

Disclosure of information on measures imposed on a credit institution

Supervisory measures against [REDACTED] owing to breaches identified in the area of consumer lending

Information on legal person responsible for breaches	
Business name and registered office of legal person	[REDACTED] (hereinafter: the credit institution)
Information on breaches	
Description of circumstances and conduct entailing a breach of the <i>Consumer Credit Act</i> (Official Gazette of the Republic of Slovenia, No. 77/16 and 92/21, hereinafter: ZPotK-2) and of the <i>Banking Act</i> (Official Gazette of the Republic of Slovenia, No. 25/15 with subsequent changes, hereinafter: ZBan-2)	<p>Between 25 September 2020 and 23 October 2020, Banka Slovenije conducted an inspection of the credit institution in the area of consumer lending and compliance with the provisions of ZPotK-2.</p> <p>The inspection has highlighted a breach of the rules of ZPotK-2 and ZBan-2 regarding the definition of a loan in a foreign currency and managing business documentation, as evident from the operational part of the order on the rectification of breaches.</p>
Nature of identified breaches	<p>The credit institution has, with respect to concluding loan agreements, failed to adhere to the requirements of ZPotK-2 that enable the consumer to evaluate the financial consequences of taking a loan in a foreign currency. In addition, it was established that the credit institution does not manage business documentation that would enable the supervisory authority to confirm the compliance of the credit institution's business operations with the requirements of ZPotK-2. Due to the importance and urgency of ensuring regulatory compliance, the credit institution was issued an order on the rectification of breaches, requesting it to immediately address the identified breaches.</p>
Operational part of order on rectification of breaches	
<p>1. Banka Slovenije has, based on an inspection of business operations of [REDACTED] (hereinafter: the credit institution), conducted between 25 September 2020 and 23 October 2020, regarding the compliance of the credit institution's operations in the area of consumer lending with the requirements of ZPotK-2, identified that the credit institution has breached:</p> <p>a) sixth paragraph of article 7 and point 22 of second paragraph of article 12 of ZPotK-2 in connection with point 7 of article 2 of ZPotK-2, by failing to correctly specify loans in a foreign currency in four (4) case files from the reviewed sample (file no. [REDACTED], file no. [REDACTED], file no. [REDACTED], file no. [REDACTED]) and as a result did not provide: preliminary information in the form of a graph of foreign currency price swings in euros for the last ten years, a warning in the loan agreement that a change in the price of a foreign currency can also change the anticipated payment amounts, an explanation of the mechanism of converting the payment in a foreign currency into the domestic currency, and the</p>	

connection between this mechanism and the mechanism determined with other provisions on loan repayment so that the consumer can evaluate the corresponding financial consequences;

- b) article 168 of ZBan-2 by failing to organise its business operations and manage business documentation and administrative records in a way that enables an inspection at any time as to whether the credit institution conducts business in compliance with the provisions of the second paragraph of article 9 of ZBan-2 in connection with article 13 of ZPotK-2 by failing to keep or enable the creation or re-display of the calculation of preliminary loan repayment that otherwise needs to be presented to the consumer on paper or another durable information medium, as per the first paragraph of article 22 of ZPotK-2, and thus by being unable to present to the supervisory authority such calculations for six (6) case files from the reviewed sample (file no. ████████, file no. ████████, file no. ████████, file no. ████████, file no. ████████ and file no. ████████) for inspection of the status of the loan after repayment and whether the credit institution has calculated and presented to the consumer in an understandable and cost-free way on paper or another durable information medium the reduction of interest and other costs incurred with a full or partial loan repayment, and whether the credit institution has due to a preliminary loan repayment charged the consumer a fee in breach of the provisions of article 22 of ZPotK-2.

In order to rectify these breaches, the credit institution must:

- a) ensure that the preliminary information for all of the loan agreements that classify as a loan in a foreign currency as defined in point 7 of article 2 of ZPotK-2 include a graph of the referenced interest rate and foreign currency price swings in euros for the last ten years. Loan agreements must include a warning that a change in the price of a foreign currency can also change the anticipated payment amounts, an explanation of the mechanism of converting the payment in a foreign currency into the domestic currency and the connection between this mechanism and the mechanism determined with other provisions on loan repayment, so that the consumer can evaluate the corresponding financial consequences;
- b) review its whole consumer loan portfolio, including real estate loan agreements, concluded after the enforcement of ZPotK-2, as to whether they fulfil the criteria of a loan in a foreign currency, and in affirmative cases ensure that the loan agreement will include information on the right of the consumer to convert the loan from a foreign currency to domestic currency, and of any currency swing risk reduction mechanisms;
- c) organise its business operations and manage business documentation and administrative records, including calculations of preliminary loan repayments, or set up IT support that would enable a supervisory authority to carry out an inspection at any time with regard to the status of the loan after repayment, and which fees the consumer has incurred with the preliminary loan repayment.
2. The credit institution must immediately start activities that will rectify the breaches identified in point 1 of this operational part of the order on rectification of breaches (hereinafter: the order). The final deadline for rectifying the breaches is 31.12.2021. The credit institution must by 10.1.2022 provide to the Banka Slovenije a written report on activities conducted for rectifying the breaches from the order in line with the first paragraph of article 251 of ZBan-2.
3. The credit institution must in connection with conducting activities that will rectify the breaches, as identified in point 1 of the order, provide to Banka Slovenije within one month after receiving this order an action plan specifying the activities that will rectify the identified breaches and

indicating the names of the officers of the credit institution responsible for rectifying the said breaches.

4. An objection to this order shall not hold its enforcement.

Information on any rectification of breaches or implementation of ordered measures

The credit institution provided to Banka Slovenije within the given deadline an action plan specifying the activities that will rectify the identified breaches and indicating the names of the officers of the credit institution responsible for rectifying the said breaches. The action plan indicates that the credit institution immediately started these activities.

Information as to whether judicial review proceedings have been initiated against the decision in accordance with the ZBan-2

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