

CONSUMER PROTECTION IN FINANCIAL SERVICES AND THE DEMANDS OF EUROPEAN CONSUMERS

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Abstract

Subject of analyzing and elaboration in this paper is the issue of creating and implementing proper consumer policy in the field of domestic and European law. Creating and implementing the correct protective policy in the field of financial services, represent important issue which the European Union has paid special attention. Taking into account the fact that this sector of financial services represents significant part of the GDP, EU seriously approached to this issue.

The purpose of this paper is aimed to the analysis of domestic and European legislation, elaboration of the treatment of consumers, and their position vis-a-vis banking sector. Ensuring effective consumer protection, and functioning of the market economy of EU, has a crucial meaning for creating stable, reliable system in which consumer trust.

In the sphere of the protection policy, financial services represent a particularly important part in the lives of consumers. In recent years, under the impact of the global crisis, the financial sector has experienced numerous and heterogeneous turmoil which had direct impact on working conditions of financial institutions, destabilizing the market and the ability to build perspectives on consumer protection.

In this paper, we'll attempt on a summary way to analysis the position of the Republic of Macedonia in terms of this matter, regarding the policies the country create, law applicable and established practice. Part of this research will be the legal acts adopted by the countries of the Mediterranean, and EU legislation.

Introductory remarks

Signing the Stabilization and Association Agreement in 2001, obliged Republic of Macedonia on creation and implementation unified consumer protected policy, dictated by the European Union. As an international organization, European Union realizes that process of full harmonization in the area of consumer protected policy is inevitable. In order to ensure that all consumers in the Community enjoy a high and equivalent level of protection, EU attempted to create a genuine internal market.

The existence of a good legal framework for consumer protection is not sufficient to provide a high level of protection. It is necessary to provide mechanisms for the application of the laws and their good implementation in practice. Fooled ads, sensitive, complicated terms, inadequately trained staff, unapproved additional fees and commissions, aggressive sales practices such as.

Door-to-door sales, or time-limited offers, failure to provide copies of consumer contracts for clients, inappropriate treatment of personal data is a daily practice in the financial sector.

Regardless of the numerous regulations adopted in accordance with EU legislation, there are a number of challenges for providers of financial services including: Full harmonization of the legislation with the EU acquires, implementation of international standards and practices, structuring supervisory bodies, liberalization of capital transfers, establishment of proper control of all providers of financial services, education and information to consumers about their rights and obligations, respecting the concept of responsible lending and borrowing, the establishment of appropriate mechanisms for the out-of-court settlement of disputes, strengthening the capacity of organizations to protect consumers.

Considering all the factors, it seems that the most effective control over safety policy will be implemented through the activities of supervision at the national level. These activities vary from country to country in the EU. Hence, the focus should be on creating an integrated or individual supervision, micro and macro supervision at EU level, which will ensure genuine European market.

1. European Union and its impact on financial system on national laws

European Union is an International Organization whose basic purpose is to provide co-existence among the states of Europe. As an international organization, the European source of legal authority lies in founding Treaties, which have been periodically revised.¹ In any of these treaties, consumer protection is one of the basic issues which continuously increase its importance. In part XV form Lisbon treaty² – (Consumer protection), EU set goals which refers to promoting the interests of consumers and to ensure high level of consumer protection.

Consumer protection and financial education are high on the agenda of many governments and central banks in the ECA region.³ Some of the countries take this as a process of harmonization of their national law, but in fact, this topic is much more important for their national economy, stability and prosperity. This is especially case after the economic crises that conquer that world. The consequences from the crises reflected in all segments of social and economic life. This unwanted movement upset the European Union. Direct measures aimed at the prevention were taken in the area of law titled: *consumer protection in the area of financial services* – banking services, financial leasing services and financial arrangement.

Having regard to the financial crisis BEUC - the European consumer organization analyze financial supervision - *perspectives on consumer protection in financial services*. In that directions following accusations were taken into account:

- *lack of regulation;*
- *the ineffectiveness of the existing supervision, which does not take into consideration the entire product cycle;*
- *selling of financial products and creating unsafe services through fraud;*
- *insufficient and inadequate financial advice;*
- *exclusion of vulnerable consumers;*

¹ Howells Geraint G., Consumer Protection Law, Aldershot [u.a.] Ashgate 2005, p. 100.

² (2010/C 83/01) EN 30.3.2010 Official Gazette Number of the European Union C 83/1.

³ Weatherill S., Beaumont P., EU Law - The essential Guide to the legal workings of the European Union, Penguin Group, London, 1999.

However, the Europe was not sitting on its hands. More measures were taken in order to stabilize the sector and to restore consumer confidence, particular when crises began.

It was quite clear to the European community that the existence of a legal framework is not sufficient to provide a unified protection policy. However, they had to start from somewhere, so, EU start to make revision on his own law. In particular they emphasize the role of the central banks and other financial bodies for supervisions. In essence, the main role in the implementation of the safeguard policy had these institutions. Comparative, there are many different organizations that have a distinctive role in this sphere. On the national level they play the same role. We will mention them because they are part of a global European policy.

1.2. Comparative aspects of protective consumption policy and supervision of financial services

Central banks have a number of duties including price stability, inflation control, monetary policy, financial security, systematic liquidity, etc. None of these roles does not apply strictly to the protection of consumers, but is primarily directed consumer protection system in which only a dependent part. Traditionally, central banks as institutions have no desire to take other monitoring activities that are not related to the control and monitoring function over banks.

For these reasons, some members predicted sectoral supervision model.

These are models of supervision in which the central bank plays a major role as supervisor over financial services, encountered in:

- Ireland (Central Bank of Ireland)
- Czech Republic (CNB)
- Slovakia (NBS) и
- Finland (through the central bank linked supervisory authority FIN-FSA).

Central banks working through sectoral model which also have a strong role in financial supervision include:

- Spain's Banco de España and
- Italy's Banca d'Italia.

In Austria, the Central Bank (OeNB) does not work with consumer protection and states that such requests should be referred to the special financial regulator "the Financial Market Authority. Luxembourg Central Bank (Banque Centrale du Luxembourg-BCL) has clear authority to supervise banks but this term is particularly directed to the supervision of liquidity and no explicit competence in the field of consumer protection. Responsibility for the protection of consumers of financial services at the National Agency for Supervision - *The Commission de surveillance du Secteur Financier (CSSF)*.

In Hungary, Hungarian Financial Supervisory Authority (HFSA) is an example of an independent integrated financial supervision authority for consumer protection (as a subset). By a special law (Act CLVIII of 2010 on HFSA) is provided that the protection of services provided by financial organizations is one of the goals of this body.

At EU level, the existing system of financial regulation and supervision is transposed network of coordinated and unified supervisory bodies:

- Banks - bodies supervising banks (EBA),
- Insurance and pension funds - insurance and occupational pensions (EIOPA) and
- Equity / services - investment services (ESMA)⁴

In the field of financial services, consumer policy in Czech Republic is implemented by Consumer Credit Act. This act generally comprises solutions from the Directive (2008/48EC). But the problem arises from the insufficient level of consumer protection in substantial law. As a supplement of this, we emphasize ineffective division of competences between the Czech National Bank and Czech Trade Inspectorate. Different opinions were produce regarding the identification of competent authority. However, Czech Republic promotes the centralized model of supervision. In this direction, the Czech National Bank should be the only institution with supervision authority in the Czech Republic. It is worth mentioning that non-bank creditors are almost not supervised at all in the Czech Republic. This causes many problems to consumers. Czech National bank should supervise this part of the financial market too.⁵ German financial supervisor has no legal obligation to protect consumers. German's government consider that protecting the interests of individuals is not private but public resort. In Slovenia there are three main national financial supervisory authorities: The Bank of Slovenia (responsible for bank institutions), Slovene Securities Market Agency (liable for investment firms) and Insurance Supervision Agency (controlling insurance companies, intermediates and agents). Main promoter of protected financial policy in UK is Financial Services Authority (FSA). Throught the work of this body, UK government ensure implementation of protected consumer policy. It also affect on the loyalty and faith in the financial system.

We are on the opinion that the comparative approach elaboration is a function of a more realistic understanding of the situation on the ground protect consumers of financial services.

The Directive itself is a result of the leveling of differences between countries belonging to the common law and civil law system. To create a shared care policy in the area of financial services has proved to be particularly complex work. The adoption of the directive and its transposition seems the most simplificate phase for realization. The hardest part refers to the actual acceptance solutions and research data related to this issue.

*In the context of this question: Does **Consumer Credit Directive (2008/48EC) and other instrument in this area reached this?** What are the strengths and weaknesses of the new directive? It differs from the previous? Finally, the EU plans regarding the future protection of this category of entities that participate in the European economy more or less?*

⁴ Loncar M., Consumer protection in financial services and the demands of European consumers, Skopje, 2012

⁵ Financial supervision in Europe, Consumer perspective, BEUC, the European Consumers' Organization, 2009.

1. 3. Consumer Credit Directive (2008/48EC),⁶

The Consumer Credit Directive (CCD) was adopted by the European Council in May 2008. The CCD was designed to harmonise the regulation of consumer credit across Europe and to increase consumer protection. Member States were asked to transpose the Directive into national law before 12 June 2010. In 1995 year, Commission presented a report on the operation of Directive 87/102/EEC,⁷ and revealed substantial differences between the laws of the various Member States in the field of consumer credit agreements. This situation leads to distortions of competition among creditors in the Community. As a result of this, European parliament and Council of the European Union took measures to improve this situation.

The purpose of the *Consumer Credit Directive (2008/48EC)* is to harmonies' certain aspects of the laws, regulations and administrative provisions of the Member States concerning agreements covering credit for consumers. CCD 2008/48EC apply to *credit agreements* and not to *credit agreements which are secured either by a mortgage or by another comparable security commonly used in a Member State on immovable property or secured by a right related to immovable property, credit agreements involving a total amount of credit less than EUR 200 or more than EUR 75 000; credit agreements where the credit is granted by an employer to his employees as a secondary activity free of interest or at annual percentage rates of charge lower than those prevailing on the market and which are not offered to the public generally etc.*⁸

For the purpose of clear understanding and implementation of the DCC some definition are determined: For examples article 3 (a), where the "*consumer is a natural person who is acting for purposes which are outside his trade, business or profession*". In the other hand, *Creditor*' means a natural or legal person who grants or promises to grant credit in the course of his trade, business or profession; In the rest of the definitions, DCC comprise the concept of 'overdraft facility, 'overrunning', credit intermediary, total amount of credit, durable medium, linked credit agreement etc.⁹ All of them are in connection with law of obligations. Even, DCC does not regulate contract law issues related to the validity of credit agreements, the biggest problem in this area refer to contract law. However, avoiding the problem from anomalies of credit agreement is conditioned by the measures taken in the stages that precede to stipulation of the credit agreement.

For this purpose, special attention has been dedicated to the pre-contractual aspects of the stipulation. In this direction, article 4 of the DCC provide: *Standard information to be included in advertising* which implies that *any advertising concerning credit agreements which indicates an interest rate or any figures relating to the cost of the credit to the consumer shall include standard information.*

⁶ Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC. Commission Directive 2011/90/EU of 14 November 2011 amending Part II of Annex I to Directive 2008/48/EC of the European Parliament and of the Council providing additional assumptions for the calculation of the annual percentage rate of charge.

⁷ Council Directive 87/102/EEC of 22 December 1986 for the approximation of the laws, regulations and administrative provisions of the Member States concerning consumer credit (3) lays down rules at Community level concerning consumer credit agreements.

⁸ See the rest of the cases in which CCD (2008/48/EC) shall not apply in articles, 1 and 2. L.133/72 Official Gazette Number of European Union.

⁹ These definitions serve not only to explain the concepts, but most of them correctly (uniform) interpretation.

Closely related with this is the rule according to which creditor if applicable provide the consumer with the information needed to compare different offers in order to take an informed decision on whether to conclude a credit agreement: *pre-contractual information*.¹⁰

DCC also provide other kind of obligations for the creditor in order to protect customer. In this direction DCC provide *obligation to assess the creditworthiness of the consumer*. Accurately, the creditor assesses the consumer's creditworthiness on the basis of sufficient information, where appropriate obtained from the consumer and, where necessary, on the basis of a consultation of the relevant database. As a addition of this solution, the creditor updates the financial information at his disposal concerning the consumer and assesses the consumer's creditworthiness before any significant increase in the total amount of credit.

In chapter III, DCC provide the *database access*, which play a great role in the protection of creditor, and avoid the collapse of credit agreements. Besides protecting the banking Sector, this provision is much more concern to consumer protection. The indebted clients are not able to meet its obligations under the contract. They will only be charged with paying interest about the main debt. Considering that the biggest interest of the bank is bound to charging interest and not main debt, the idea of the directive for protection of the consumer sector is clear.

All the obligations set out as separate articles in the Directive, are related with consumer protection policy towards the EU level. All this solutions were connected to stages which precede to stipulation of the agreement. However, they impose these obligations to be part of the contents of the contract. Hence, the obligation for including the information in credit agreement: *the type of credit; the identities and geographical addresses of the contracting parties as well as, if applicable, the identity and geographical address of the credit intermediary involved; the duration of the credit agreement; the total amount of credit and the conditions governing the drawdown*.

One of the most important tasks *for the creditor refers to his obligation to* informed his client about any change in the borrowing rate. The information shall state the amount of the payments to be made after the entry into force of the new borrowing rate and, if the number or frequency of the payments changes, particulars thereof.

Great benefit for the consumer is the right of withdrawal. Namely, the consumer shall have a period of 14 calendar days in which to withdraw from the credit agreement without giving any reason.¹¹ *Consumer Credit Directive* provides solution for early repayment. In this direction, the consumer is entitled at any time to discharge fully or partially his obligations under a credit agreement. In the event of early repayment of credit the creditor shall be entitled to fair and objectively justified compensation for possible costs directly linked to early repayment of credit.

Considering how often the economy going early repayment of loans, it seems this provision quite logical. This concept of protection of consumers of financial services is aimed at creating a friendly climate in the business relations between the banking sector and consumers. The desire to return premature loan by the consumer is not accompanied by the fear that the damage will be great.

¹⁰ Such information, on paper or on another durable medium, shall be provided by means of the Standard European Consumer Credit Information form set out in Annex II.

¹¹ Open-end credit agreements are advantageous to borrowers, as they exert more control over how much they borrow and when. In addition, interest is not usually charged on the part of the line of credit that is not used, which can lead to interest savings for the borrower.

Consumer Credit Directive pays special attention on the concept of assignment right. Even this concept is part of civil law, CCD provide this obligation and determined that in the event of assignment to a third party of the creditor's rights under a credit agreement or the agreement itself, the consumer shall be entitled to plead against the assignee any defence which was available to him against the original creditor, including set-off where the latter is permitted in the Member State concerned.

The fact that this right is particularly indicated in the directive, indicating the importance of this decision and will be completely protected consumers when it comes to transfer the rights to a third party.

Analysis and elaboration of the provisions in the Directive lead to the conclusion that Directive provides comprehensive consumer protection of financial services. Making transparent, reliable, and real bank policy, the directive aims to unify the credit market and to facilitate the use of financial services in the community.

Conducted analyze on the implementation of the Directive, shows that continuous control is necessary by appropriate institutions for its implementation. Results from the implementation of the directive refer to provide fair and responsible treatment of consumers by providers of financial services; to protect consumers from damage, loss of property and inheritance, as well as involving in debt.

These organizations on national level should at least fulfill the following tasks:

- *Monitoring products and assessment of their impact on consumer;*
- *Have the power to intervene and order the regulator to take timely action against product defects or product inappropriate;*
- *To issue warnings about unsafe / hazardous products;*
- *to promote competition, publish action against certain companies and products.*

Collects and evaluates complaints from consumers: a) *directly from consumers*; b) *indirectly through organizations*; c) *arbitration by offering service to consumer*. Taking surveys, secret shoppers (mystery shopping) investigations have resources for investigations based on calls to consumers or consumer networks or under the supervision of certain institutions; Monitoring the effects of certain products, marketing practice, and legal norms relating to consumer protection.

Establishing standards for the form and approach as well as the type of information, publishing specific information to consumers in order to protect them, such as results, misleading financial promotions.

In this direction, we will use results of the study, "*Financial Supervision in the EU - consumer perspective* - For some bodies for financial supervision (FSAs), consumer protection is not a legal requirement and they perform a limited number of activities. Some national FSAs have a limited number of employees for the supervision of consumer protection and do not all FSAs have employees who operate exclusively in consumer protection. Limited facilities for inspection FSAs. 70% of FSAs think they are not able to make a binding decision on the complaints of consumers. In most cases they just send letters of notification to interested parties / state bodies;

Most FSA does not publish sanctions and consumer complaints. In many cases, conflict of interest is an obstacle to such publication / concerns about adverse effects on the financial

markets. Have further legal obstacles for publishing (including criminal penalties) or for publication at an early stage (before the final decision), despite the need for transparency in the regulatory and activity supervision;

In myriad cases consumers cannot get compensation. Funding FSAs performed by providers of financial services that can be considered as a potential conflict of interest.

Stronger and independent body in each Member State

Assurance that there will be no conflict of interest between banking supervision and supervision of consumer protection in cases where tasks are performed by the same financial supervisor, and on the other hand, this should not prevent their cooperation.

2. The Laws and regulations in Republic of Macedonia that refers to the consumer protection with special review at the Law of consumer protection in the consumer credit Agreement

The financial services which are available at the financial market have a big influence on the consumer's lifestyle. The multiplicity of the services which are offered to the consumers, gives them the best opportunity to realize their aims and functioning. Of course, the numerosity and variety of the offered services depend of the financial system and financial market development. That is why, the financial services are adapted to the public, economic, social and legislation rise of the state and the needs of the consumers.

In this article, the subject of analyzing will be the consumer credit for natural person in Republic of Macedonia. Despite the fact that at the international level exist wide specter of professional institutions for financial services (credit institutions, investment companies, financial companies, insurance companies, brokerage houses, pension funds and many other institutional investors that gives different kind of financial services), in R. Macedonia the leading position for this kind of service (consumer credits), is taken from the commercial banks. That's why, the role of a creditor¹² often belongs to the above mentioned institutions.

The banks offer a wide range of this type of services (bank current accounts, different types of credits for natural persons, deposits, charting financial instruments, investment advices, exchange transactions services, intermediating units for collective investment in transferable securities and pension funds etc.).

The Consumer protection Law in consumer credit agreement defines what is a consumer agreement: *“agreement that refers only to a person who regularly extends, whether in connection with loans, sales of property or services, or otherwise, consumer credit which is payable by agreement in more than four installments or for which the payment of a finance charge is or may be required agreement that the lender approves or promises to grant consumer credit in the form of loans, overdrafts, hire purchase of products and services, financial leasing or other similar financial services, except contracts for the provision of services on a continuous basis or for the supply of products of the same type in which the payment is made in installments over the period of the provision of services and the supply of products.* (See: Article 2, line 1,

¹² · Creditor is a bank, as a company with public shares, or other form of company according to the Company Act in R. Macedonia that is register for activity to approve consumer credit. See Consumer Credit protection Law; Official Gazette Number of R. Macedonia n. 51/11.

nb.3 Consumer protection Law in consumer credit agreements. Extending the definition, gives as a chance to put the overdraft¹³ at current accounts as a credit services.

1. Parties in the consumer credit agreement

As involved parties in this kind of agreement are:

The Creditors

The Consumers

As a participant in this transaction, may appear natural or legal person who carries out one or more activities for compensation *on behalf of and for the account of the creditor or in the name and on behalf of the consumer*. The law defines/titled this kind of a person as *credit intermediaries* and specifies his field of activities. Such activities are: *to present or offers consumer credit contracts, consumer loan contracts in the name and for the account of the creditor, to assist consumers by undertaking preparatory activities for consumer credit agreements and other loan agreements*. The Ministry of Economy in the part of creditor maintains a register of credit intermediers.¹⁴ Credit intermediary mediation may be authorized to perform any consumer loan signing one or more creditors. This authorization is given in writing, and the parties verified it by a notary.

2. The consumer's rights and obligations

*Consumer is a person/ultimate beneficiary who enters into a contract for purchase of goods or retail services.*¹⁵ According to the “*Law on the protection of consumers*” in consumer credit contracts it is the natural person who enters into a contract for consumer credit, and for purposes not connected with the performance of his trade, business or professional activity.

The consumer has the right to be advised and informed. He also has the right for early repayment of the outstanding part of the loan without any compensation.¹⁶ The new *Law on Protection* did a step forward limiting the compensation for the costs associated with early payment, so it must not exceed more than 1% of the amount of the early repayment of the loan, if the period between the early repayment and the shelf life of the loan agreement occur over a period longer than one year from the expiration date of the loan agreement. In Law on Protection of consumer credit contracts in 2007 there was no such restriction, and left large providers of financial services to self-regulate compensation for costs associated with the early repayment of the loan.¹⁷

¹³ Law distinguishes between violations and overdrafts. Allowed overdraft is an explicit agreement between the consumer and the creditor, which would involve the same must be concluded in writing.

¹⁴ Shape the content and procedure of keeping the registers seen in the Rulebook on the form, content and manner of keeping the register of consumer loan lenders and credit intermediaries registry in creditor Official Gazette Number br.142/11

¹⁵ <http://www.businessdictionary.com/definition/consumer.html>

¹⁶ Ibid art. 16 para.1.

¹⁷ See Art. 18 of the Law on the protection of consumers in consumer credit agreements Official Gazette Number of the Republic. Macedonia 63/07.

The consumer has right to be regularly informed of the account balance, interest rate allowed overdraft exceeding etc, through a durable medium or in writing.

With the signing of the Stabilisation and Association Process in 2001 R. Macedonia undertakes to comply with the European standards for the protection of consumer rights. According to the government's consumer protection program from 2007-2008 and based on the 8 key points in this regard, emphasis is placed on the following basic consumer rights: the right to satisfaction of basic needs, the right to safe products, right to information, right to choose, the right to hear the voice of consumers, the right to compensation, the right to consumer education, the right to protection of the environment. In the years that followed, government policies and programs follow the European dynamics and change regulations related to the protection of consumer rights.

3. Rights and obligations of the service provider - the creditor

Creditors are required to be registered in the commercial register kept at the Central Registry of the Republic of Macedonia and have permission to work from the National Bank of the Republic of Macedonia, the Ministry of Finance (exp: Financial companies receive a license for the establishment and operation of the Minister of Finance) or other authorized supervisory body (eg. Securities and Exchange Commission appears as controller of investment services and activities which are offered from brokerage houses, investment funds, etc.)..

Sellers must not mislead the user in connection with the product he sells. He can't do this through expressions, signs, information, labeling, and instructions and so on. - Error in object (wrong conclusion about the nature, origin, characteristics, composition, and its effects. Deliberate bringing misleads the consumer a crime – fraud).¹⁸

3.a lenders permit procedure

The law gives the concept of a complex procedure for obtaining a consumer loan lender. We are of the opinion that the legislator considered necessary creditor pass several institutional filters to protect consumers and avoid financial risks. Before starting the activities of consumer credit, creditor is obliged to submit an application to the Minister of Economy for approval The Minister of Economy will the approve the application and issue a permit for load credits, or reject the application. Against this kind of solution, the creditor has right to appeal to the State Commission for administrative decisions in labor relations and procedure in the second degree.¹⁹

Creditor is a natural or legal person who has received special permission from the relevant ministry (in this case the Ministry of Finance) for initiating consumer loan approval. Prior to the activities for approving consumer credit lender is obliged to submit an application for

¹⁸ See Fraud art. 247 of the Criminal Code of the Republic. Macedonia. Fraudulent market behavior seen in Part II, namely Law and amendments to the Law on consumer Protection Official Gazette Number 24/11 of 25.02.2011.

¹⁹ More on the State Commission for deciding in administrative procedure and procedure employed in the second degree seen in the Law on the Establishment of the State Commission for deciding in administrative procedure and the procedure employed in the second degree, Official Gazette Number of the Republic. Macedonia 51/11 dated 13.04.2011

a permit to the Minister of Economy. Lenders, financial institutions, whose supervisor is NBRM acquire this right by getting permission from the Governor of the Central Bank.

4. Legal nature of the consumer credit agreement

Consumer contract is an agreement by which the lender undertakes consumer loan, to make available a certain amount of money for definite or indefinite period of time, purpose-built, or unpropise built. On the other hand, the user commits to pay the agreed interest rate and to turn back the amount received in agreed timeframe, and in the manner as specified. From the above mentioned we emphasize that consumer credit agreement is *named, formal, collected and consensus agreement*. The contract is not concluded in writing or another durable medium does not produce any legal effect. Consumer loan agreement stipulates the amount, terms of giving and how the return of the loan. Hence, we can say that the loan agreement has major similarities with Procurements loan or in part, can register as a special type of loan agreement. Creditor with special regulations specify in detail the content and other conditions for giving credit and return the territory of the Republic Macedonia.

II. FORMI CONSUMER PROTECTION IN THE REPUBLIC.MACEDONIA

Consumer protection mechanisms are crucial for the realization of the right consumers. Realizing that there are legal and legitimate mechanisms for the protection of consumer rights has prompted creditors diligence and honesty and respect basic consumer rights on the one hand, and consumers give freedom of action in order to protect their rights in the use of financial services, other.

Every two years the Government of the Republic. Macedonia, upon proposal of the Minister of Economy, adopt consumer protection program that determines the consumer protection policies, measures and actions for achieving the consumer protection policy, their information, education and counseling

In practice, consumer exercise their own consumer rights individually or collectively: Individual right consumer may exercise before the court by filing a complaint with the same due to the violation of rights, the use of unfair contract or violation of other provisions enshrined in the Law on Consumer Protection, the Law on the protection of consumers in consumer credit agreements, Law Contract Law and other related laws.

Collective consumer protection was governed by a novel Consumer Law 2011, section III-b. With this novel any authorized body may propose to the competent inspectorate to take proceedings before a competent court proceeding against the provisions of Articles 53 and 117.

Procedure may be denied against any individual trader or group of traders who perform the same activity, and act against consumer provisions of the Law on Obligations and merchants who acted contrary to rules for unfair market terms. In addition to the authorized bodies for initiating proceedings, the proposal for consumer protection may give Association for consumer protection or some other independent body²⁰ established to protect the common interests of

²⁰ The list of authorized bodies shall be determined by the Government of the Republic. Macedonia upon proposal of the Minister of Economy.

consumers. Collective consumer protection in the Macedonian practice is not yet known,²¹ but in the countries of the region (Serbia and Croatia) procedure first collective lawsuits against several banks.²² Even though we are talking about lawsuits pertaining to the provisions of contracts for home loans, which are not the focus of current research, however, this pioneering step, one way, is an indicator of the openness of the neighboring countries to unique European market.

For certain violations²³ Law expressly requires prior actions undertaken (settlement procedure) before submitting a request for initiating misdemeanor procedure. Also introduced is the Institute mediation as an opportunity to align the parties before submitting a request for initiating misdemeanor procedure. Mediation is not binding instrument to resolve the dispute and as such can often be skipped because it does not produce binding decision on the fulfillment of the obligation so her realization depends only from good will on both sides and negotiating "skills" mediator.

Law through the Council on the protection of consumers or consumer associations formally determines the required forms of associations for the protection of consumer rights. Consumer Protection Council has the legal set up, namely comprises 12 members' representatives of state bodies whose responsibilities are related to consumer protection, consumer associations and chambers of commerce of the river. Macedonia.²⁴

Consumer associations in the Republic. Macedonia is one of the formally predicted forms of associations, whose main goal is to protect consumers. However, they have preventive care towards consumers. Namely their activities are realized by providing advice, information and mediation. They are formed by consumers for the protection and realization of their rights.

²¹ We assume that this shortage due to the delayed implementation of the provisions of the story. They go into effect one year after the adoption of the Law on Amendments to the Law on Consumer Protection, i. e 04.03.2012.

²² First collective action in the history of Serbian judiciary is brought from bank customers association. The lawsuit was filed against Hypo-Alpe-Adria Bank, Piraeus and EFG Bank and refers specifically to the mortgage loans in Swiss francs. Similarly any and R.. Croatia last year where civil society organizations raised a collective lawsuit against 8 banks (Commercial Bank of Zagreb, Zagreb Bank, Erste Bank, Raiffeisen Bank, Hypo-Alpe-Adria Bank, OTP the Split Bank and Volksbank) in Croatia. This is a lawsuit based on two circumstances, unfair use of foreign currency (Swiss francs) and unfair application of interest rate changes.

²³ Concerning offenses established in chl.138 of Consumer Law

²⁴ For more information on the composition of Council See Art. 123, Ibidem.

Conclusion:

The existence of a good legal framework for consumer protection is not sufficient to provide a high level of protection. It is necessary to provide mechanisms for the application of the laws and their good implementation in practice anywhere in the EU. Supervisory activities at the national level vary from country to country in the EU among its members, leading to weak consumer protection in some Member States. Study BEUC's "Financial supervision in the EU - A consumer perspective" suggests that consumer protection and supervision is often suppressed nationwide. In this direction, the necessary process is financial education, which means: *Independent projects that will help people to gain financial education / and to increase the skills to manage their personal budget, Organizing best practices with NGOs in this area, Networking at EU level, Cooperation between national FCPAs bodies.*

Main stakeholders should be consumer organizations, trade unions, independent research institutes consumer areas, counseling associations about money, indebtedness, etc; Creating an advisory board, where consumer organizations have the right to propose activities and actions; consultation with consumers or as an instrument to establish an independent board / panel for financial services in order to hear the opinion of consumers nationwide

The analyzes in this sector show that Macedonia has a mature and serious approach when it comes to the creation and implementation of legal regulations in the area of consumer protection. As confirmation of this serves the adoption of the Law on the protection of consumers in consumer credit agreements, Law for the provision of financial services at a distance, etc. In Republic of Macedonia special role in the sphere play organization for the protection of consumers. Even its not a financial institution, its role is very important in protection customers from any kind of injury of the rights.

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