

R E P O R T
on Operations of the Ombudsman for the Banking System of Republika Srpska
for the period January 1 – December 31, 2015

Introduction

1. By the Law on Banking Agency of Republika Srpska (“Official Gazette of RS” No. 59/13), main tasks of the Ombudsman for the banking system of Republika Srpska (hereinafter: Ombudsman) are determined in order to promote the rights and interests of natural persons who are beneficiaries of financial services.

Regular tasks established by the Law on Banking Agency of Republika Srpska and tasks necessary for conducting procedure prescribed by the Rules on acting of the Ombudsman for the Banking System of Republika Srpska upon notice or complaint of financial service beneficiaries (“Official Gazette of RS” No. 111/11), are conducted within the scope of available capabilities and established material and administrative conditions. Apart from the above mentioned, this organizational unit also performs certain tasks which are within the competence of the Banking Agency of Republika Srpska (hereinafter: Agency) as a whole, i.e. organization within public competences, in cooperation with its other organizational units. In terms of premises for operating, a separate workspace for the reception and consulting of parties has been previously provided, and thus at the same time, the conditions for meetings regarding the mediation between the beneficiaries of financial services and financial organizations of the banking system of Republika Srpska have been created. Within the domain of internal organization, organizational structure still encompasses two executives – a person who performs operations within the domain of main competencies and manages the Ombudsman’s organizational unit and another person – expert associate, who was also engaged in conducting tasks and operations from the domain of Agency’s competencies or for the Agency’s needs, where such tasks and operations are being conducted in other organizational units.

A significant increase of the scope of Ombudsman’s regular operations from the first half of the year is also evident in the whole 2015, due to stated reasons of higher degree of complexity of incurred disputes in which subject matter was issues which are not explicitly or not entirely prescribed in all regulations, and due to a significant number of complaints of group of clients who have loans indexed in Swiss franc, where such complaints were submitted in a very short period time. Due to above stated reasons, in certain cases it was necessary for financial organizations to express their opinion repeatedly and prolong deadlines for considerations and decision making in terms of the Ombudsman’s recommendations. In the observed period, the Ombudsman also performed extraordinary operations and tasks in the normative work by participating in the work group of Ministry of finance of RS for the preparation on the Banking Law RS Draft, at the meetings within the cooperation with associates and the Ombudsman part of the Banking Agency of the Federation of Bosnia and Herzegovina, and in terms of fulfilling

obligations towards the INFO Network since the Ombudsman is the member of the previously said.

Since the beginning of operations of the Ombudsman for the banking system of RS organizational unit, including the observed reporting period, more than 580 complaints by financial service beneficiaries were received, and more than 680 queries, requests and other different requests for which explanations were provided.

2. Complaints, queries and other statements of the financial service beneficiaries

2.1. Complaints resolving

In the period from 1 January to 31 December 2015, the Ombudsman's organizational unit has received 159 complaints and notices anent the incurred disputes and other legal affairs regarding a disputed subject matter or a general request to discuss certain questions in individual relations among the beneficiaries and providers of financial services, and related to the operations of financial organizations of the banking system of Republika Srpska. Out of the procedures currently being processed in this organizational unit, 24 complaints, i.e. notices are being processed at the various levels of proceedings. Within the stated number of complaints received, 40 premature beneficiaries' complaints with an identical content were related to the issue of legality of loan agreements indexed in Swiss Franc and the adequacy of calculated installments of such loans in the period of contractual obligations.

In the observed period, out of 105 concluded proceedings under the complaints and notices of the financial service beneficiaries, including 18 proceedings initiated in 2014:

34 well-founded beneficiaries' complaints were resolved in favor of the beneficiaries

18 ill-founded complaints

1 complaint – financial organization proposal to resolve the dispute by means of mediation was not accepted by the beneficiary

8 complaints - complainants withdrew their complaints

2 complaints – were not accepted due to irregular submission of documentation

42 complaints – argued answers were given to the beneficiaries with the instructions related to the application of relevant material and procedural legislation in individual matters and necessary further procedures (7 complaints were forwarded to the Banking Agency of Federation of Bosnia and Herzegovina, since further processing is within the scope of its competence, bearing in mind actions arisen, possible jurisdiction or the assignment of competent authority or persons with public authority, 3 complaints were submitted to the Institution of Ombudsman for human rights

of Bosnia and Herzegovina ,while 1 complaint together with the documentation was forwarded to the competent judicial authorities).

In the observed period, there were no procedures of mediation between the beneficiaries and providers of financial services, since the settlement regarding the disputes upon beneficiaries' request was achieved in the procedure of complaint consideration which precedes the scheduling of mediation procedure.

a) Number of queries per providers of financial services

Providers of financial services	Number of queries
Banks	93 (88%)
Microcredit Organizations	9 (9%)
Leasing Providers	1 (1%)
Saving-Credit Organizations	0 (0%)
Other	2 (2%)
TOTAL	105 (100%)

b) Number of queries per types of financial services

Types of financial services	Number of queries and percentage
Loans	60 (57%)
Deposit operations	11 (10.5%)
Payment transactions	4 (4%)
Electronic payment instruments	11 (10.5%)
Leasing operations	1 (1%)
Other	18 (17%)
TOTAL	105 (100%)

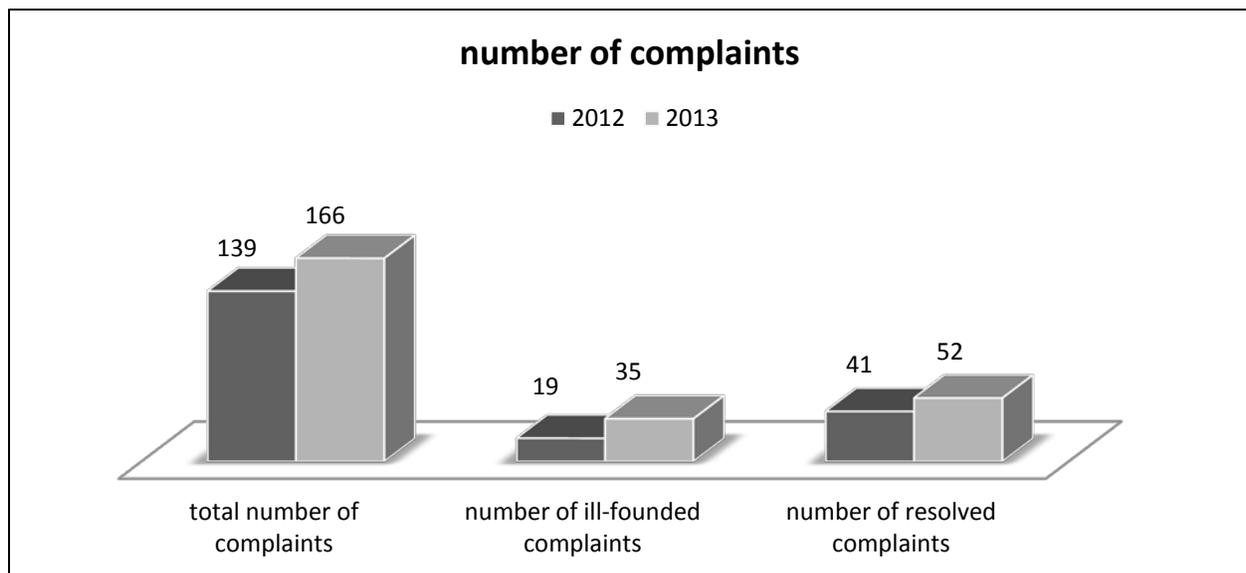
Table 1.

Number of queries per providers of financial services				
	2012	2013	2014	2015
Banks	128	151	77	93
Microcredit organizations	11	13	17	9
Leasing				1

Providers				
Saving-Credit Organizations				
Other		2	2	2
Total	139	166	96	105

Number of queries per types of financial services				
	2012	2013	2014	2015
Loans	97	116	64	60
Deposit operations	6	2	3	11
Payment transactions	9	19	12	4
Electronic payment instruments	13	11	9	11
Leasing Providers				1
Other	14	12	8	8
Total	139	166	96	105

Table 2.



Graph 1

a) Loan operations. According to the data given in the Table 1., in the previous year, most of the complaints and notices of the financial service beneficiaries were related to loan operations.

In the observed period, the most common subject of the complaints of financial service beneficiaries and incurred disputes was related to the regularity of negotiating of individual clauses on interest rate variability and practice of financial organizations in calculating and changing, i.e. increasing or avoiding to decrease negotiated variable interest rates during the contractual relation, i.e. repayment of individual loans. In relation to such matter of dispute, the complaints were related to the practice of 4 banks from Republika Srpska, and 4 banks with the head office in the Federation of Bosnia and Herzegovina, and in the observed period, 30 complaints having as a subject the mentioned dispute were submitted, representing 25% of all complaints related to the rights and obligations of beneficiaries within the group of loan operations. Additionally, it should be emphasized that all complaints of such type are related to the period of conclusion of individual loan operations and their execution prior to the Law on Amendments to the Law on Banks of Republika Srpska ("Official Gazette of RS" No. 116/11) coming into force, and by which regulation, explicitly and additionally, in relation to the general and already existing obligation rules, within the domain of financial services usage by physical entities, it has been impeded to negotiate clauses on interest rate variability on loans with undefined, i.e. indefinable elements, and such clauses to be the subject of contractual obligation, resulting in irregular practice in a concrete application. Regarding the banks in Republika Srpska and in the Federation of Bosnia and Herzegovina, within the frameworks of such disputes, the question which arises is the basic modalities in negotiating and acting on calculation and changing (increasing) of the contracted interest rates on loans established in the previous proceedings from 2011/2012:

- determining variable nominal interest rates, where EURIBOR, i.e. LIBOR are negotiated as reference interest rates in the basis for interest rate calculation, as a variable element and an interest margin in a determined amount. The beneficiaries' complaints of these types of financial services were directed to the fact that, after the decrease in value of the abovementioned referent rates at the international financial markets, the financial organizations, within the scope of individual credit and legal operations, according to the newly established values of referent rates, avoided to adjust the amount of interest rates and, at the same time, appropriate annuities in contracted calculation periods. Particularly, the described practice has been realized by means of changing the contracted interest rate by internal bank decisions, although the criteria for its alternation have been unknown, which is why the interest owed amount of obligation was indeterminable for the loan beneficiary;
- determining variable nominal interest rates where the changes, i.e. increases of interest rate have been conducted in relation to the contracted undefined "cases" within which the possibility of interest rate changing was envisaged also by means of internal bank decisions, but with the absence of concretization of both variable and fixed elements in the calculation of interest rate and the possibility of increasing the amount of interest without limitation;
- determining nominal interest rates only in a specific absolute amount without defining its variability in contracted provisions, excluding the application of a legal presumption on the element invariability in such cases;

- on one hand, determining nominal interest rates as variable and depending on the value of reference interest rates LIBOR, i.e. EURIBOR, and on other hand, with the variability clause exclusively in cases of the increase of negotiated reference interest rate, with an undefined possibility for the interest increase, and the problem of applying the rules of interpretation of bilateral onerous contracts.

Continuing in making statements, as a primary legal argumentation of the validity of the proceedings described, the approval of a beneficiary and autonomy of will of the contracted parties, as a general condition of the contract coming into being and one of the principles of the contractual law, expressed by a formal acceptance of a certain status of rights and obligations of the beneficiaries, a commitment of financial organizations to discuss such issues in the proceedings before the competent judicial authorities is still strongly expressed, and this kind of trend has been also noted in the previous reports. Taking into account stated complaints, with an earlier note that a certain number of beneficiaries has initiated appropriate court proceedings for the purpose of protection of their interests and that the first proceedings have been finalized before lower courts, in the course of this reporting period, the first verdict was made by a higher court in the favor of a loan beneficiary, which later became enforceable. In the course of the reporting period, 5 procedures of mediation between beneficiaries and providers of financial services were conducted; out of which 3 were finalized by settlements by means of which disputes under complaints were resolved.

In the proceedings related to other disputes belonging to a group of loan operations, the subject of a complaint or notice was mostly related to:

- the issue of occurrence and validity of additional claims requested from beneficiaries by financial organizations after the repayment of the main debt. Since 17 complaints were submitted regarding the above described dispute, it was stated that the reasons of such disputes were partially related to the enforcement of court decisions in the enforcement proceeding, and partially to the application of provisions related to the recognition of unrealized gains in a specific manner, which in legal terms does not relate to the factual calculation of interests as incidental receivables.
- disputable inclusion of beneficiaries in classification of assets items into a specific category.
- the usage of issued consents for the seizure of a portion of a salary and payment to a creditor after the termination of credit operations, without determining the compensation for the damage occurred. Also, the portion of issued consents is used in the prescribed enforcement proceedings, and in some proceedings, the earlier practice has been recognized, i.e. that such consents are used as a method of fulfilling the existing obligations from the loan, which we, from the viewpoint of the purpose and function of such consent, defined by the provisions of the Law on Enforcement Proceedings (“Official Gazette of Republika Srpska” No. 59/03, 85/03, 64/05, 118/07 and 29/10) for enforced collection of receivables based on the writ of execution and credible documentation, have assessed as the practice that should not be implemented.
- lack of will or the presence of misunderstanding when concluding loan operations,
- restructuring of existing obligations of loan beneficiaries to financial organization. In the work of organizational unit, if compared to the year 2012, in the observed period, an equal number of complaints or requests (in total 7) submitted by loan beneficiaries was recorded,

where such complaints or requests were related to the rescheduling, restructuring or occurrence of delay in the fulfillment of their obligations towards financial organizations. Although the explanatory answers forwarded to the beneficiaries emphasize the obligatory application of the principle of autonomy of will in contractual law and the necessity of implementation of Agency's activities within the scope of its legal operations, and the obligations of financial organizations for the purpose of maintaining the stability of the banking system, our conclusion is that in the majority of such cases the fulfillment of contractual obligations indirectly deteriorates beneficiaries' living conditions, especially in cases where they fail to fulfill their obligations due to the reasons on which the beneficiaries have no influence or the same cannot be foreseen.

- conferring a security interest to the person who repays negotiated obligations towards financial organization,
- fee in case of loan prepayment by beneficiaries and other issues.

Starting from the manner of execution of our main tasks, respecting the principles of neutrality and intermediary character of proceedings, in arguing such complaints and notices, a high level of positive resolutions of disputes has been achieved in favor of beneficiaries, where we promote the requests regarding the issue of acceptance of legal or business - good practice argumentation by the financial organizations, and regarding the issue of court enforcement proceedings, explanatory answers and explanations are given in relation to the rights and obligations in such proceedings.

b) Deposit operations. In the reporting period, the lowest number of complaints and notices was related to the deposit operations. One complaint was submitted regarding the determination of an interest rate on the savings deposit in so-called "automatic" extension of contract validity on savings deposit, which was positively resolved in favor of a beneficiary, and one ill-founded complaint regarding the manner and method of calculating an interest rate on savings deposit. According to the number of complaints and cases of individual proceedings, it can be concluded that the implementation of legislation regarding the protection of beneficiaries has resulted in a lower number of disputes in relation to the usage of banking services in deposit operations.

c) Payment transactions. The largest number of complaints regarding the payment transactions was related to disputable cases regarding the issuance and usage of payment orders by beneficiaries, and on such basis to the regularity of transactions performed in terms of the provisions of the Law on internal payment transactions ("Official Gazette of RS" No. 52/01), and in such transactions an inadequate relationship of employees performing certain operations directly with the beneficiaries is still noticeable, as well as insufficient knowledge of general rules regarding the legal character of a mandate, which in all aspects is subjected to the prescribed legal regime of mandate contract. One part of complaints was related to the adequacy of beneficiaries' classification, i.e. guarantors when classifying assets items into a certain category, in terms of by-laws issued by the Agency. In this part, it can be noted a certain degree of irregularities or non-expediency in the implementation of the Decision on the Central Registry

of Credits of Legal and Physical Entities in Bosnia and Herzegovina (“Official Gazette of BiH” No. 92/11) by financial organizations, arising from inefficiency and registration of receivables which are according to an absolute amount of low value, but according to the effects and limitations product of registration in the Central registry of loans the same as the receivables of higher volume.

In the reporting year, two proceedings were conducted regarding the operations of international payment transactions, and other disputes were related to the irregularity of keeping and recording of balance on various beneficiaries’ accounts, provision fees and fees per accounts were no activities were performed by the owners or per tariff whose application was not negotiated, and causing of additional costs for financial service beneficiaries.

d) Electronic payment instruments. The subjects of complaints related to the issuance and use of electronic payment instruments were disputable issues on the validity of financial organization receivables emerging due to the use of such instruments by beneficiaries or non-functioning ATMs of the organizations that are the issuers of electronic payment instruments, as well as disputes related to the refund by an issuer in the mentioned cases. In the proceedings of filed complaints what was found as the most important is the existence of mechanism for proving of regularity of transfer of cash funds by ensuring technical possibilities of dislocated management and supervision of regular functionality of the performance of system elements. In this area of financial services, in a certain number of financial organizations we found irregularities regarding the non-existence of a contract in a written form which is mutually concluded by a beneficiary and issuer of electronic payment instruments, and such obligations was prescribed by the Law on Consumer Protection in Bosnia and Herzegovina (“Official Gazette of BiH” No. 25/06) and the Law on Consumer Protection in Republika Srpska (“Official Gazette of RS” No. 6/12), although such complaints were resolved in favor of beneficiaries.

Other complaints. In cases of other complaints and notices, the subject of disputes was still mostly related to the issues part of the court enforcement proceedings for the purpose of forced execution of financial service receivables, in terms of the Law on Enforcement Proceedings. As we already indicated, in a formal sense, the Agency, i.e. the Ombudsman has no authority to act in terms of subjects of complaints, however the beneficiaries were given explained answers and statements related to the rights and obligations of beneficiaries and providers of financial services appearing as parties in the enforcement proceedings. The most frequent issues, which will be subject of discussions within juridical institutions, are related to the validity of undertaking enforcement measures, lack of undertaking of such measures against the assets of a main debtor, separate proceedings against debtors and guarantors although with the same or almost the same legal and factual basis after the delay has already occurred and although it is about main or secondary obligations, delivering and manner of implementing the decisions on execution, manner of acting of executors for the purpose of opposing the enforcers’ request and the volume of financial service receivables as an enforce which is frequently in no position to prove that the guarantor has been informed on the delay of the main debtor.

In the reporting period, it can be stated that the measures and activities of financial organizations related to the notice of co-contractor who is in delay have been intensified, and in connection to that the number of complaints related to the amount of fees for issuance and sending of written notices has been increased, which also includes the validity of calculation of such beneficiaries’

debts made by financial organization, from which it can be concluded that the organizations of the banking system make profit on such basis, although except the disputable legal aspects of such activity, according to the objective criteria the real generated expenses are not as high as the amounts of calculated fees. Taking as a starting point a similar basis, the part of complaints was also related to the unjustified measures undertaken by financial organizations against debtors for the purpose of collection of their receivables, and which include frequent phone calls directed to the debtors during the day and in the evening.

In terms of the bill of exchange issues, within the examination of individual activities and received complaints, the following has been noted, primarily in the microcredit part of the banking system: the structure of financial organization's b/e receivables in disputable amounts and issuing bills of exchange in order to secure loans and their usage, especially in cases where no guarantee contract exists, where persons would guarantee the fulfillment of assumed obligations and initiation of enforcement proceedings based on such authentic documentation, which in return has certain consequences considering a more strict legal regime the b/e debtors are subjected to, while a certain number of complaints was related to the unauthentic signature of the b/e debtor.

In this reporting period, a smaller number of complaints has been received related to the activities of the Republic of Srpska Investment-Development Bank (IRBRS) a.d. Banja Luka related to the payment of default interests resulting from the breach of apartment repurchase contract, concluded by citizens with Republika Srpska Housing Fund, managed by this institution. Namely, default interests were claimed by the IRBRS after the fulfillment of obligations stemming from those contracts, although we have no knowledge regarding the resolution manner of these issues. Nevertheless, the submitters of such complaints were referred to competent authorities and relevant material regulation by means of explained answers, although there is no basis for our actions in terms of these complaints, since the Agency has no authority of acting upon such complaints.

Complaints of persons who personally ensure the fulfillment of obligations. In the observed period, the largest number of complaints of such persons, complaints of guarantors in general, was related to the irregularities in the procedures of loan and micro credit approval by the financial organizations and determining responsibilities for possible omissions and malpractice, the conditions for loan approval concerning the credit status of both loan beneficiary and guarantor in terms of obligations fulfillment, and in that sense, possible authority abuse, signature validity, the validity of the receivables themselves and activities undertaking in the procedure of their enforced collection, inclusion of such persons when classifying assets items in a certain category and failing to notice the guarantor regarding the delay of the main debtor.

Here, it should also be noted that in a certain number of cases, such complaints' basis indicates the illicit acting of certain persons at the financial organizations, therefore, starting from their nature and characteristics set forth, the beneficiaries are informed, by means of explained responses, that the act of determining the presence of certain facts or liabilities is possible only in specific procedures conducted by authorized judicial institutions, primarily due to the necessity of conducting prescribed procedure for adopting binding decisions when determining the basis of responsibilities of legal entities that are prescribed by law, and the subject of mediation procedure in terms of established public interest and legal and by-law regulations may only be the requests used freely by the parties. With regard to single cases of the mentioned issues, which would have a character of so-called previous issue, one supplement of earlier information was delivered to the competent judicial body under which the procedure was suspended due to the

obsolescence of prosecution, after stating the facts in the procedure under filed complaints, which confirms the adequacy of procedural principle that the issues, which are independent legal matters, should be discussed before competent courts or other bodies, with the aim to enable possible resolution of the disputed complaints in order to ensure financial service beneficiaries' protection.

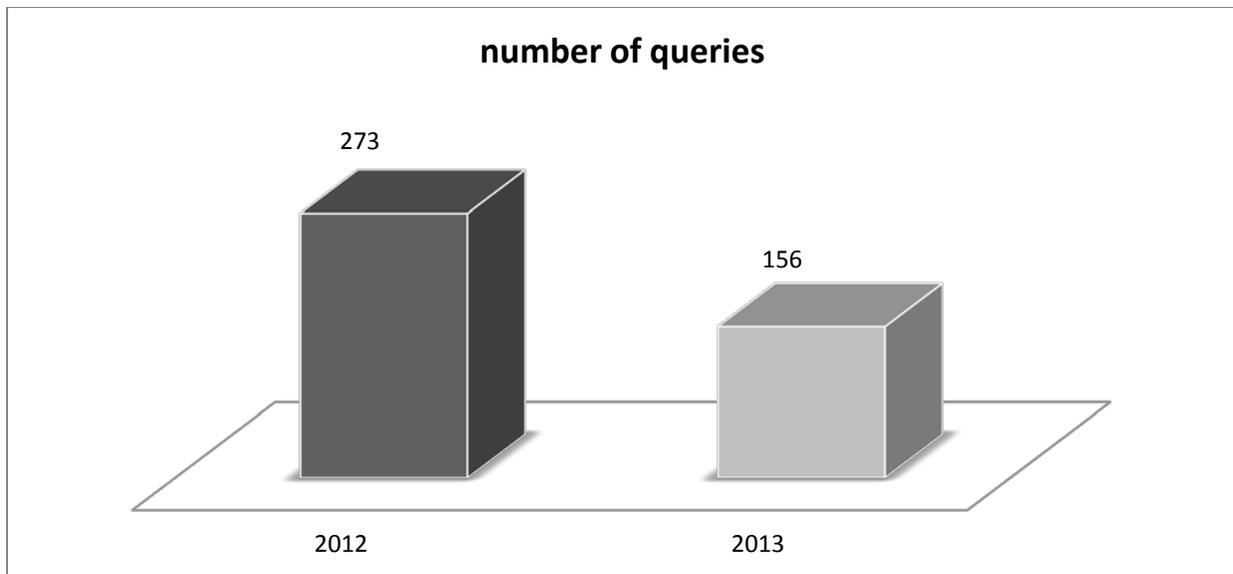
Notwithstanding the issue of changing of interest rate on loans in repayment, during the period prior to the changes in legislation, what is notable is the decrease in number of other disputes, which deal with the property issues, and for which the financial organizations have primarily consigned to discuss in the proceedings before the competent courts in the previous period.

2.2. Queries and requests by beneficiaries of financial services

In addition to discussing and acting on received complaints and notices of beneficiaries, up to December 31, 2013, the Ombudsman, per standard and electronic mail, phone calls and directly through parties, has received 156 different queries or requests concerning explanation, opinion or instruction related to the rights and obligations of financial service beneficiaries and different financial products, and the application of the norms of material law in and beyond the field of beneficiaries' protection, for which, explained responses in the form of recommendations, instructions or opinions were given. Furthermore, within the same period, the following was received: 6 queries by providers of financial services (including organizations with head office in the Federation of Bosnia and Herzegovina) for which explained responses were also given, 2 reports with a specific subject which do not represent complaints in a legal and formal sense, and 6 queries by legal entities for which explained responses were also given.

Number of queries per providers of financial services

Providers of financial services	Number of queries and percentage
Banks	114 (70%)
Microcredit Organizations	30 (19%)
Leasing Providers	1 (1%)
Saving-Credit Organizations	0 (0%)
Other	11 (7%)
TOTAL	156 (100%)



Graph 2

In the observed period, most of the operational time of this organizational unit within the Agency was used for the purpose of informing on the rights and obligations of beneficiaries and providers of financial services but less in a sense of promotion, taking into account resulting effects of individual cases, primarily through direct contact with parties, and significantly via e-mail and phone calls. According to the statements by beneficiaries and other persons who have contacted us for the purpose of obtaining necessary answers, opinions or explanations, the execution of informing tasks helps them to more accurately and fully understand their rights and obligations while at the same time respecting them in the process of decision making in financial service usage. At the same time, the broader promotion of key rights, obligations and institutions was conducted, therefore, in that sense, as seen in the graph above, the positive trend of decrease of number of beneficiaries and other persons who contacted us for the purpose of obtaining necessary answers regarding such institutions has been continued in 2013. However, this reporting period was still continually labeled with a low level of awareness and knowledge, among the majority of beneficiaries of financial services, on the rights and obligations formed due to entering into contractual relations with financial organizations or by issuing certain documents, thus, the planned activities for the improvement of financial education of beneficiaries are undertaken within the Agency.

In this period, the query in connection with the leasing service was related to the activities of the leasing provider with its head office in the Federation of Bosnia and Herzegovina.

3. Improvement of regulatory framework

Upon the request from the Ministry of trade and tourism of Republika Srpska, the representatives of the organizational unit of Ombudsman for the RS banking system, part of the Banking Agency of Republika Srpska, as members of a working group, participated in drafting of the Program for Consumer Protection in Republika Srpska for 2013/14, in which, the proposal of planned activities in the field of consumer protection – protection of financial service beneficiaries was included for the stated period.

4. Education

In March 2013, the employees attended the educational seminar “Modern solutions in debt restructuring”, organized by the Academy for banking and finance in Belgrade, with the aim of familiarizing with international models of approach to financial and operational restructuring and with dilemmas in the application of new regulations on consensual financial restructuring, primarily of enterprises in the Republic of Serbia.

In November 2013, the employees attended the educational seminar “Security interests in banking”, organized by the “АБФ Едукација и консалтинг“ д.о.о. Belgrade, which is an institution dealing with professional training in the field of finance, with the aim to exchange practical knowledge and experience on the issues that are subject of disputes between beneficiaries and providers of financial services, and familiarizing with new solutions in the enforcement proceedings in the Republic of Serbia.

In December in Banja Luka, the employees participated in the work of a round table in the organization of International Finance Corporation in Bosnia and Herzegovina “IFC study on the citizens’ indebtedness in 2013, and presentation of study results on the potential of microcredit sector in Bosnia and Herzegovina”, during which, presented statistical data was discussed.

5. Cooperation activities with other organizations in order to improve the framework of protection of beneficiaries of financial services

5.1. Within the framework of cooperation with the International Finance Corporation (IFC) in Bosnia and Herzegovina, the Ombudsman took part in a two-day seminar – workshop for the employees in local self-government and agencies which provide pro bono legal assistance “Pro bono financial advising and representing of heavily indebted citizens”, which was organized by the IFC and held in Jahorina in December, 2013, where the results of work of organizational unit in the previous period were presented, as well as current issues in this field.

5.2. Within the framework of cooperation for the purpose of strengthening the consumer protection in the banking sectors, micro-financing and insurance, the Ombudsman took part in a two-day conference “Current issues from the area of insurance and banking”, which was

organized by the RS Associations of Economists “SWOT” and held in Banjaluka in May, 2013, where the results of work of organizational unit in the previous period were presented, as well as current issues in this field.

5.3. The Ombudsman took part in a one-day conference, organized by the Association for Consumer Protection “DON” from Prijedor, and in partnership with the Ministry of trade and tourism of Republika Srpska.

5.4. As a member of the International Network of Financial Services Ombudsman Schemes, upon the invitation of this organization, the Report of the Ombudsman for the banking system of Republika Srpska for the year 2012, has been accepted and published by the INFO Network bulletin for the November issue. INFO Network brings together Ombudsmans from the field of financial services from 40 countries and other bodies and structure, and is established with the goal to improve all aspects of expertise and mechanisms of off-court settlements between beneficiaries and providers of financial services.

In cooperation with various media (3 TV stations, 3 radio stations, 1 newspapers published once in two weeks, 1 internet portal and various daily newspapers), at their request, the answers to the questions related to the protection of beneficiaries of financial services were given many times.

Conclusion

a) Throughout the experience and practice in the hitherto work of the Ombudsman’s organizational unit, the execution of function of protection of rights of financial service beneficiaries in Republika Srpska, which is altogether specific and a complex one, has been continued, and the effects are reflected in the savings plan of material, personal and other public resources that are established through an alternative off-court resolution of disputes, and also by means of harmonization of attitudes and in a peaceful manner.

b) In the reporting period, the decrease was noted in a number of complaints regarding the practice of providers of financial services in calculating fees for loan prepayment and intensification of all activities regarding informing of beneficiaries on the changes of conditions for financial service usage. Still, we can notice a certain number of cases in which beneficiaries withdrew from further procedure in an earlier period since they represent legal affairs in which financial organization must undertake certain measures for the purpose of collecting its receivables, ultimately by means of enforcement, although according to available data such withdrawals are result of other reasons too. In the reporting period, we can note the decrease of number of complaints upon the subjects which, in the period prior to the amendments to the Law on Banks of Republika Srpska from the year 2011, were majorly the subject of disputes, and regarding the application of new regulation the procedures are conducted and recommendations are being issued to the banks from the Federation of Bosnia and Herzegovina operating in Republika Srpska. Regarding an inadequate application of the regulation above mentioned, only a few complaints were submitted, majorly related to the fees for loan prepayment, fees and

calculated rates when using electronic instruments of payments and respecting the content of an information sheet for a certain product, noting that the well-founded submitted complaints were positively resolved, which indicates that the performed amendment of regulation, with regard to the established detailed regulation of financial organization operations in providing financial services, produces effects and represents the reason of a certain increase of the number of ill-founded complaints previously indicated.

c) The procedures conducted as per individual complaints and queries of financial service beneficiaries still point out to insufficient knowledge and awareness of beneficiaries, and as earlier indicated there is still need for the improvement in the work of financial organizations' employees, who directly communicate with the beneficiaries, especially in separate organizational units. In the hitherto work on discussing the complaints and notices of beneficiaries, the cooperation with providers of financial services is constantly improving, and recommendations are directed to the resolution of disputes in the most efficient manner along with the argumentation for expediency in accepting the objectively possible solutions. Our assessment is that, due to previous work and regulation amendments, the complexity of subjects of dispute is expended, which has an impact on the operations of the parts of financial organizations in charge of complaint resolution, and that the organizations of the banking system maintain the activities for the purpose of improving the transparency and quality of their services and improving the relationship with beneficiaries, although in that sense, there is still room for further improvement. For the efficiency of the organizational unit of Ombudsman and achieving objectives regarding the consumer protection it is of high importance that the well-founded complaints, positively resolved in favor of beneficiaries, in general, were already resolved in the so – called phase of previous procedure, without the need to conduct formal procedure of mediation, which represents one of the main goals of the work of this organizational unit.