Arbitrator by which the Financial Arbitrator decides to terminate the proceedings (for lack of cooperation, lack of jurisdiction, inadmissibility, complexity, etc.) and seek annulment/declaration of nullity of the decision of the Financial Arbitrator. The consumers may also apply to the Administrative Court if they have the impression that the Financial Arbitrator is inactive in their dispute.

It is virtually impossible to compile statistics on the actions filed against the decision of the Financial Arbitrator and the decision of the courts in the period under review, because not all

courts notify the Financial Arbitrator of the filed action, request the case file and comments, and at the same time the hearing of the action to replace the decision of the Financial Arbitrator in the first instance often takes place up to two years after the filing of the action.

The Financial Arbitrator is not aware of any decision overturned by a court during the reporting period because the Financial Arbitrator ruled on a consumer's claim in violation of the law.

VII. INFORMATION DUTIES

- Financial education, raising public awareness on the activities of the Financial Arbitrator

The Deputy of the Financial Arbitrator is a member of the Working Group on Financial Education at the Ministry of Finance.

The Deputy Financial Arbitrator is engaged in lecturing activities for the professional and general public.

The Deputy Financial Arbitrator gives lectures to both professionals and the general public and collaborates with other entities (nonprofit organizations, etc.) to raise awareness about the Financial Arbitrator's institution. The Deputy Financial Arbitrator gave a lecture to professionals working in debt counselling. In April 2024, he once again participated in an online meeting with staff from the organization Člověk v tísni (People in Need), providing an overview of current case law from Czech courts and the CJEU regarding consumer credit and unfair contract terms. The discussion also focused on filing petitions to initiate proceedings before the Financial Arbitrator on behalf of consumers who turn to People in Need for help. In June 2024 the Deputy Financial Arbitrator gave an online presentation at the Debt Platform organized by the Agency for Social Inclusion; in October 2024, the Deputy Financial Arbitrator spoke in Děčín at a group meeting of the "Brzy bez dluhů" ("Soon Debt-Free") project organized by the Děčín Charity Association z.s. for local social workers from the Děčín City Hall and the Employment Office, as well as debt counsellors from nonprofit organizations.

As in every year, the Deputy Financial Arbitrator gave a lecture on a university campus in 2024. In May 2024, two lectures were held at Masaryk University. In November 2024, a lecture was held at the Faculty of Law of Charles University in Prague.

The Deputy Financial Arbitrator also continued to give lectures at the Judicial Academy.

In March 2024, the Deputy Financial Arbitrator met with the chairwomen of the Association for the Protection of Women. He introduced her to the Financial Arbitrator's institution and the options for resolving disputes—primarily those involving consumer loans—with the aim of raising awareness about the Financial Arbitrator among women engaged in prostitution who are using this means to address their difficult financial situations.

In May 2024, a representative of the Financial Arbitrator addressed the Consumer Advisory Committee with a presentation focusing primarily on the various types of fraud and attacks in the payment system and the option of resolving disputes with banks through the Financial Arbitrator.

In May and December 2024, a deputy Financial Arbitrator attended the 4th and 5th meetings of the expert panel on financial education.

The Deputy Financial Arbitrator also promoted the Financial Arbitrator's office and the resolution of disputes—primarily those involving consumer credit—through several media interviews, both in print (Hospodářské noviny—July and August 2024) and online (TV Barrandov—December 2024).

- Informing the public

The Financial Arbitrator also informs the public about her activities through the annual report on the information provided pursuant to Act No. 106/1999 Coll., through press releases, information published on her website or through social networks and information provided to the media.

The Financial Arbitrator fulfils the obligation to inform consumers, as complainants, about the possibility of assistance in proceedings before the Financial Arbitrator and about its decision-making process according to the Financial Arbitrator Act and the disputes being addressed.

This is done through individual actions in specific proceedings, by responding to public inquiries, and primarily through the website operated by the Office of the Financial Arbitrator. During 2024, the Financial Arbitrator kept consumers frequently and extensively informed through press releases or news. She informed consumers of the so-called Gracious Summer II (or “Milostivé léto II” in Czech language).

- **Informing supervisory authorities and state supervision**

The Financial Arbitrator shall, as appropriate, inform the public oversight or state supervisory authorities of the financial institutions, against which the Financial Arbitrator conducted the proceedings, of the deficiencies identified in the form of written suggestions or at joint working meetings.

- **Handling of inquiries**

The Financial Arbitrator and the Office of the Financial Arbitrator shall answer any inquiry, including those that do not relate to the activities of the Financial Arbitrator, at least to the extent of advising about the lack of the Financial Arbitrator's competence and, where possible, referring to the relevant authority.

In answers to inquiries within the competence of the Financial Arbitrator, each inquirer shall receive a preliminary assessment if the dispute falls into the scope of the Financial Arbitrator's competence or not, a detailed notice about the requirements of the complaint and a list of evidence that they should attach to the complaint.

The Financial Arbitrator received over 5,000 inquiries (including telephonic inquiries) in 2024. She managed to answer the inquiries in writing without undue delay, usually within a few days.

- **Internet website**

The Financial Arbitrator uses the website <https://finarbitr.cz/en/>, which is operated by the Office of the Financial Arbitrator in both Czech and English language, to fulfil her information obligations and to further inform general and professional public about her activities and current topics.

The most frequently used functionality of the website is the Complaint Filing Tutorial¹⁷. In the application, the consumers can prepare a complaint themselves according to the instructions and attach the relevant annexes to the request. To commence the proceedings, it is sufficient to sign the printed and completed complaint and send it by post, via data box or email (bearing a recognized electronic signature).

The complainants can now amend or correct their complaints through the website via an internet application¹⁸ (Financial Arbitrator's Note: This feature is available only on the Czech version of the website at the moment) or they can send the documents via email¹⁹, data box, by post to the address of the Office of the Financial Arbitrator or personally.

During the period under review, further significant modifications were made to the website²⁰ to ensure that the information about the Financial Arbitrator is as easy to navigate as possible. Thanks to the modifications, the main page provides easy access to information about the Financial Arbitrator, the basic rules of proceedings before her, the individual areas and types of disputes that the Financial Arbitrator is competent to resolve, including links to the legislation and the Collection of Decisions.

¹⁷ <https://finarbitr.cz/en/dispute-resolution/complaint-filing-tutorial.html>

¹⁸ <https://finarbitr.cz/cs/reseni-sporu/pruvodce-doplnenim-navrhu.html>

¹⁹ arbitr@finarbitr.cz (maximum message size is 14 MB)

²⁰ During the year, the downloadable forms section (<https://finarbitr.cz/en/disputeresolution/forms.html>) was expanded.

The form for withdrawal of the complaint, the form for requesting an extension of time limit in the proceedings can now be downloaded and used. The template of the power of attorney for representation before the Financial Arbitrator and the template of the request for remedy can also be used.

There are also answers to frequently asked questions, both substantive and directly related to the proceedings before the Financial Arbitrator, as well as recommendations on where to turn if the Financial Arbitrator is not competent to resolve the dispute.

The "Newsletter subscription" service is used to send press releases, updates or information about the publication of an anonymised decision in the Collection of Decisions. The interested party can subscribe to the newsletter by simply entering their email address, where the information will be sent.

- **Collection of Decisions**

The Financial Arbitrator's website also includes the Collection of Decisions, in which the Financial Arbitrator publishes selected decisions²¹. In it you can search using a full-text search by entering a file tag or a keyword.

The Financial Arbitrator always publishes the decision in merits, i.e., the award or the decision on objections, which are new or in any way useful to general and professional public regarding the claim on which the Financial Arbitrator has ruled.

Decisions imposing a fine for a breach of the obligation to present the demanded evidence in the proceedings before the Financial Arbitrator are also published.

In the Collection, the predictability of the Financial Arbitrator's decision-making activity can be traced, which serves not only the financial institutions or their legal representatives, but also the complainants themselves (the consumers). They increasingly refer to the Collection of Decisions and cite the decisions of the Financial Arbitrator in their complaints, in other statements during the proceedings or even in their submissions to the courts.

The rulings on termination of the proceedings on the grounds that the complaint has been withdrawn or lacked a subject matter are not published in the Collection of Decisions, nor are the rulings on termination of the proceedings for failure to act of the complainant. The rulings on termination of the proceedings for inadmissibility of the complaint shall be published only if they are of information value to the public.

- **Public relations**

The Financial Arbitrator communicates with the lay and professional public as standard through her websites, where she uses several communication options, namely on the following pages:

- news: <https://finarbitr.cz/en/information-for-public/news.html>,
- press releases: <https://finarbitr.cz/en/information-for-public/official-notice-board.html>,
- important information on the main page of the website: <https://finarbitr.cz/en/>,
- frequently asked questions: <https://finarbitr.cz/en/information-for-public/what-to-do-if.html>,
- annual reports: <https://finarbitr.cz/en/information-for-public/annual-reports.html> .

²¹ All published decisions are available in the Czech language in anonymised form here: <https://finarbitr.cz/cs/reseni-sporu/sbirka-rozhodnuti.html>.

VIII. OTHER ACTIVITIES OF THE FINANCIAL ARBITRATOR

The Financial Arbitrator and the Deputy Financial Arbitrator try to pass on the knowledge and experience gained in dispute resolution, both by participating in financial education activities and in the legislative process of adopting new legislation regulating the provision of financial services to consumers.

- Subcommittee on Consumer Protection of the Chamber of Deputies of the Parliament of the Czech Republic

The Financial Arbitrator and the Deputy Financial Arbitrator are regular guests and regularly attend meetings of the Subcommittee on Consumer Protection of the Chamber of Deputies of the Parliament of the Czech Republic.

- Interdepartmental comment procedure

In 2024, as part of the interdepartmental comment procedure, the Financial Arbitrator submitted comments on—or participated in the resolution of comments regarding—this bill amending Act No. 170/2018 Coll., on the Distribution of Insurance and Reinsurance, as amended.

- Public and non-public consultation materials, conferences, roundtables

The Financial Arbitrator contributed to this consultation—organized by the Ministry of Finance—on the transposition of Directive (EU) 2023/ 2673 of November 22, 2023, amending Directive 2011/83/EU as regards distance contracts for financial services and repealing Directive 2002/65/EC.

Since May 2024, the Financial Arbitrator has been working with the Ministry of Finance to prepare an amendment to the Consumer Credit Act, which is primarily intended to transpose the CCD2 Directive into Czech law²². Six working meetings were held during 2024, and a number of comments from the Financial Arbitrator were incorporated into the working draft of the bill.

Since June 2024, the Financial Arbitrator has been invited by the Ministry of Finance to participate in roundtable discussions on selected issues related to the provision and brokerage of consumer loans. In 2024, the Financial Arbitrator and the Deputy Financial Arbitrator attended two meetings. At the June meeting, they presented the Financial Arbitrator's activities in resolving consumer credit disputes (statistics, most common subjects of dispute). At the November meeting, they briefly presented updated statistics on the continuing increase in the number of disputes and also participated in a discussion on the amendment to the Consumer Credit Act.

²² Directive 2023/2225 of the European Parliament and of the Council of October 18, 2023, on consumer credit agreements and repealing Directive 2008/48/EC.

In June 2024, the Deputy Financial Arbitrator, together with two heads of the credit dispute resolution departments, participated in a roundtable discussion at the Chamber of Deputies on the topic “CCD II and Its Implementation in Czech Law.”

In October 2024, a representative of the Financial Arbitrator spoke at a roundtable discussion on the topic “Ethics in Consumer Lending in Current Practice,” organized by the Consumer Forum, z. ú.

In November 2023, the Deputy Financial Arbitrator participated in a roundtable with MEP Ondřej Kovařík at the European House on the Future of Payment Services in the EU.

- **Interdepartmental Working Group**

In connection with the implementation of the Consumer Policy Strategy 2021–2030 approved by the Government Resolution No. 518 on 7 June 2021, an interdepartmental working group was established at the Ministry of Industry and Trade. The Deputy Financial Arbitrator is a full member of this working group with the Financial Arbitrator as his alternate. Two meetings of this group were held in 2024. In May, the agenda included the integration of consumer policy into education, consumer protection in the tourism sector, and significant attention was devoted to consumer protection in the online environment. Due to its timeliness and importance, this last topic was also on the agenda for the November meeting, along with the issues of sustainable consumption and “eco-labelling.”

- **Cooperation with other ADR entities in the Czech Republic**

The Deputy Financial Arbitrator regularly participates in meetings of the ADR platform, where representatives of the Ministry of Industry and Trade (MPO) meet with individual ADR entities operating in the Czech Republic. In 2024, the platform held its only meeting in June. The agenda included a presentation of the results of the activities of individual ADR entities for 2023, a summary of the results of the Ministry of Industry and Trade’s analysis of ADR, as well as information on the negotiations regarding the ADR Directive and the ODR Regulation. Last but not least, the meeting also addressed dispute resolution concerning crypto assets, artificial intelligence, and “extended warranties.”

In January 2024, the Deputy Financial Arbitrator attended a meeting at the Ministry of Industry and Trade between ADR entities and European Commission officials responsible for amending the ADR Directive and repealing the ODR Regulation.

In addition to meetings on the platform operated by the Ministry of Industry and Trade, the ad hoc financial arbitrator meets with or communicates with representatives of other entities involved in the out-of-court resolution of consumer disputes, for example, when it is necessary to clarify potential positive or negative conflicts of jurisdiction or to cooperate in the cross-border resolution of disputes.

- **Providing information to the media, students and commentators on financial market topics**

The Financial Arbitrator provides information on her activities as well as general explanations to various questions of journalists. The Financial Arbitrator is bound by a strict duty of confidentiality and can therefore only provide general information.

IX. INTERNATIONAL COOPERATION

- Cooperation of the Financial Arbitrator with similar out-of-court consumer dispute resolution bodies in other countries

Under the Financial Arbitrator Act, the Financial Arbitrator shall cooperate on a mutual basis with similar out-of-court consumer dispute resolution bodies in other states, in particular in the states forming the European Economic Area, and with the authorities of the European Union.

The foreign cooperation agenda is permanently delegated to the Deputy Financial Arbitrator, who not only represents the institution of the Financial Arbitrator at the international level, but also, thanks to his extensive experience with this agenda, is being re-elected or appointed by other members of the international networks (of which the Financial Arbitrator is a member) to the governing bodies of these networks.

- ADR/ODR

Since January 2016, the Financial Arbitrator has been notified by the Ministry of Industry and Trade as a competent body under the ADR Directive to the European Commission.

The Ministry of Industry and Trade always organises at least once a year a meeting of representatives of notified entities for the out-of-court settlement of consumer disputes. The meeting is regularly attended, as was the case in June 2024, by the Deputy Financial Arbitrator.

Since February 2016, the Financial Arbitrator has been connected to the European online consumer dispute resolution platform operated by the European Commission under the ODR Regulation²³. In 2024 no complaint was submitted to the Financial Arbitrator through the ODR platform.

- FIN-NET

The Financial Arbitrator has been a long-standing member of [FIN-NET](#) a European network of institutions focused on out-of-court resolution of disputes in the financial market. The network, founded in 2001, brings together the financial ombudsmen from most of the European Union Member States and other countries of the European Economic Area. Its mission is to share experience from day-to-day decision-making practice of its members and to help resolve cross-border disputes. The Deputy Financial Arbitrator is a member of the FIN-NET Steering Committee.

In 2024, there were 2 plenary meetings of this network. The May meeting was held in person in Brussels and the agenda included among other topics, gross negligence in disputes arising from the provision of payment services (and the Maltese Financial Arbitrator's approach to quantifying it), the impact of AML rules on consumer protection (a representative of the Financial Arbitrator gave a presentation on cases handled by the Financial Arbitrator that overlapped with the AML area), the AI Act, the CCD2 Directive, the revision of the ADR Directive, and the repeal of the ODR Regulation, as well as the Retail Investment Strategy. The November plenary session took place online. The agenda once again included a discussion on payment fraud, the current status of negotiations on the PSD3 Directive and the PSR Regulation, the digitization of dispute resolution (facilitating the filing of claims to initiate proceedings), experiences from Spain with resolving disputes concerning estate administration (account maintenance fees and fees related to probate proceedings), as well as the latest information on the revision of the ADR Directive and the repeal of the ODR Regulation.

²³ Can be accessed here: <https://ec.europa.eu/consumers/odr/main/index.cfm?event=main.home2.show&lng=CS>.

Both meetings were preceded by Steering Committee meetings, which were held via videoconference. In the fall of 2024, the Deputy Financial Arbitrator was reappointed by the European Commission to the Steering Committee for another two-year term.

- **INFO Network**

The Financial Arbitrator is a member of an international network of institutions focused on the out-of-court resolution of consumer disputes in the financial market called the [INFO Network](#) (International Network of Financial Services Ombudsman Schemes). This network, established in 2007, includes financial ombudsman institutions from virtually every continent.

The INFO Network has long been working to set universally applicable minimum standards (independence, transparency, fairness, efficiency) for the out-of-court resolution of disputes in the financial market across different types of financial ombudsman institutions around the world, regardless of the nature and method of establishment of such institution (public vs private, established by law vs otherwise), its financing, rules for participation (voluntary vs mandatory participation of financial service providers) and its powers (possibility to deliver enforceable decisions vs mediation/conciliation, etc.).

At the end of September and beginning of October 2024, the traditional annual conference, held in conjunction with the network's general meeting, took place in Toronto. The conference agenda focused primarily on the use of the latest technologies by the network's members. The Deputy Financial Arbitrator moderated the very first panel discussion, which was dedicated to the use of AI in alternative dispute resolution. The latest types of fraud attacks in the field of payment systems were also discussed with equal intensity. Other topics included, for example, financial education, the relationship between an ADR entity and a supervisory authority, and the calculation of damages/compensation in various cases across different financial services (insurance, mortgage loans). Among other things, the general meeting approved amendments to the network's charter (INFO Network Constitution) reflecting the current model of the INFO Network Committee's involvement in preparing the annual conference and the network's potential contribution toward a portion of the costs of organizing it. At the same time, the Deputy Financial Arbitrator was re-elected to the INFO Network Committee for another two-year term.

In addition, a town hall meeting was held in February 2024 to discuss recent developments (legal, organizational, etc.) concerning individual ADR entities. This was followed in April 2024 by a webinar focused on the exchange of experiences between entities that are already resolving disputes involving cryptoassets and those that will be doing so in the near future. In July 2024, a webinar was held on the topic of Ethics in Mediation and the Practice of the Financial Ombudsman.

As a member of the INFO Network Committee's steering committee, the Deputy Financial Arbitrator also participated in four online meetings of that steering committee in 2024.

In addition, the Deputy Financial Arbitrator participated via videoconference in two other meetings of the preparatory committee for the Toronto conference in January and February 2024.

- **International business trips**

During 2024 the Deputy of the Financial Arbitrator undertook three international business trips to attend the following meetings:

- Annual FIN-NET Meeting (Brussels, Belgium, European Commission, May 2024)
- 7th Conference on Alternative Dispute Resolution (Budapest, Hungary, Hungarian National Bank, October 2024)
- Annual INFO Network Conference (Toronto, Canada, September/October 2024)

All the business trips were beneficial for the activities of the Office of the Financial Arbitrator, regarding the information obtained on the activities of foreign entities involved in the out-of-court resolution of consumer disputes as well as on the changes in European legislation being prepared and implemented.

During his international trips, the Deputy of the Financial Arbitrator strengthened cooperation with foreign partners, gave lectures on the situation in the Czech Republic, and gathered insights from abroad on areas not thoroughly regulated by domestic legislation. He also explored options for resolving disputes with foreign elements governed by laws other than Czech law. A highly discussed topic at all forums was fraud in the provision of financial services, particularly in the area of payment transactions (such as phishing, vishing, Anydesk, etc.) and the resolution of disputes arising from these (authorised vs. unauthorised payment transactions, private law liability, the concept of gross negligence, etc.).

The benefits of the Deputy's international trips are undeniable, particularly due to the development of relationships with similar institutions within the Visegrad Group (V4), the European FIN-NET network, and the global INFO Network. They also address the need for a relatively uniform Euro-compliant interpretation.

X. COSTS RELATED TO THE FINANCIAL ARBITRATOR'S ACTIVITIES

- Implementation of State Budget Priorities Set by the Government

As in previous years, the Office of the Financial Arbitrator (OFA) only incurred necessary expenses for the activities of the Financial Arbitrator and the operation of the OFA. Most public contracts participated in by the OFA are centrally awarded by the Ministry of Finance. Other public contracts (such as the development of information systems and language training for employees) are organised by the OFA. During the reporting period, as in previous years, the OFA did not utilise external legal or consulting services.

- Implementation of mandatory indicators in thousands CZK

Indicator	2023	2024					Fulfillment (%)	
	Actual	Approved budget	Amended budget	Final budget	Actual	Out of budget resources	To the amended budget	To the final budget
Mandatory indicators								
Total revenue	878,01				1 243,88			
Total expenses	68 823,22	67 596,48	67 596,48	87 124,85	70 511,41	18 560,16	104,3	80,9
Specific indicators - Revenue								
Tax revenue								
Social Security Contributions and Contributions to the State Employment Policy								
Pension Insurance Contributions								
Sickness Insurance Contributions and Contributions to the State Employment Policy								
Non-Tax Revenues, Capital Revenues and Total Transfers Received	878,01				1 243,88			
Total Revenues from the European Union Budget Excluding the Common Agricultural Policy								
Revenues from Financial Mechanisms								
Other Non-Tax Revenues, Capital Revenues and Total Transfers Received	878,01				1 243,88			
Specific Indicators – Expenditure								
Expenditure on Ensuring the Tasks of the Tax Administration								
Expenditure on Ensuring the Tasks of the Central Government Authority								
Expenditure on Ensuring the Tasks of the Customs Administration								
of which: Social Benefits								
Expenditure on the Activities of the Customs Administration								
State Asset Management and Legal Representation of the State in Property Matters								
Expenditure on Ensuring the Activities of the Financial Arbitrator's Office	68 823,22	67 596,48	67 596,48	87 124,85	70 511,41	18 560,16	104,3	80,9
Expenditure on Ensuring the Activities of the Financial Analytical Office								
Expenditure Related to the Czech Republic's Presidency of the Council of the European Union								
Cross-Cutting Indicators								
Employees' Salaries and Other Payments for Work Performed	45 154,24	47 961,47	47 961,47	57 272,29	46 888,71	9 406,13	97,8	81,9
Mandatory Employer Contributions	15 157,68	16 210,98	16 210,98	19 325,24	15 599,84	3 146,48	96,2	80,7
Basic Allocation to the Cultural and Social Needs Fund	893,92	473,66	473,66	541,86	461,96	69,16	97,5	85,3
Employees' Salaries in Employment Relationships, Excluding Employees in Civil Service Positions	44 687,87	47 365,48	47 365,48	56 236,55	46 193,26	8 966,38	97,5	82,1
Salaries of Employees of the Security Forces and Armed Forces in Civil Service								
Salaries of Employees in Civil Service Positions under the Civil Service Act								
Salaries of Employees in Employment Relationships Derived from the Salaries of Constitutional Officials								
Defence Expenditure								
Development Cooperation								
Ensuring Preparedness for Crisis Situations under the Crisis Management Act								
Expenditure Co-Financed entirely or partially from the European Union Budget, Excluding the Common Agricultural Policy, Total								
of which: State Budget								
European Union Budget Share								
Expenditure on Joint Projects Wholly or Partly Financed from Financial Mechanism Funds, Total								
of which: State Budget								

Financial Mechanism Funds Share								
Expenditure Recorded in the EDS/SMVS Programme Financing Information System, Total	570,90			465,25	465,25	465,25		100,0

The OFA does not have budgeted revenues due to the nature of its activities, which involve fulfilling tasks related to the professional, organisational, and technical support of the Financial Arbitrator's work as a body for the out of court resolution of consumer disputes in the financial market.

Proceedings before the Financial Arbitrator are free of charge, and their primary goal is to reach an amicable resolution of the dispute; therefore, revenue from penalties and administrative fines is not a predictable source of income.

The budgeted regular expenses for the operation of the OFA were insufficient to cover actual expenditures during the reporting period, as it was necessary to cover mandatory costs associated with the use of non-residential premises—particularly energy, repairs and maintenance, including building security, as well as service payments and other regular expenses. To address this shortfall, the OFA utilised claims from unspent funds from previous periods.

During the period under review, the KFA committed state budget funds for vacant positions; these were positions held by female employees on maternity or parental leave that could not be temporarily filled. In total, the KFA tied up state budget funds (funds for salaries, including related expenses) in the amount of 128,000 CZK.

- **Revenues**

If the parties fail to reach an amicable settlement of the dispute and the Financial Arbitrator decides the case and upholds the consumer's complaint, even partially, she is obliged under the Financial Arbitrator Act to impose a penalty on the financial institution of 10% of the amount which the financial institution is obliged to pay to the complainant, but not less than CZK 15,000. This amount shall be an income of the state budget. In addition, the Financial Arbitrator is entitled under the Financial Arbitrator Act to impose a fine up to CZK 100,000 on a financial institution for a breach of the obligation to present the demanded evidence in the proceedings before the Financial Arbitrator. The fine may be imposed repeatedly, and it is also an income of the state budget.

A sanction is therefore imposed only if the Financial Arbitrator is unable to reconcile the parties to the dispute and must issue a decision on the matter. If a settlement is reached or the proceedings are discontinued because the subject matter of the dispute has ceased to exist, no penalty is imposed. An administrative fine is then imposed only in the event of a financial institution's failure to cooperate in the proceedings.

Other unpredictable incomes of the OFA are transfers from own funds and refunds of foreign business trips.

- **Revenue Budget Execution by Budget Category (in thousands of CZK)**

Revenue Class under the Budget Classification	Budget 2024		Actual as of 31 December 2024	Fulfillment as % of the Amended Budget
	Approved	Amended		
Tax revenue	0,00	0,00	0,00	-
Nontax revenue	0,00	0,00	1 243,88	-
Capital revenue	0,00	0,00	0,00	-
Accepted transfers	0,00	0,00	0,00	-
Total	0,00	0,00	1 243,88	-

During the period under review, sanctioned payments, refunds of transfers, and transfers from the OFA's own funds totalled 1,244 thousand CZK, broken down as follows:

- (item 2212) sanctioned payments, which represent sanctions imposed in proceedings before the Financial Arbitrator, totaling 1,078,000 CZK;
- (item 2329) reimbursement of expenses for a business trip abroad in the amount of 17,000 CZK;
- (item 2324) non-investment contributions received in the amount of 1,000 CZK;

- d) (item 4132) The transfer from own funds amounted to 148, 000 CZK; when payroll funds were transferred to the OFA deposit account at the end of 2023, this amount served as a reserve for any unexpected expenses related to the payment of wages for the last month of the calendar year. Since no unforeseen events occurred, these funds were transferred to the revenue account as a transfer from own funds.

In the previous period of 2023, sanctioned payments, refunds of transfers, and transfers from the OFA's own funds totalled 878,000 CZK, broken down as follows:

- a) (item 2212) sanctioned payments, which represent sanctions imposed in proceedings before the Financial Arbitrator, totalling 734,000 CZK;
- b) (item 2329) reimbursement of expenses for a business trip abroad in the amount of 23,000 CZK;
- c) (item 4132) The transfer from own funds amounted to 121, 000 CZK; when payroll funds were transferred to the OFA deposit account at the end of 2023, this amount served as a reserve for any unexpected expenses related to the payment of wages for the last month of the calendar year. Since no unforeseen events occurred, these funds were transferred to the revenue account as a transfer from own funds.

The difference in revenue between the period under review and the preceding period is negligible considering the total amount of revenue that is not budgeted.

- Expenditures

- Implementation of mandatory indicators

Indicator	Actual as of 31. December 2023	Budget 2024			Actual as of 31. 12. 2024	% Fulfilment	
		Approved	Amended Budget	Final as of 31. December		Amended Budget	Final Budget
Column	1	2	3	4	5	5:3	5:4
Total expenditure	68 823,33	67 596,48	67 596,48	87 124,85	70 511,41	104,31	80,93
Of which:							
Capital (investment)	570,90	0,00	0,00	465,25	465,25	-	100,00
Of which:							
Acquisition of Intangible Fixed Assets	570,90	0,00	0,00	465,25	465,25	-	100,00
Acquisition of Tangible Fixed Assets						-	-
Other						-	-
Current (non-investment)	68 252,43	67 596,48	67 596,48	86 659,61	70 046,16	103,62	80,83
Employees' Salaries and Other Payments	45 154,24	47 961,47	47 962,47	57 271,29	46 889,71	97,76	81,87
Of which:							
Employees' Salaries	44 687,87	47 365,48	47 365,48	56 236,55	46 193,26	97,53	82,14
Other payments total	466,38	595,99	596,99	1 035,75	695,45	116,49	67,14
Mandatory insurance	15 157,68	16 210,98	16 210,98	19 325,24	15 599,84	96,23	80,72
Allocation to the Cultural and Social Needs Fund (FKSP)	893,92	473,65	473,65	541,86	461,93	97,53	85,25
Social Benefits	0,00	0,00	0,00	0,00	0,00	-	-
Other Current Expenditures	7 046,58	2 950,38	2 949,38	9 521,21	7 096,68	240,62	74,54
Of which:							
Purchase of material	216,96	160,00	120,84	903,54	245,53	203,19	27,17
Purchase of water, gas, energy	567,05	668,38	707,54	1 100,22	789,18	111,54	71,73
Purchase of services	4 834,79	1 530,00	1 530,00	6 649,24	5 546,06	362,49	83,41
Of which:							
Rent	7,00	0,00	0,00	7,00	7,00	-	100,00
Other purchases	585,79	350,00	350,00	598,89	489,89	139,97	81,80
Of which:							
Repairs and maintenance	433,93	150,00	150,00	334,52	306,65	204,43	91,67
Software up to CZK 60,000	0,00	0,00	0,00	0,00	0,00	-	-
Travel expenses	87,69	150,00	150,00	187,14	120,92	80,61	64,61
Other	842,00	242,00	242,00	268,32	26,01	10,75	9,69
Average FTE Number of Employees	53,00	62,00	61,00	61,00	52,00	85,25	85,25
Average monthly salary in CZK	70 263,94	63 663,28	65 522,50	78 239,47	74 027,67	112,98	94,62

Total expenditures for OFA operations were approved in the amount of 67,596 thousand CZK. The budget remained at the same level after amendments; the final budget amounted to 87,125 thousand CZK. Actual expenditures for the OFA's operations totalled 70,511 thousand CZK.

- **Salaries and Related Expenses**

The approved budget for employee salaries and other payments for work performed was 47,961 thousand CZK; the revised budget totalled 47,961 thousand CZK. The final budget amounted to 57,272 thousand CZK. Actual expenditures for employee salaries and other payments for work performed amounted to 46,889 thousand CZK.

The number of authorized positions at the OFA was set at 62 for 2024, representing an increase of 5 positions compared to 2023; but the OFA was not permitted to fill these positions, nor were any funds allocated for them from the state budget, and effective October 1, 2024, they were abolished by decision of the budget chapter administrator.

As of December 31, 2024, the average full-time equivalent number of employees was 52, because 6 employees left the company during the reporting period; at the same time, OFA employs several part-time employees, primarily female employees caring for minor children or employees caring for a close relative. In addition, OFA has two vacant positions held by employees on maternity/parental leave, who are expected to return in 2025; these positions cannot be temporarily filled due to a lack of interest from candidates in temporary employment.

The OFA's approved budget for mandatory insurance contributions paid by the employer totaled 16,211 thousand CZK. There were no changes during the period under review, and the final budget amounted to a total of 19,325 thousand CZK. Actual expenditures amounted to 15,600 thousand CZK.

The basic allocation to the Cultural and Social Needs Fund amounted to 1 % of the total funds allocated for employee salaries and totalled 474,000 CZK. There were no budget changes during the reporting period, and the final budget amounted to 542,000 CZK. Actual expenditures from the Cultural and Social Needs Fund totalled 462,000 CZK.

Actual budget expenditures on employee salaries and other payments for work performed always reflect the occupancy rate of established positions and salary increases in the civil service. The average full-time equivalent number of employees was lower (52) in the reporting period than in the previous year (53). The higher expenditure compared to the previous period is related to increases in individual employees' personal bonuses during the reporting period.

Actual expenditures on salaries and other payments for work performed amounted to 97.5% of the revised budget; relative to the final budget, actual expenditures on salaries and other payments for work performed amounted to 82.1%.

Even though the OFA—or, more specifically, the Financial Arbitrator—was assigned new dispute-resolution responsibilities, and the OFA was involved in the project to digitize the state administration, and the OFA, like other state authorities, is subject to new statutory cybersecurity obligations, the state budget has not allocated the OFA the corresponding staff positions or budgetary funds to carry out the related activities.

- **Programme financing**

Total programme financing expenditures were not approved; the budget, after amendments, amounted to 465,000 CZK, and the final budget was 465,000 CZK. Actual program financing expenditures totalled 465,000 CZK.

During the reporting period, the OFA recorded Program 01242—Acquisition and Renewal of Fixed Assets for the Financial Arbitrator’s Office; the program is expected to run from January 1, 2020, to January 1, 2026.

012V4210 – Acquisition and Development of OFA ICT and 012V4220 – Acquisition and Renewal of OFA Material Technical Equipment.

There are 3 projects in total:

012V421000001 – Development of OFA Information Systems,

012V42100A001 – OFA Aggregation,

012V422000001 – Office Equipment and Supplies.

In light of the upcoming legislative changes to the record-keeping requirements for government agencies and the related need to establish a certified record-keeping system, as well as the need to develop the existing information system used for the Financial Arbitrator’s activities, the OFA requested that the program administrator approve the transfer of unspent funds from ICT program project 012V42 to the new program 012V43, which will be registered and will include a project for the development and acquisition of the OFA’s ICT infrastructure.

The goal of the program will therefore be to ensure the development of the OFA’s information systems—specifically, the Information System for Case Management and Proceedings before the Financial Arbitrator at the OFA and the Website Information System—as two key information systems, so that they meet the requirements set forth by law and the legitimate needs of their users.

The total amount spent under the program over its duration is 1,382 thousand CZK. The program funds were not spent until 2022–2024, and the funds were used exclusively for project 012V42100001.

The objective of subprogram 012V4210 was achieved. Modifications were made to the Information System in response to changes in legislation that went beyond the scope of the services covered by the grant. These were primarily modifications prompted by changes and the adoption of new legislation that does not directly regulate the OFA’s operations but nevertheless impacts the overall functioning of the OFA.

- **Current and capital expenditures**
 - **Analysis of Expenditures by Category in the Budget Breakdown**

		2023	2024				Fulfilment of Amended Budget (%)	Fulfilment of Final Budget (%)	Variance
		Actual	Approved Budget	Amended Budget	Final Budget	Actual			
	Class								
5	Current Expenditures	68 252,31	67 596,48	67 596,48	86 659,60	70 046,16	103,6	80,8	1 793,85
6	Capital Expenditures	570,90			465,25	465,25		100,0	-105,66
	Grouping								
50	Expenditures on Salaries and Similar and Related Expenditures	60 311,93	64 172,45	64 172,45	76 597,54	62 488,56	97,4	81,6	2 176,63
51	Expenditures on Non-Investment Purchases and Related Expenditures	6 419,75	2 950,38	2 950,38	9 502,90	7 078,35	239,9	74,5	658,59
53	Non-Investment Transfers to Public Law Entities and Between Funds of the Same Entity and Tax Payments	895,42	473,66	473,66	544,16	464,26	98,0	85,3	-431,16
54	Non-Investment Transfers and Certain Compensation to Individuals	232,39							-232,39
59	Other Non-Investment Expenditures	392,83			15,00	15,00		100,0	-377,83
61	Investment Purchases and Related Expenditures	570,90			465,25	465,25		100,0	-105,66
	Subgrouping								
501	Salaries	44 687,87	47 365,48	47 365,48	56 236,55	46 193,26	97,5	82,1	1 505,40
502	Expenditures on Other Payments for Work Performed	466,38	595,99	595,99	1 035,75	695,45	116,7	67,1	229,08
503	Mandatory and Statutory Employer Contributions	15 157,68	16 210,98	16 210,98	19 325,24	15 599,84	96,2	80,7	442,16
513	Expenditures on the Purchase of Materials	216,96	160,00	120,84	903,54	245,53	203,2	27,2	28,57

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514	Interest and Other Financial Expenditures	4,88	2,00	2,00	6,01	4,78	239,1	79,6	-0,10
515	Expenditures on the Purchase of Water, Fuels and Energy	567,05	668,38	707,54	1 100,22	789,18	111,5	71,7	222,13
516	Expenditures on the Purchase of Services	4 834,79	1 530,00	1 530,00	6 649,24	5 546,06	362,5	83,4	711,28
517	Expenditures on Other Purchases	585,79	350,00	350,00	598,89	489,89	140,0	81,8	-95,89
519	Expenditures Related to Non-Investment Purchases, Contributions, Compensation and Expenditures on Gifts in Kind	210,29	240,00	240,00	245,00	2,90	1,2	1,2	-207,40
534	Non-Investment Transfers to Own Funds and Transfers to Organizational Units without Legal Personality	893,92	473,66	473,66	541,86	461,96	97,5	85,3	-431,96
536	Other Non-Investment Transfers to Other Budgets and Tax Payments	1,50			2,30	2,30		100,0	0,80
542	Compensation Paid to Individuals	232,39							-232,39
590	Other Non-Investment Expenditures	392,83			15,00	15,00		100,0	-377,83
611	Acquisition of Long-Term Intangible Assets	570,90			465,25	465,25		100,0	-105,66
	Item								
5011	Employees' Salaries in Employment Relationships, Excluding Employees in Civil Service Positions	44 687,87	47 365,48	47 365,48	56 236,55	46 193,26	97,5	82,1	1 505,40
5021	Other Personal Expenditures	466,38	595,99	595,99	1 035,75	695,45	116,7	67,1	229,08
5031	Mandatory Social Security Contributions and Contributions to the State Employment Policy	11 106,32	11 894,45	11 894,45	14 174,76	11 416,33	96,0	80,5	310,01
5032	Mandatory Public Health Insurance Contributions	4 051,37	4 316,53	4 316,53	5 150,48	4 183,51	96,9	81,2	132,15
5133	Medicines and Medical Supplies	2,12			1,61	1,61		100,0	-0,51
5136	Books and Similar Printed Information Materials	20,84			1,56	1,12		71,8	-19,72
5137	Small-Value Long-Term Tangible Assets		50,00	50,00	716,68	67,28	134,6	9,4	67,28
5139	Other Materials Not Elsewhere Classified	194,00	110,00	70,84	183,69	175,51	247,8	95,5	-18,48
5142	Foreign Exchange Differences on Expenditures	4,88	2,00	2,00	6,01	4,78	239,1	79,6	-0,10
5151	Cold Water, Including Sewerage Charges and Charges for the Discharge of Rainwater	41,34	90,00	90,00	157,54	97,25	108,1	61,7	55,91
5153	Gas	170,84	181,38	220,54	297,93	297,93	135,1	100,0	127,08
5154	Electricity	329,14	377,00	377,00	602,50	380,26	100,9	63,1	51,13
5156	Fuels and Lubricants	25,73	20,00	20,00	42,25	13,75	68,7	32,5	-11,98
5161	Postal Services	498,59	250,00	250,00	942,73	942,00	376,8	99,9	443,41
5162	Electronic Communications Services	56,19	60,00	60,00	69,84	48,81	81,3	69,9	-7,38
5163	Financial Institution Services	20,99	20,00	20,00	22,13	22,13	110,6	100,0	1,14
5164	Rent	7,00			7,00	7,00		100,0	
5166	Consulting, Advisory and Legal Services				141,95	141,95		100,0	141,95
5167	Training and Education Services	182,32	200,00	200,00	482,20	133,43	66,7	27,7	-48,89
5168	Data Processing and Services Related to Information and Communication Technologies	1 790,17	500,00	500,00	1 760,86	1 714,06	342,8	97,3	-76,11
5169	Purchase of Other Services	2 279,53	500,00	500,00	3 222,53	2 536,68	507,3	78,7	257,15
5171	Repairs and Maintenance	433,93	150,00	150,00	334,52	306,65	204,4	91,7	-127,28
5173	Travel Expenses	87,69	150,00	150,00	187,14	120,92	80,6	64,6	33,23
5175	Catering and Hospitality	10,36			12,22	6,76		55,3	-3,60
5176	Conference Participation Fees	53,81	50,00	50,00	65,00	55,57	111,1	85,5	1,78
5192	Compensation Provided	82,55	100,00	100,00	100,00				-82,55
5194	Expenditures on Gifts in Kind				5,00	2,90		57,9	2,90
5195	Levies for Failure to Fulfil the Obligation to Employ Persons with Disabilities	127,75	140,00	140,00	140,00				-127,75
5342	Basic Allocation to the Cultural and Social Needs Fund and to the Social Fund of Municipalities and Regions	893,92	473,66	473,66	541,86	461,96	97,5	85,3	-431,96
5362	Tax Payments to the State Budget	1,50			2,30	2,30		100,0	0,80
5424	Wage Compensation and Contributions During Sickness or Quarantine	232,39							-232,39
5909	Other Non-Investment Expenditures Not Elsewhere Classified	392,83			15,00	15,00		100,0	-377,83
6111	Software	570,90			465,25	465,25		100,0	-105,66

The approved budget for current expenditure was 67,596 thousand CZK; the budget remained unchanged during the reporting period, and the final budget amounted to 86,659 thousand CZK (capital expenditures were not included in the approved 2024 budget; the final budget for capital expenditures amounted to 465 thousand CZK).

Operating expenses primarily cover employee salaries and other payments for work performed, related insurance expenses, KFA operating expenses in the form of expenses for services associated with the use of non-residential premises, expenses for services related to the operation of information systems, and expenses for postal and electronic communications services.

Actual operating expenses for the period under review totalled 70,046 thousand CZK, which represented 80.83 % of the final budget.

The purchase of services accounts for the largest share of other current expenditures. During the period under review, 5,546 thousand CZK, was spent. Within this subcategory (516), expenditures were covered for other services, IT services—data processing, training and education services, postal services, telecommunications and radio communications services, financial institution services, and other services (security, cleaning, waste removal).

Among the most significant items affecting the trend in operating expenses are expenses for services related to the use of non-residential premises, which totalled 3,240 thousand CZK, because OFA had to pay arrears for the use of non-residential premises (utility costs, security, and building maintenance), which amounted to 1,679 thousand CZK for the previous period.

Actual capital expenditures totalled 465,000 CZK. Relative to the final budget, actual capital expenditures represented 100%. Since the approved budget for other current expenditures does not cover actual payments and the needs for the KFA's day-to-day operations, an evaluation cannot be considered due to the transfer of funds between state budget items, the involvement of the NNV, etc.

The OFA spends nearly 5 million CZK annually on day-to-day operations. Over the past five years, the approved budget for other operational expenses has been set at roughly half of the necessary funds and is therefore completely insufficient; in particular, it does not cover the OFA's basic support systems and essential services. To date, the OFA has been covering the ever-increasing costs of services using savings and funds carried over from previous years—that is, from the NNV—and, thanks to its consistent and prudent approach, the OFA is still able to fulfil its obligations and commitments to service providers.

The approved budget for other current expenditures of the OFA was 2,950 thousand CZK; the budget remained unchanged after amendments. During the reporting period, funds totalling 7,094 thousand CZK, were spent, i.e., 74.51 % of the final budget.

The purchase of services accounts for the largest share of other current expenditures. During the period under review, 5,546 thousand CZK was spent. Within this subcategory (516), expenditures were covered for other services, IT services—data processing, training and education services, postal services, telecommunications and radio communications services, financial institution services, and other services (security, cleaning, waste removal). Compared to 2023, a total of 711 thousand more was spent.

These funds were spent primarily on services related to the use of non-residential premises and rising postage costs.

Expressed as a percentage, 262.5 % more funds were spent than the amount of the revised budget. For other purchases, 40.00 % more funds were spent than the amount of the revised budget. Expenditures for the purchase of materials represented an increase of 101.6% compared to the revised budget. Expenditures for water, fuel, and energy represented an increase of 11.44% compared to the revised budget.

After adjustments, the budget for other purchases amounted to 350,000 CZK; a total of 490,000 CZK was spent. The largest portion of funds was spent on repairs and maintenance of OFA property (services were paid for under a contract for the use of non-residential premises concluded with the Ministry of Finance in 2011; costs are calculated based on the space used and invoiced quarterly in advance). In this subgroup (517), funds were also spent on travel expenses for business trips and conference registration fees. The largest portion of expenditures was allocated to repairs and maintenance, amounting to 307,000 CZK.

The budget, after adjustments, for the purchase of supplies in subgroup (513) was 121,000 CZK; 244,000 CZK was spent. The largest portion of this amount was spent on the purchase of office supplies and office paper, professional books and publications, and medical supplies.

The revised budget for water, fuel, and energy in subgroup (515) amounted to 708,000 CZK; a total of 789,000 CZK was spent. The actual spending in this area is due to weather conditions and energy prices.

After adjustments to other items of other current expenditures, the budget amounted to 242,000 CZK; a total of 25,000 CZK, was spent.

Among the most significant items affecting the trend in operating expenses are expenses for services related to the use of non-residential premises; during the period under review, these expenses were 746 thousand CZK higher than in 2023, because OFA had to pay arrears for the use of non-residential premises (utility costs, security, and building maintenance), which amounted to 1,679 thousand CZK for the previous period and were not paid until 2024.

During the period under review, spending on services was 711,000 CZK higher than in 2023; this was primarily due to payments for services provided by the postal service provider—an increase of 444,000 CZK compared to the previous year.

○ Claims arising from unused expenses

	NNV Status as of 1 January 2024	Change in NNV Status During the Current Year	NNV Included Pursuant to Section 47(6)(a) of Act No. 218/2000 Coll.	NNV Status as of the Last Day of the Month of the Current Year	Actual NNV Expenditure During the Current Year	Status of Included Unspent NNV as of 31 December 2024	NNV Balance, Including Included Unspent NNV, as of 31 December 2024	NNV Status as of 1 January 2025
Profiling Expenditures	22 945,41	-9 871,38	9 871,38	13 074,03	9 871,38		13 074,03	23 457,61
A. Salaries of Civil Servants								
B. Salaries and Other Payments for Work Performed, Excluding Salaries of Civil Servants	9 406,13	-9 406,13	9 406,13		9 406,13			10 383,58
F. Expenditures on Programmes Pursuant to Section 13(3) of the Budgetary Rules	13 539,27	-465,25	465,25	13 074,03	465,25		13 074,03	13 074,03
Non-Profiling Expenditures	10 280,30	-9 785,46	9 785,46	494,84	8 688,78	1 096,68	1 591,52	6 724,69
Total	33 225,71	-19 656,84	19 656,84	13 568,87	18 560,16	1 096,68	14 665,55	30 182,31

The OFA accrued claims from unspent funds over the past few years because it did not use the funds allocated for salaries and other operating expenses, and also because it shared certain services with the Ministry of Finance.

As of January 1, 2024, claims arising from unspent expenditures totaled 33,225 thousand CZK, of which 22,945 thousand CZK were program-specific expenditures and 10,280 thousand CZK were non-program-specific expenditures.

As of January 1, 2025, the total amount of claims arising from unspent expenditures was 30,182 thousand CZK, of which 23,458 thousand CZK consisted of program-specific expenditures and 6,724 thousand CZK consisted of non-program-specific expenditures.

In some years, it was not possible to fully fill the allocated staff positions, or to temporarily fill the positions assigned to employees on maternity or parental leave. Consequently, upon returning from parental leave, these employees generally worked part-time.

Other claims arising from unspent funds reflect the fact that, for the OFA, from its establishment in 2011 (with 8 authorized positions) to the present (with the number of authorized positions at 57 and 62, respectively), the budget for its operations has provided for the gradual establishment of an independent office with its own IT infrastructure, etc.

The OFA currently occupies space in the Ministry of Finance building on Legerova Street in Prague 1, based on a lease agreement for non-residential space. To date, the OFA has not established its own facilities or IT infrastructure, which it continues to share with the Ministry of Finance under an agreement for the provision of information, communication, and telecommunications services.

XI. FUTURE OUTLOOK

A continuing challenge that the Financial Arbitrator has and will continue to address is the pursuit of efficient dispute resolution, particularly in terms of length of proceedings.

To this end, the OFA will continue to develop its information systems and will work towards the creation of a new website and a portal for the public that will allow easier filing of a complaint before the Financial Arbitrator and communication of the parties of the proceedings during the proceedings.

In the coming periods, all professional staff of the OFA will continue to raise awareness of the Financial Arbitrator among the public through active communication with the public and the media, presentations, publication of press and annual reports, information on the website (news, recommendations, decisions) and on social media.