



BANK OF ISRAEL
Banking Supervision Department
Public Inquiries Unit

25 January 2006

**Summary of the activity of the Banking Supervision Department Consumer Protection Area
with respect to handling public inquiries and drawing conclusions from them**

In 2005 processing of 5,501 inquiries was completed, compared with 5,467 in 2004 and 4,644 in 2003. The continuing upturn in inquiries to the Banking Supervision Department from the banks' customers derives mainly from the public's increased awareness of their rights as consumers, and from the Banking Supervision Department's action in this area.

The main subjects of concern to the public in the banking system, as reflected by the percentage of these inquiries to total inquiries were: mortgages, 20.8 percent; bank account management, 15.5 percent; checks, 10 percent; and fees, 9.5 percent.

The Banking Supervision Department reports that of the 5,501 inquiries that were processed in 2005, 3,863 were complaints and 1,638 were inquiries for the receipt of information and various other requests.

Of the complaints with respect to which a position was taken in 2005, 26.8 percent were found to be justified,¹ similar to the rate of 26.4 percent in 2004. This was slightly less than in the previous years: 29 percent in 2003 and 32 percent in 2002.

Of the total number of complaints concerning each of the major banks, the lowest percentage of justified complaints, 16.1 percent, occurred in Bank Leumi, followed by the First International Bank with 25.4 percent, Bank Mizrahi, 27.9 percent, and Bank Discount with 29 percent. The largest percentage of justified complaints was found at Bank Hapoalim, 30.3 percent. At Bank Hapoalim and Bank Discount, the percentage of justified complaints was higher than in the previous year: Bank Hapoalim had 30.3 percent compared with 28.7 percent in 2004, and Bank Discount, 29 percent compared with 27.7 percent in 2004.

At Bank Leumi, Bank Mizrahi and the First International Bank, the percentage of justified complaints fell compared with the previous year: Mizrahi, 27.9 percent compared with 30.4 percent in 2004; First International Bank, 25.4 percent compared with 29.8 percent in 2004; and Bank Leumi, 16.1 percent compared with 19.5 percent in 2004.

As regards complaints relating to mortgages, the number of justified complaints at the three largest banks was lower than in the previous year. The lowest percentage of justified complaints was at Leumi Mortgage Bank, 24.5 percent, followed by Bank Hapoalim with 25.3 percent and Bank Mizrahi-Tefahot, 26.7 percent.

¹ The percentage of justified complaints in this release includes the percentage of complaints that were found to be partly justified.

Of the total number of complaints concerning each of the credit card companies, the lowest percentage of justified complaints, 6.9 percent, was at Leumi Card, followed by ICC (Israel Credit Cards) with 14.3 percent, and Isracard with 17.6 percent.

At ICC, the number of justified complaints fell compared with the previous year: 14.3 percent compared with 18.2 percent in 2004. Leumi Card ended the year with 6.9 percent of justified complaints compared with 16.1 percent in 2004. At Isracard, the percentage of justified complaints rose compared with the previous year: 17.6 percent compared with 12.3 percent in 2004.

The Banking Supervision Department emphasizes that the processing of public inquiries has financial ramifications to the benefit of those submitting the inquiries themselves: in 2005, the overall compensation that the banks paid to customers as a result of the specific complaints that were processed totaled NIS 2,023,475.

Apart from the processing of specific complaints, during the past year the Banking Supervision Department dealt with 11 different subjects deriving from the information that it obtained on the banks from customer complaints and from other sources of information relating to the commercial banks and the mortgage banks. Due to the Department's processing of these subjects, the banks were required to reimburse an overall amount of about NIS 24 million to the relevant customer groups. The total reimbursements to customer groups resulting from the lessons learned from the processing of public inquiries and the receipt of other information amounted to about NIS 127 million during the last four years. The table in Appendix 4 details the reimbursements made during 2005.

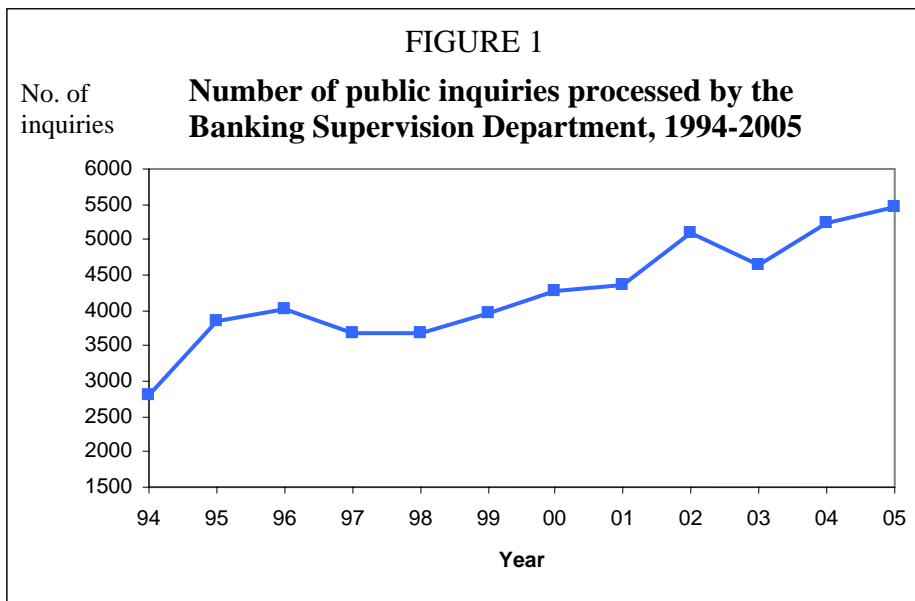
The processing of inquiries from the banks' customers forms part of the Department's extensive activity for protecting customers' rights, alongside additional activities such as legal action aimed at compiling uniform contracts for revoking or changing unfair terms in the standard contracts used in the banking system, monitoring the banks' fees, and issuing directives to the banks concerning proper modes of operation with their customers.

The measures taken in these areas in 2005 include: the arrangement covering fees that is known as "the package deal", which led to a considerable reduction in the cost of managing a current account, especially for customers with a medium or low level of activity in their accounts; the Directive of the Proper Conduct of Banking Business on "transfer of activity and closure of a customer's account", which contains a series of arrangements that are intended to facilitate customers' transfer between banks while greatly reducing the costs involved in the transfer; and the Directives on such matters as credit lines and charge cards.

The Public Inquiries Unit in the Banking Supervision Department is at the service of the banks' customers regarding all matters relating to banking consumer protection, at the following address:

POB 780, Jerusalem 91007, tel. 02-6552680, fax 02-6552668.

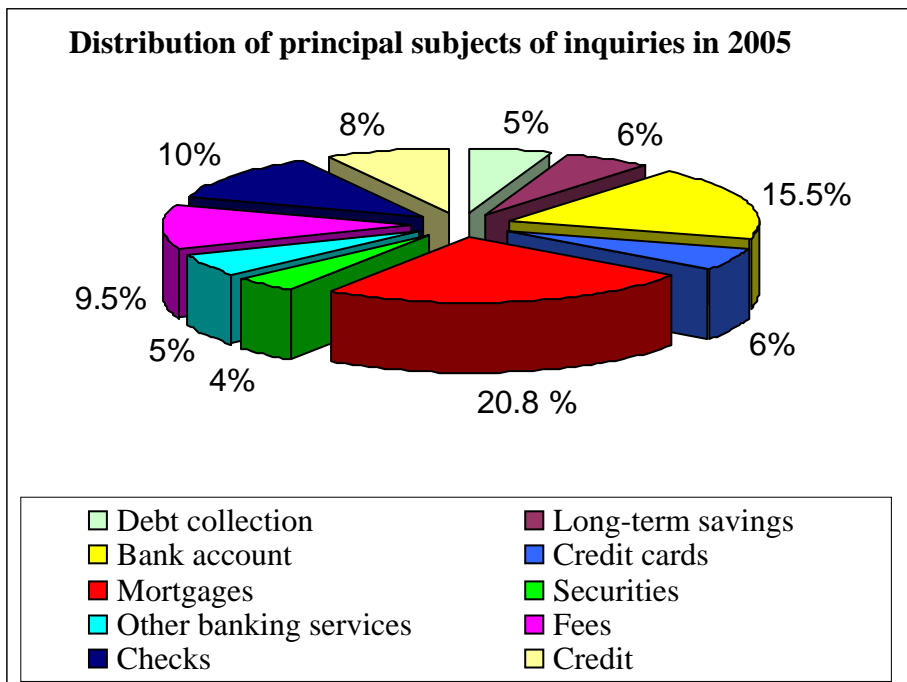
Appendix 1 Inquiries handled by the Banking Supervision Department during 1994-2005



Appendix 2 – Outcome of inquiries in 2005

	No. of inquiries	Percentage of total inquiries
Complaints regarding which a position was taken		
Unjustified	1,937	35.2
Justified	557	10.1
Partly justified	152	2.8
Total	2,646	48.1
Complaints regarding which a position was not taken		
Processing ceased for another reason	434	7.9
Processing ceased due to legal action	219	4.0
Not within the Unit's authority	266	4.8
Not possible to take a position	287	5.2
Inappropriate for processing by the Unit	11	0.2
Total	1,217	22.1
Requests and clarifications		
Requests	546	9.9
Clarifications	1,092	19.9
Total	1,638	29.8
Total inquiry processing completions	5,501	100.0

Appendix 3 - Distribution of principal subjects of inquiries in 2005



Appendix 4 – Table of general reimbursements in 2005

Subject	Total repayment in NIS	Bank
Rounding up of Libor interest rate to the nearest eighth of a percent without informing the customer	13,336,000	First International
Charging of Leumi phone commission	4,618,768	Arab Israeli
Charging of Young Bankat card "limitation of liability" fee after cards had expired	2,146,000	Hapoalim
Charging of membership fee and "limitation of liability" fee after a card was blocked	2,048,365	Leumi Card
Indexation of grant when calculating outstanding mortgage loan balance for early repayment purposes	876,638	Union
Liability monitoring fee	719,200	Mizrahi-Tefahot
1 - Charging average index fee at time of early repayment (on Treasury-subsidized loans); 2 - Non-repayment of credit balances of up to NIS 25 to customers; 3 - Misinterpretation of Para. 11 of the Banking Order (Early Repayment Fees); 4 - Charging a fee (loan adjustment due to assignment of rights as the result of divorce proceedings) before update of fee-scale; 5 - Charging of a fee for agreement to an additional pledge (above the amount under price control)	315,263	Leumi Mortgage
	24,060,234	Total

Appendix 5 - Distribution of five largest commercial banks by number of complaints and different criteria of size (percent), 2005

Distribution of five largest commercial banks¹ – by number of complaints and different criteria of size (percent), 2005					
Bank	Complaints²	Justified complaints³	Total assets⁴	Number of branches	Deposits of the public⁴
Hapoalim	38.62	45.28	35.28	34.28	34.67
Leumi	23.72	14.81	32.54	26.72	32.91
Discount	14.17	15.88	14.16	16.73	14.22
First International	8.31	7.73	9.08	10.66	9.26
Mizrahi	15.18	16.31	8.94	11.61	8.93
Total	100	100	100	100	100

¹ Excluding subsidiaries.

² Regarding which a position was taken (justified/partly justified/unjustified).

³ Including complaints found to be partly justified.

⁴ At 12/04 prices.