

THE CROATIAN NATIONAL BANK

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Pursuant to Article 17, paragraph (12) of the Act on the manner, conditions and procedure for the servicing and sale of claims (Official Gazette 155/2023) and Article 43, paragraph (2), item (10) of the Act on the Croatian National Bank (Official Gazette 75/2008, 54/2013 and 47/2020), the Governor of the Croatian National Bank hereby issues the

Decision on the content of procedures for handling borrower protests

Subject matter

Article 1

This Decision governs the content of the procedure for handling borrower protests to ensure the recording and processing of borrower protests (hereinafter referred to as 'procedure for handling borrower protests').

Entities subject to the Decision

Article 2

The provisions of this Decision shall apply to:

- a) credit purchasers referred to in Article 25, paragraph (4) of the Act on the manner, conditions and procedure for the servicing and sale of claims (Official Gazette 155/2023, hereinafter referred to as the 'Act');
- b) designated credit servicing entities referred to in Article 12, paragraph (2), subparagraph (1), items (a) and (c) of the Act; and
- c) credit servicers.

Terms used in this Decision

Article 3

- (1) Individual terms used in this Decision shall have the meaning defined in Part Two of the Act.
- 2) The terms used in this Decision that have a gender-specific connotation shall refer to both the male and female genders.

Adoption of the procedure for handling borrower protests

Article 4

- (1) The management and supervisory body of an entity referred to in Article 2 of this Decision shall adopt a procedure for handling borrower protests to ensure the fair and effective management of borrowers' protests and shall ensure that the procedure is implemented.

(2) To enable the fair and objective establishment of circumstances leading to an protest being filed by a borrower and the recognition and elimination of a possible conflict of interest, entities referred to in paragraph (2) of this Decision may establish a function for managing protests.

Content of the procedure for handling borrower protests

Article 5

(1) In the procedure for handling borrower protests, entities referred to in Article (2) of this Decision shall define the procedures and activities of its employees involved in the process of receiving and processing borrower protests.

(2) The procedure for handling borrower protests shall be adopted in writing and shall contain, at a minimum:

- a) definitions of terms relevant for its application;
- b) description of division of responsibility for handling borrower protests across individual organisational units and the division of responsibility for handling borrower protests within an individual organisational unit;
- c) the manner, communication channels (mail, social networks, etc.) and data that the entity referred to in Article 2 of this Decision will request from the borrower in order to respond to the protest;
- d) the description of the manner of recording borrower protests, the content of records of borrower protests and the manner of keeping said records (according to type, complexity, time necessary to handle the protest, etc.);
- e) the criteria for classifying borrower protests by content, frequency and justification;
- f) the manner of and time limits for notifying the borrower on the protest received and the expected time necessary to handle the borrower protest;
- g) the description of the manner of handling the borrower protest and the time limits for processing and handling borrower protests;
- h) the procedure of preparing responses to borrower protests, the content of responses and the information on the justification of the protest;
- i) the procedure for controlling the handling of borrower protests by the competent manager;
- j) the manner and time limits for reporting on borrower protests for internal purposes;
- k) description of the manner of amending and harmonising procedures for handling borrower protests; and
- l) the manner of carrying out periodic education and training of employees included in the process of receiving and processing borrower protests, including the time limits for carrying out such education.

(3) In the procedure for handling borrower protests received after the sale of non-performing loans, entities referred to in Article 2 of this Decision shall ensure that, for each loan to which the borrower protest refers, the following data are available:

- 1) data on each borrower protest filed in relation to that loan, recorded chronologically;
- 2) data on the manner and frequency of communication with the borrower in relation to the loan;
- 3) data on the type of measure offered to the borrower to facilitate loan repayment;

- 4) data on the borrower's cooperation and manner of communication in relation to the loan; and
- 5) success of measures offered to facilitate loan repayment.

Monitoring the handling of borrower protests

Article 6

(1) In the procedure for handling borrower protests, entities referred to in Article 2 of this Decision shall lay down the monitoring of handling borrower protests in the manner enabling regular analysis to ensure the timely and effective identification and elimination of any recurring issue that may point to frequent occurrence of protests in a certain area.

(2) Entities referred to in Article 2 may perform the analysis referred to in paragraph (1) of this Article, for example, by:

- identifying the cause of individual borrower protests to determine the underlying cause common to particular types of borrower protests;
- considering their possible effect on other processes, including those to which protests do not refer directly; or
- correcting identified underlying causes of individual borrower protests, when possible.

(3) In the procedure for handling borrower protests, entities referred to in Article 2 of this Decision shall lay down measures and time limits planned for eliminating identified systemic issues where the analysis referred to in paragraph (2) of this Article pointed to a recurring issue.

Provision of information

Article 7

When regulating the manner and scope of providing information related to receiving and processing borrower protests by the procedure for handling borrower protests, entities referred to Article 2 of this Decision shall prescribe in detail the information provided to borrowers:

- at the borrower's request or when acknowledging the receipt of the borrower's protest, in relation to the procedure of handling protests;
- on organisational units and persons responsible for receiving borrower protests;
- on procedures for handling protests (time for receiving protests, time expected for handling protests, competent authorities, conciliation centres or other bodies to which the borrower may turn, etc.) and
- on the course of the procedure related to the borrower's protest.

Handling protests

Article 8

(1) Where the procedure for handling borrower protests lays down the manner of handling borrower protests and the time limits for the processing and handling of borrower protests, entities referred to in Article 2 of this Decision shall describe in detail the manner in which they:

- handle protests lodged by borrowers;
- process individual borrower protests;

- respond to the borrower's protest and set time limits to respond to protests;
- communicate with the borrower in relation to the borrower's protest and set time limits for communication;
- notify the borrower of the reasons for the delay in responding to the protest and set time limits for responding.

(2) The description of the procedure referred to in paragraph (1) of this Article shall enable the collection and analysis of all relevant evidence and information related to the borrower's protest and shall ensure that, when communicating with borrowers, entities referred to in Article 2 of this Decision use a simple and understandable language.

(3) The description of the procedure governing responses to borrowers' protests shall, in case the response to the borrower's protest fails to fully comply with the borrower's request, contain:

- the obligation to inform the borrower, in detail, in written form, about the position of the entity referred to in Article 2 of this Decision with regard to the borrower's protest; and
- the obligation to inform the borrower on further options available to the borrower in terms of alternative or judicial dispute resolution.

Reporting

Article 9

Entities referred to in Article 2 of this Decision shall ensure that keeping records on borrower protests, as laid down in procedures for handling borrower protests, enables reporting (on the number of received protests or according to any other applicable criterion) to the Croatian National Bank, at its request.

Availability of the procedure for handling borrower protests

Article 10

Entities referred to in Article 2 of this Decision shall ensure that all their employees included in the process of receiving and processing borrower protests have been made aware of the procedure for handling borrower protests via appropriate internal communication channels.

Entry into force

Article 11

This Decision shall enter into force on the eighth day following its publication in the Official Gazette.

No.: 21-091/01-24/ BV
Zagreb, 22 January 2024

Croatian National Bank
Governor
Boris Vujčić, m. p.