

Steps Made in Hungary for the Wider Protection of Consumer Clients against Financial Institutions

Similar to other countries, financial institutions tried to shift their expenses – increased as a result of the financial crisis – to their clients mainly by raising significantly the interest, fee, and cost element of the contract concluded with them. Partly as a result of the highly increased payment instalment, and partly due to other negative effects of the financial crisis (e.g. loss of workplace), many individuals got into difficult situations, which resulted in the non-performance or default of their credit, and the loss of their real estates provided as security.

In order to avoid these consequences becoming disadvantageous for retail clients, to restrict the – previously almost unlimited – possibility of the financial institutions increasing the clients' burdens (mainly by unilateral modification of their contract), to secure the detailed information of the clients and to provide a wider protection for them, the following steps were made during 2009:

(i) the terms and conditions of unilateral modification of the loan agreements concluded by and between financial institutions and consumer clients has been regulated by law (latest modification thereof came into effect as of 1st January 2010);

(ii) the Code of Conduct including the principles of fair conduct by financial organizations engaged in retail lending has been created and signed by all major financial institutions (came into effect as of 1st January 2010);

(iii) in compliance with the 2008/48/EC Directive an act on retail lending has been adopted by the parliament (its provisions came (will come) into effect in two stages: as of 1st March 2010 and 11th June 2010); and

(iv) the maximum amount of loan being granted for consumer clients, the terms of prudent retail lending and the assessment of creditworthiness has been regulated in a separate decree by the government (the provisions thereof came (come) into effect in two stages: as of 1st March 2010 and 11th June 2010).

As indicated above, these regulations came (will come) into effect in more steps, granting enough time for the financial institutions to secure their operations in compliance with the new (or modified) rules.

Our Law Office provided, and also provides at present, legal service for many of its clients in the subject of the proper interpretation and implementation of the aforementioned rules and the Code of Conduct and, further from this perspective, in the subject of the review and modification of the sample-documents used in their everyday operation.

For further information please contact:



Judit Füzes
fuzes.judit@gfmt.hu

GÁRDOS, FÜREDI, MOSONYI, TOMORI

Váci u. 81., Váci Utca Center
1056 Budapest Hungary

<http://www.gfmt.hu>