

COUNTRY: Croatia

ORGANIZATION NAME: Franc - Association for Consumer Protection of Users of Financial Services (Association Franc) / Franak - udruga za zaštitu potrošača korisnika financijskih usluga (Udruga Franak)

SPEAKER'S NAME: Mr. Denis Smajo

TITLE OF THE SPEECH: The coordinator of the development of the research team of the Association Franc

TITLE OF PRESENTATION: Association Franc and the case "Franak" in Croatia

About Association Franck

Name: Franc - Association for Consumer Protection of Users of Financial services (Association Franc)

Foundation Date: August, 2011

Board Members: Denis Smajo, Jasmina Barić, Anita Kalebota, Vlado Iljkić, Nino Rasberger

Number of members: around 30.000

WebPage: udrugafanak.hr, Facebook: Udruga Franak

The Franak Association was established in August 2011 with the aim of gathering endangered debtors and instituting a collective lawsuit against banks. Over time, the association was established as a serious consumer protection organization and today it has around 30,000 members.

In Croatia, 8 banks (Zagrebačka banka, Privredna banka, Erste Bank, Raiffeisen Bank, OTP Bank, Splitska Banka, Hypo Alpe Adria Bank, Sberbank) offered CHF loans in the period from 2004 to 2008. It is estimated that such loans accounted for over 80% of all contracted consumer credits during that period and it is estimated that such loans were over 120,000. Many of these loans were CHF car loans, so most were repaid up to the 2015 conversion. The conversion involved 55,000 credits.

In that period, citizens took CHF loans because they were "cheaper" (the interest rate was lower). Today, we know it was the trap of banks. Banks also concealed risks and did not inform citizens about the high risk of CHF loans. In their media campaign banks used the method of misleading advertising. Moreover, often, bank officials gave false information to debtors, so future debtors were deprived of the right to informed decision.

The Franc Association in 2012 files a collective lawsuit against 8 banks before the Commercial Court in Zagreb. In July 2013, the court renders a positive verdict for consumers and declares the contractual provision on interest and the CHF currency clause unfair. I'm

not going to talk about the topic of collective lawsuit because our lawyer Nicole will talk about it.

Besides fighting a legal battle, we also decided to move the fight to the political and media field. We even organized several small protests and blockades of banks, and in April, there was a big protest in Zagreb, where there were about 20000 protesters.

The Franak Association has so far managed to win several battles against the bank, and we highlight some of the most important ones:

- Amendments to the Consumer Credit Law (ZPK) - 1.1.2014. A variable rate was defined as the sum of the fixed margin and the parameter (euribor, libor, national reference rate NRS), where it was no longer possible for the bank to change the interest rate unilaterally. The maximum interest rate on CHF housing loans was also limited to 3.23%, which reduced interest rates by an average of 2 percentage points. This somewhat temporarily annulled an increase in annuity due to the CHF exchange rate increase.

- Second Amendment of the ZPK - After the shocking rise of the exchange rate in January 2015, the organization manages to put pressure on the Government of the Republic of Croatia to freeze the CHF exchange rate before a sharp increase. This measure was made for a period of one year to allow time to come up with the measure for the final solution to the problem.

- Third Amendment of the ZPK - September 2015 - Conversion of CHF loans into EUR loans at the initial rate. All CHF debtors were transferred to the state as if they had been repaid as EUO loans all the time. The conversion reduced the principal by about 30% and cancelled the growth of the exchange rate. Most of the debtors had, with the reduction of principal, overpaid funds used to reduce future annuities.

After the conversion, there only remained the problem of illegal interest rates that the banks determined and increased unilaterally unresolved. At the Supreme Court in the collective lawsuit it was confirmed that the banks in this case seriously breached consumer rights, but we still have no reaction from the Croatian central bank. Consumers are left to themselves and must lodge private lawsuits to get their money.

Banks were sharply opposed to converting the loans, although conversion helped a large number of citizens. Conversion broke the bank cartel, so interest rates fell by 30% on average. Today interest rates in Croatia are about 4% for housing loans, while before the conversion they were up to 7%. Conversion also reduced the number of bad loans, which reduced banks' bad credits.

In 2015 the banks requested from the Constitutional Court to review the constitutionality of the Consumer Credit Act. This year the Constitutional Court has confirmed that the Act was

lawful and that the Government of the Republic of Croatia did its job well and that the Government was obliged to pass such an act to help its endangered citizens.

The Franc Association is today the largest association in Croatia and is an example of a true civil struggle against injustice and lawlessness. The struggle for recovery of overpayments for citizens is still ongoing but we are confident in our victory. In the meantime the Constitutional Court sent the collective lawsuit back to the Supreme Court for review because the Supreme Court did not want to evaluate the fairness of the CHF currency clause, so it is very likely that we will be able to win a battle against the banks completely.

Thank you.