

CMS | Romanian Consumer Protection Authority fines 11 banks for incorrect practices



In a surprise move on 16 May 2023, the Romanian Consumer Protection Authority fined 11 local banks, claiming that the manner in which the banks set out the repayment calendar for medium- and long-term loans in customer contracts is a misleading and incorrect practice.

Specifically, the Consumer Protection Authority alleges that the practice of banks to request that interest be repaid predominantly in the first years of the loan (with only a small amount of the principal being covered by an instalment) represents a misleading and incorrect practice.

The President of the Romanian Consumer Protection Authority stated that when consumers – in the first years of the term of a loan – pay predominantly interest and only a small fraction of the principal amount borrowed, these consumers end up supporting the banking system and their interests are adversely affected.

The President of the Consumer Authority also stated that the practice appears to “also hide group interests and a cartel-like approach”, which is why the matter is being referred to the Romanian Competition Council for further analysis. The Competition Council is already investigating the way in which ten major banks in Romania cumulatively calculate the crediting reference rate ROBOR.

In an unprecedentedly virulent discourse, the head of the Consumer Protection Authority inferred that the sanctioned practice is akin to usury, and that the authority is prepared to go to court for the “thousands of consumers brought to their knees by the burden” of these loan instalments.

In addition to the fine (RON 0.55 m divided amongst the 11 banks or approximately EUR 10,000 per bank), the Consumer Protection Authority also proposed that new reimbursement schedules be issued for pending loans and future loans where the principal amount borrowed must be paid in equal increments throughout the loan term, with the corresponding interest attached.

For more information on these investigations, contact your CMS client partner or local CMS expert **Cristina Popescu**.