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**Article**

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## COMPETITION AND CONSUMER PROTECTION IN THE ROMANIAN BANKING SECTOR

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### Abstract

This study highlights the relationship between the competitive environment in the domestic banking sector and the protection of consumers' rights and interests. The research is focused on three areas: analysis of the competitive environment, based on detailed analysis of the degree of concentration, the average interest rate spread on loans and deposits, and clients' mobility; analysis of the distribution and causes of the complaints made by consumers of banking products and services; the correlation between the bank's market share and the number of complaints registered by it, using the ranks difference correlation nonparametric Spearman's test.

The results of the analysis highlighted a strong and direct relationship between the competitive position of the bank and the number of the complaints it registered, proving that the competitive environment in the banking sector does not ensure the real protection of consumers' rights and interests.

Considering the results of the research, we proposed at the end of the study, clear and consistent measures in order to: improve the consumers' financial literacy; reduce information asymmetry and stimulate competition in the banking sector; increase consumers' trust in the financial sector; generate beneficial and sustainable effects.

**Keywords:** competition, consumer protection, banking sector, Herfindahl-Hirschman Index, client mobility, complaint, Spearman's correlation coefficient.

**JEL Classification:** D18, G21, G28

### Introduction

As compared to other fields, the relationship between the consumer and the supplier of banking products and services is more complex and more sensitive to the changes brought about by external factors. On the one hand, as the transactions involve non-negotiable cash

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assets on variable periods of time, this relationship requires a high level of trust from the consumer towards the chosen bank. On the other hand, the banking system is fragile in its nature, which is why it is extremely regulated and supervised, the policies imposed by the regulators having a direct and significant impact upon the strategies adopted by the banks and implicitly upon their relationship with the consumer.

Taking into account that a supplier-consumer relationship based on trust requires a high degree of transparency and implicitly, the client thorough information regarding the acquired products or services, it is obvious that a long-term relationship between the bank and its consumers has multiple advantages from this perspective. On the other hand, although a long-term relationship represents, to some extent, the solution to the asymmetric information issue, it still holds the disadvantage of diminishing the competition in the banking sector, as the consumers are no longer stimulated to search and acquire products or services from other credit institutions.

In addition, the financial crisis that started in 2007 has significantly changed the relationship between consumers and credit institutions, as: (i) consumers' trust in the credit institutions decreased considerably; (ii) uncertainty in the financial banking sector increased; (iii) bankruptcy in the case of some well-known banks and the necessity of operational costs diminution brought about massive changes in the banking sector both at the global level, and at the regional level; (iv) new regulations were adopted to ensure the stability of the financial sector (Nagy and Benyovszky, 2013; Smick, 2009).

The global financial crisis triggered by excessive lending, especially in the US mortgage market, has demonstrated the importance of the protection of consumers of banking products and services in order to ensure financial stability. As a result, new reforms were introduced at both national and international levels, and a set of high level principles and good practices have been developed aiming to improve consumer protection. Furthermore, representative international organizations and institutions, such as the World Bank (WB), Organisation for Economic Co-operation and Development (OECD), European Commission (EC), European Parliament (EP) and European Banking Federation (EBF) conducted a series of studies and research that address issues of the protection of consumers of financial products and services in the current context.

However, ensuring an equilibrium between consumers' and banks' interests, under a strongly regulated market, is a difficult goal to achieve, especially in developing countries that are "most vulnerable", as they are exposed to rapid development and diversification of financial products and services, while most consumers do not have the experience and knowledge to choose and use them (EBF, 2014; EP, 2014; EC, 2012).

Therefore, we consider particularly important the studies approaching this topic, which is also the case for the present paper that mainly aims at highlighting the relationship between the competitive environment in the Romanian banking sector and the protection of consumers' rights and interests. In this respect, the research is focused on three areas: (i) analysis of the competitive environment in the banking sector; (ii) analysis of the distribution and causes of the complaints made by consumers in relation to the most important banks; (iii) highlighting the correlation between the bank's market share and the number of complaints it registered.

## 1. Literature review

The disequilibrium, attributable to the unbalanced power, information and resources held by the providers of financial products and services to the detriment of their consumers, places the latter in a prejudicial position which imposes consumer protection measures for the clear benefit of both parties. In this regard, the extant literature points out that consumer protection and financial education promote efficiency and transparency, stimulating competition, while ensuring stability of financial markets (EP, 2014; WB, 2013; Mandell and Klein, 2009; Brown et al., 2005).

The previous financial crises and the one started in 2007 revealed “consumers’ low level of understanding of financial products and services” (Valant, 2015), “financial illiteracy” is “widespread even in well-developed financial markets such as, among others, those of Germany, Italy, Netherlands and Sweden in Europe and Japan and the USA” (Atkinson and Messy, 2012).

With respect to the European Union (EU) Member States, the results of surveys conducted by the EC during the years following the crisis show that due to their low level of understanding financial products and services, more than half of EU citizens prefer simple products and services, 52% of the consumers who would like a new current bank account or a new credit card tend to acquire the first product, and over 80% of the consumers never change the provider of banking products/services (EC, 2012; EC, 2011).

The Eurobarometer survey on financial services (EP, 2014) led to the identification of three main features of the European consumers’ behavior, namely:

- The ownership rate of various financial products varies considerably from product to product and from one Member State to another. For example, in Romania the current bank account ownership rate is only 27%, significantly lower than the EU average (84%) and Denmark (100%). In the case of investment funds, ownership rates vary from 0% in Romania and Bulgaria (which means a level so low that it cannot be identified in the survey sample) to 30% in Sweden;
- “Consumers do not buy financial products frequently”. Thus, at the EU level, only 56% of the respondents have purchased a financial product in the last 5 years prior to the study;
- “Generally consumers do not tend to switch financial products provider”. At the EU level, between 81% (in the case of mortgage loans) and 85% (for credit cards and current bank accounts) of consumers did not switch provider in the past 5 years preceding the study.

Although the academic literature highlights “a positive correlation between poor financial literacy and suboptimal financial outcomes”, there is no consensus on “the overall efficacy of financial education” (Hastings, Madrian and Skimmyhorn, 2013). Thus, an analysis of “the impact of financial literacy programs” concluded that “financial literacy and capability interventions can have a positive impact in some areas (increasing saving and promoting financial skills) but not in others”, as for example “credit default” (Miller et al., 2014).

Recent findings from behavioral studies have confirmed the hypothesis that “consumers’ ability to make rational and informed choices is limited” (Gathergood, 2012). The results of these studies led to the conclusion that “consumers’ empowerment through information

disclosure and financial education is likely to be insufficient to adequately protect all consumers” (EP, 2014).

Therefore, in order to boost competition in the banking sector and increase the effectiveness of consumer protection, policy makers and regulatory and control authorities have a particularly important role (EP, 2014; EC, 2012; Armstrong, 2008). According to experts, the regulators and competition authorities should: “consult one another for the purpose of ensuring the establishment, application and enforcement of consistent policies regarding the regulation of financial services”; systematically evaluate “the impact of competition policies on consumer welfare” (WB, 2012).

In this regard, in 2012 the World Bank developed the code of “Good Practices for Financial Consumer Protection” (GP). This is “a diagnostic tool” which provides decision makers with a wide range of options regarding the adequate policies to be adopted in order to ensure the protection of consumers of financial products and services. Essentially, the GP establishes clear rules of conduct for financial institutions, so that consumers: “receive information to allow them to make informed decisions; are not subjected to unfair or deceptive practices; have access to recourse mechanisms to resolve disputes” (WB, 2012).

Regarding the relationship between European consumers and banks, a number of studies conducted by the European Commission revealed a variety of irregularities, as follows: “financial services providers do not always respect the rules”; financial advisors do not always recommend suitable products to consumers according to their needs and they appear to be more interested in the amount invested rather than in their ability to reimburse the investment; “many consumers do not receive advice when purchasing financial products and services, but when they do, they tend to rely on the product provider” (Valant, 2015).

Moreover, a research conducted by the EP identified the financial products and services with high risk to consumers, namely: (i) mortgage products, mainly variable rate mortgages, foreign currency mortgages, high loan-to value and debt-to-income mortgages; (ii) “loan products which carry a high risk of a substantial residual liability” due to “lack of proper debt discharge or reduction mechanisms”; (iii) credit products with high interest rates, especially “instant loans” and credit cards with high rates combined with high limits; (iv) “savings, investment and pension products with high charges which reduce net returns to savers” (EP, 2014).

At the EU level, aiming “to improve financial literacy in order to promote healthier financial behavior and financial welfare”, have been developed and implemented national strategies for financial education in 13 Member States, namely Czech Republic, the Netherlands, Slovakia, Spain, the United Kingdom, Belgium, Croatia, Denmark, Estonia, Ireland, Portugal, Slovenia and Sweden (OECD, 2015). Generally, these strategies were focused on the following directions: (i) compulsory financial education in the school curriculum; (ii) creating websites for consumers and/or specialized online learning portals; (iii) the development of educational materials dedicated to different age groups; (iv) workshops and “open days” organized in collaboration with various representative institutions, such as universities, banks etc. (EBF, 2015).

As compared with these countries, Romania did not finalize and implemented a national strategy, although it ranks last in the EU in terms of financial education. According to the results of the study conducted by Standard & Poor's in 2015, only 22% of the adults are financially educated, as compared with 71% in Sweden, 67% in United Kingdom, 66% in

the Netherlands, 58% in the Czech Republic, 55% in Belgium, 49% in Spain, 44% in Croatia, and 35% in Bulgaria (Klapper, Lusardi and van Oudheusden, 2015). The lack of financial education has generated the Romanian consumers' distrust in the banking system, as demonstrated by the results of the survey conducted by GfK Romania in May 2016 on 1,022 respondents that shows that only 40% of Romanians trust banks. According to this study, with a view to having their trust increased, consumers believe that the following should be achieved: "better interest (25%); communication, information, and education (18%); fairness, reliability and compliance with contractual terms (17%); transparency and clear information (14%); financial safety and stability (5%); improved contractual terms (5%); understanding and openness towards the client (5%); affable and well-trained bank clerks (1%)" (Wall-Street, 2016).

Therefore, both the experience of other EU Member States and a number of studies and research conducted in the past years show that adopting and implementing clear rules of conduct for banking institutions, while improving financial education, will enhance consumer trust in financial markets, stimulate competition, and increase efficiency of the measures for their protection.

## 2. Methodology

With a view to rigorously analyze the competition in the banking sector, we used the statistical data provided by the Competition Council (CC) and by the National Bank of Romania (BNR) as regards *the degree of concentration* and *the average interest rate spread on loans and deposits*.

*The degree of concentration* in the banking sector was estimated according to the value of the two indicators used by CC, namely *Concentration Rate* and *Herfindahl-Hirschman Index*. The concentration rate ( $RC_{10}$ ) was calculated for the first 10 banks in the sector summing up their market share. The IHH was computed summing up the squared market share of all the banks in the sector, its value highlighting the following situations:  $IHH < 1000$  – low concentration;  $1000 < IHH < 1800$  – medium concentration;  $IHH > 1800$  – high concentration.

*The average interest rate spread on loans and deposits* was analyzed by means of a set of relevant indicators, namely the difference between the interest rate on leu loans and deposits, and on euro respectively, and the interest margin on leu portfolios as well as on euro denominated portfolios, in the case of the population household.

In order to analyze *the distribution and main reasons of the complaints* filed by the consumers regarding the most important banks in Romania, we made use of the site <http://www.reclamatiiibanci.ro/>, which represents the only available online source to provide relatively complete information. Out of the 358 complaints available online at the moment of our analysis, only 142 complaints were selected, which meet the following requirements: the name of the bank was explicitly stated; they were filed by individuals; they were related to services provided by banking institutions.

In order to identify the correlation between the competitive position of the analyzed banks and the number of complaints registered by them, it was used the ranks difference correlation nonparametric Spearman's test because the two variables have fewer than 30

records. The correlation coefficient was calculated with the equation (1), where  $d$  represents the ranks difference, and  $n$  is the number of records.

$$\rho = 1 - \frac{6 \sum d^2}{n(n^2 - 1)} \quad (1)$$

The correlation coefficient values, within the range  $[-1, 1]$ , shall read:  $[-0,25, 0]$  and  $(0, 0,25]$  – very weak correlation;  $[-0,5, -0,251]$  and  $[0,251, 0,5]$  – weak correlation;  $[-0,75, -0,501]$  and  $[0,501, 0,75]$  – moderate correlation;  $(-1, -0,751]$  and  $[0,751, 1)$  – strong correlation. The values higher than zero indicate a direct correlation, while negative values mean an inverse correlation. The zero value indicates no correlation, and  $(+1)$  or  $(-1)$  shows a perfect correlation (Hickson, 2008).

### 3. Competitive environment analysis

In the last few years, the number of banks in Romania was constant; an understandable evolution if we take into account the obstacles at the market entry and at its exit, as well as the uncertainty brought about by the economic crisis with regard to the stability of the economic environment and its development prospects. According to the data provided by BNR, between 2013 and 2015 there were 40 credit institutions in the banking sector, out of which 38 relying on private capital, and 2 state owned, namely CEC Bank and EximBank. Of all 38 private capital banks, 34 mostly rely on foreign capital, of which 9 are branches of some foreign banks (BNR, 2015).

Within this period, there were recorded no significant changes regarding the *degree of concentration of the banking sector*, as shown by the evolution of the concentration indicators presented in table below (table no. 1).

**Table no. 1: Degree of concentration of the banking sector, 2013-2015**

Concentration indicators	2013	2014	2015
RC <sub>10</sub> (%)	78.3 <sup>1</sup>	78.1 <sup>1</sup>	81 <sup>2</sup>
IHH <sup>3</sup> (points)	821	797	812

Source: Consiliul Concurenței (CC), 2015, p.43; Medrega, 2016; Banca Națională a României (BNR), 2015, p. 71

As compared to 2013 and 2014 when the first 10 banks in the sector accumulated a market share of almost 78%, in 2015 their market share rose with almost 3 percentage points, mainly owing to Volksbank takeover by Banca Transilvania (BT). The IHH recorded a similar evolution, its value being situated constantly below 1000 points. In this context, CC considered the degree of concentration in the banking sector as “low to medium”, which leads to “relatively high competition” (CC, 2015), whereas BNR believes that “the degree of concentration of the Romanian banking sector remains moderate” (BNR, 2015).

However, it is noted that the first two banks (BCR and BRD) dominated the banking sector in 2013 and 2014. Once Volksbank was taken over by BT in 2015, it joined the leaders that accumulated a market share of 41.4%, which is more than half of the market share of the first 10 active players (table no. 2).

**Table no. 2: Market share of the first 10 banks in Romania, 2013-2015 (percentages)**

No	Banks	2013 <sup>1</sup>	2014 <sup>1</sup>	2015 <sup>2</sup>	I <sub>2015/2013</sub> <sup>3</sup>
1.	BCR	17.5	16.2	15.8	90.3
2.	BRD	13.0	12.4	13.0	100
3.	Banca Transilvania	8.9	9.8	12.6	141.6
4.	Raiffeisen Bank	7.3	7.9	8.4	115.1
5.	UniCredit Bank	7.6	7.9	8.1	106.6
6.	CEC Bank	7.4	7.7	7.3	98.6
7.	ING Bank	5.0	5.1	6.3	126
8.	Alpha Bank	4.5	4.6	4.0	88.9
9.	Volksbank	3.8	3.4	-	-
10.	Bancpost	3.3	3.1	3.0	90.9
11.	Garanti	2.0*	2.2*	2.5	125
<b>Total (RC<sub>10</sub>)</b>		<b>78.3</b>	<b>78.1</b>	<b>81</b>	<b>-</b>

Source: Consiliul Concurenței (CC), 2015, p.43; Medrega, 2016; authors' computation.

Note: \*These values are not included in the calculation of RC<sub>10</sub>

Within the period of time under focus, part of the main market players lost ground (BCR, CEC Bank, Alpha Bank, and Bancpost) to the advantage of other important competitors, as for example BT, Raiffeisen Bank, and ING Bank, which proves the banks' concern to attract new clients. In this context, in 2015 the first 7 banks accumulated a market share of 71.5% as compared to only 66.7% in 2013. It is also worth mentioning that the cumulative value of the market shares held by the three leaders (BCR, BRD, and BT) rose from 39.4% in 2013 to 41.4% in 2015. As regards the market share distribution among the other 30 banks, the data provided by the CC highlight the fact that 10 of them had between 1% and 3% market share, whereas the other 20 held market share values below 1% (CC, 2015).

Considering these aspects, we contend that: the banking sector is actually dominated by seven credit institutions; there is a tendency of concentration growth, although it remains at a moderate level. The analysis of the data regarding *the average interest rate spread on loans and deposits* (SRMD) highlights the descending evolution recorded by the interest margin on lei portfolios, mainly due to the constant decrease of the key interest rate from 4% to the historic minimum of 1.75%, as compared to the euro denominated portfolios, for which SRMD increased by 1.5% for the existing loans and deposits and by 3.4% for the new ones (table no. 3).

**Table no. 3: SRMD evolution, 2013-2015 (percentages)**

Indicators	2013		2014		2015	
	Jan.	July	Jan.	July	Jan.	July
Existing loans (lei) – Existing deposits (lei)	6.2	6.0	5.5	5.4	4.8	4.9
New loans (lei) – New deposits (lei)	5.1	5.3	4.8	4.7	4.7	4.9
Existing loans (euro) – Existing deposits (euro)	2.3	2.5	3.0	3.3	3.4	3.8
New loans (euro) – New deposits (euro)	1.8	2.5	3.3	2.7	3.3	3.3
MD existing loans – deposits for the population (lei)	8.0	7.8	7.1	6.8	6.3	6.0
MD new loans – deposits for the population (lei)	6.8	6.8	5.1	5.0	4.8	5.1
MD existing loans – deposits for the population (euro)	2.5	2.7	3.2	3.5	3.6	4.0
MD new loans – deposits for the population (euro)	1.0	1.8	2.7	3.7	4.1	4.4

Source: Consiliul Concurenței (CC), 2015, pp.49-50.

Note: MD – interest margin



The SRMD divergent evolutions are mainly brought about by the increased number of loans in lei than in euro, as a result of BNR policy to stimulate crediting in the national currency, which led to a significant increase of credits in lei, representing approx. 96% of new loans granted in 2013-2015. However, foreign currency loans are still the main component of household indebtedness, the stock of foreign currency loans representing 55% of total household loans at the level of the year 2015. Moreover, the degree of population indebtedness in 2015 was very high, i.e. approximately 68%, with a significant weight of the debtors having an income lower than the minimum net wage per economy (BNR, 2015).

For a complete and rigorous analysis of *clients' mobility*, several aspects must be taken into account regarding the evolution of the banking sector in Romania between 2013 and 2015.

The restructuring of the domestic banking sector that began with the financial crisis led to the decreased number of units in the system, as well as of employees, which had a negative impact upon the population's access to the bank services. Statistics show that in 2015 a territorial bank unit served on average around 3,760 people, that is 53% more than the European average (2,450 people), and an employee served around 345 people, which is double compared to the European average of 175 people/bank clerk (BNR, 2015).

According to the survey entitled "Financial education" conducted by GfK Romania in May 2016 (Wall-Street, 2016), most of the Romanian consumers would like to be better informed with regard to the following aspects: risk diversification (67%); effective annual interest rate (60%); interest capitalization (59%); "means of attracting a loan so as not to incur financial troubles" (59%); anticipated reimbursement (57%); degree of indebtedness (57%). This data proves that due to the deficient financial education of the population together with the insufficient information on acquired financial products and services, consumers' mobility is low because they do not have the necessary knowledge and information to choose the best products or services that suit their needs and expectations, which represents the essential feature of a competitive market.

In our opinion, more restrictive crediting standards corroborated with a high level of population indebtedness, in the context of banking sector restructuration and information asymmetry, created the premises for reducing the clients' mobility. Taking into account that within a normal competitive environment clients' mobility should increase while reducing SRMD, we conclude that the presented analysis highlights the decreasing tendency of the competition in the Romanian banking sector, which is basically monopolized by the dominant banks, namely BCR, BRD, BT, Raiffeisen, UniCredit, CEC, and ING Bank.

#### 4. Consumer complaints analysis

The goal of this analysis, based on the information obtained through the processing of complains recorded on the site <http://www.reclamatiiibanci.ro/>, is to highlight, on the one hand, the distribution of complaints among the most important domestic banks, and on the other hand, the causes of the complaints.

Taking into account the variety of the consumers' complaints motivation, these were grouped into the following seven categories: (i) illegal deductions with a view to consumer's discharge of debts to the bank (P); (ii) Internet banking operations (IB); (iii) illegal fee charging (C); (iv) money transfer between Romanian banks or between banks in

Romania and banks from abroad (T); (v) misreports to the Credit Bureau (RBC); (vi) loan contracts and changes of related interest (CCD); (vii) cards and ATMs (CATM).

The circumstances that led to the recording on the site of the analyzed complaints for each of the seven previously mentioned categories are summarized in table no. 4.

**Table no. 4: The main motivations of complains which were recorded on the site (2013-2016)**

No.	Cat.	Main motivations
1.	P	-the incomes that are not subject to enforcement by deduction from accounts (art. 781 of Civil Procedure Code) but which are deducted by the banks; - exceeding the upper limit of income which can be traced with a view to deducting them (art.729 of Civil Procedure Code).
2.	IB	-consumers which had user name and password but they cannot log in to this service; - the Internet banking stopped working when the consumers were logged in; -malfunctioning of the Internet banking application;
3.	C	Fees that exceed the level set by the bank according to the type of banking transactions, namely: entry fees charged to the input of money in the consumer's account; deductions fees; fees on online payments; fees for interbanking transfer; fees for not using the account; fees for urgent processing of interbanking transfer; management fees
4.	T	-exceeding the time for money transfer between different banks in Romania; -exceeding the two days for the money transfer from abroad to Romania and vice versa (art. 154 of Emergency Ordinance no. 113/2009 about payment services);
No.	Cat.	Main motivations
5.	RBC	-maintaining the consumer in the database of the Credit Bureau (CB) for over 4 years from the date of payment of the last remaining installment; -consumer registration in the database of the CB without prior notification about the existence of these debts; -the bank did not notify the consumer in writing on reporting him/her to the CB as a result of delayed credit payment with more than 30 days;
6.	CCD	-ban on early repayment of the loan; -abusive clauses in the loan contracts; -beginning of enforcement procedure without any consumer notification; -interests and penalties above the level specified in the loan contract; -increasing the interest in the case of loans in Swiss francs; -inability to obtain the loan contract from the bank in case the consumer loses it; -delays in loan approval above the limit set by the bank;
7.	CATM	-inability to use the card in the ATM; -ATM has not released the money although it was withdrawn from the consumer's account; -abusive closure of the card account; -abusive blocking of the card account; -unblocking of the card account after clarifying the situation which led to its blockage.

*Source: Own processing based on Reclamații Bănci, 2016*

The weight of each credit institution in the total number of complaints recorded on the site and the complaints distribution by category is shown in table no. 5.

Table no. 5: Distribution of the complaints recorded on the site (2013-2016)

No.	Bank	Complains		Categories of complaints (No.)						
		No.	%	P	IB	C	T	RBC	CCD	CATM
1.	BCR	13	9.16	9	0	0	1	1	2	0
2.	BRD	51	35.92	6	28	3	3	1	7	3
3.	Banca Transilvania	17	11.97	2	0	2	6	1	6	0
4.	Raiffeisen Bank	23	16.20	15	0	1	3	0	2	2
5.	UniCredit Bank	2	1.41	0	0	0	0	1	1	0
6.	CEC Bank	8	5.63	2	0	2	0	2	1	1
7.	ING Bank	10	7.04	3	0	1	4	0	2	0
8.	Alpha Bank	0	0.00	0	0	0	0	0	0	0
9.	Volksbank	3	2.11	0	0	1	1	1	0	0
10.	Bancpost	4	2.82	1	0	0	1	0	1	1
11.	Garanti	1	0.70	0	0	0	0	1	0	0
12.	Other banks*	10	7.04	-	-	-	-	-	-	-
Total		142	100	38	28	10	19	8	22	7

Source: Own processing based on Reclamații Bănci, 2016

Note: \*Libra Internet Bank, Idea Bank, Banca Românească, Credit Europe Bank, Piraeus Bank, Nextebank

Over one-third (35.92%) of the total number of complaints refers to the services provided by BRD, followed by Raiffeisen Bank (16.2%), Banca Transilvania (11.97%), BCR (9.16%), ING Bank (7.04%), CEC Bank (5.63%), Bancpost (2.82%), Volksbank (2.11%), UniCredit Bank (1.41%), and Garanti (0.7%).

The illegal deductions for the consumers' discharge of debts to the bank have the highest weight (28.79%) in the total number of complains, being followed by Internet banking operations (21.21%), loan contracts and changes of related interest (16.67%), money transfer between Romanian banks and between banks in Romania and banks from abroad (14.39%), illegal fee charging (7.58%), misreports to the Credit Bureau (6.06%), and finally, cards and ATMs (5.3%).

It can be noticed that the distribution of complaints by category is significant different among banks. Thus, as regards BCR, illegal deductions for consumers' discharge of debts to the bank account for 69.33% of the complaints referring to its services, whereas loan contracts and changes of related interest account for 15.38%. In the case of BRD, more than half of the complaints (54.9%) are represented by Internet banking operations, while with BT, most complaints are caused by dissatisfactions due to money transfer and loan contracts which account each for 35.29%. As regards Raiffeisen Bank, the complaints about illegal deductions for consumers' discharge of the debts to the bank have the highest weight (65.22%), as for ING Bank, most complaints (40%) relate to the money transfer between Romanian banks or between banks in Romania and banks from abroad.

In order to get a wider picture of the relationship between the banks and their consumers, the credit institutions were ranked according to the number of complaints recorded on the site, as it is shown in table below (table no.6).

**Table no. 6: Banks ranking according to the number of complaints recorded on the site (2013-2016)**

No.	Bank	Complaints		Categories of complaints (rank)						
		No.	Rank	P	IB	C	T	RBC	CCD	CATM
1.	BCR	13	4	2	2	4	4	2	3	4
2.	BRD	51	1	3	1	1	3	2	1	1
3.	Banca Transilvania	17	3	5	2	2	1	2	2	4
4.	Raiffeisen Bank	23	2	1	2	3	3	3	3	2
5.	UniCredit Bank	2	9	7	2	4	5	2	4	4
6.	CEC Bank	8	6	5	2	2	5	1	4	3
7.	ING Bank	10	5	4	2	3	2	3	3	4
8.	Alpha Bank	0	11	7	2	4	5	3	5	4
9.	Volksbank	3	8	7	2	3	4	2	5	4
10.	Bancpost	4	7	6	2	4	4	3	4	3
11.	Garanti	1	10	7	2	4	5	2	5	4

The first place which was established according to the number of complaints recorded on the site by each of the seven categories that were analyzed is held by BRD, in the case of complaints about Internet banking operations, illegal fee charging, loan contracts and changes of related interest, cards and operation of ATMs. Taking into account that this bank is one of the leaders of the banking market, we consider that the data highlights the deficient nature of the relationship between BRD and consumers due mainly to its dominant position.

Banca Transilvania ranks first with respect to number of complaints caused by dissatisfactions due to money transfer, while Raiffeisen Bank is placed first within the category of illegal deductions for discharge of debts. At the same time CEC Bank holds the first position concerning the complaints about the misreports to the Credit Bureau.

It is noted that for five out of seven categories which were analyzed, the first place is held by the leaders of banking market, BRD and BT respectively, which shows that the competitive environment in the banking sector stimulates abusive behavior of the credit institutions in their relationship with the consumers. Moreover, the results of the data analyses show that the circumstances which lead to the consumers' dissatisfaction with the previously mentioned banks were caused either by the failure to respect the laws in force, or by the poor quality of products and services, a type of behavior which mostly emerges due to the bank's holding a dominant position in a market where the competition is relatively low.

### 5. Analysis of correlation between market share and number of complaints

In order to ensure the comparison between the market share values, which were computed for each year of the 2013-2015 period, and the number of complaints values, which was recorded for 2013-2016 period, the average share market was calculated as simple arithmetical average of the annual values previously mentioned in table no. 3.

The ranks were established by ascending ordering of variables that were analyzed, and by assigning unique values from 1 to 11, according to the following principle - rank 1 for the highest value, rank 11 for the lowest value respectively (table no. 7).

**Table no.7: Values of the average share market, ranks and difference between ranks**

No.	Bank	Average share market (%)	Market share rank	Number of complaints rank	d	d <sup>2</sup>
1.	BCR	16.5	1	4	-3	9
2.	BRD	12.8	2	1	+1	1
3.	BT	10.4	3	3	0	0
4.	Raiffeisen Bank	7.9	4	2	-2	4
5.	UniCredit Bank	7.8	5	9	+4	16
6.	CEC Bank	7.5	6	6	0	0
7.	ING Bank	5.5	7	5	-2	4
8.	Alpha Bank	4.4	8	11	+3	9
9.	Volksbank	3.6	9	8	-1	1
10.	Bancpost	3.1	10	7	-3	9
11.	Garanti	2.2	11	10	-1	1
<b>Total</b>		-	-	-	-	54

The value of Spearman's correlation coefficient, which was calculated by processing the rank values of analyzed variables using IBM® SPSS® Statistics Version 21, is 0.755. This value is statistically significant because the significance level (p) is 0.007 which is lower than 0.05 limit which corresponds to a probability of 95% (table no.8).

**Table no.8: Value of Spearman's correlation coefficient**

			Market share
Correlation Coefficient			.755**
Spearman'srho	Complaints	Sig. (2-tailed)	.007
		n	11

Note: \*\*, Correlation is significant at the 0.01 level (2-tailed).

Since the computed values of Spearman's correlation coefficient is positive and it is within the range [0.751, 1), we conclude that between the market share of the banking institutions from Romania and their number of complaints there is a positive and strong correlation.

The limitation of the study is that the correlation among the market share ranks of the banking institutions from Romania and each of the seven categories of complaints previously mentioned cannot be analyzed because the minimum requirement for the test results to be valid, namely the number of equal ranks should not exceed 25% of the total number of ranks under analysis, is not complied with.

## Conclusions

The increase of the concentration degree and the decline of clients' mobility, against the background of the restructuration of Romanian banking sector, reveals an unfavorable evolution regarding the competition in this sector, the market of banking services being actually dominated by a small number of credit institutions, namely BCR, BRD, BT, Raiffeisen Bank, UniCredit Bank, CEC Bank, and ING Bank, situation which is not appropriate for ensuring a normal competitive environment needed to promote consumers' interests.

Romanian consumers lack the necessary knowledge and information to choose the best banking products or services that suit their needs and expectations due to the deficient financial education together with the insufficient information on acquired financial products and services, which facilitates the abuse of credit institutions in their relationships with them.

The results of the analyses carried out showed that the situations leading to consumers' dissatisfaction in their relation with the most important domestic banks are due to either the banks' non-compliance with the legislation (illegal deductions, breaches of loan contracts, including the changes of related interest), or the low quality of banks' products and services (Internet banking operations, money transfer between banks).

The analysis of the correlation between the competitive position of the bank and the number of recorded complaints highlighted a strong and direct relationship between the two variables, revealing the deficient nature of the relationship between domestic banks and consumers.

In conclusion, we contend that the competitive environment in the domestic banking sector does not ensure the real protection of consumers' rights and interests, since it stimulates both banks' abuse, by non-compliance with the legislation, and banks' supply of inadequate quality services, behavior which mainly emerges as a result of the bank's holding a dominant position in a market where competition is relatively low.

In order to stimulate the competition in this sector and to increase the efficiency of consumer protection policies, the regulatory institutions and the competition authorities should: adopt coherent and appropriate policies concerning the regulation of banking services market, in the spirit of the code of "The Good practices"; monitor the implementation and the compliance of these policies; systematically assess the impact of these policies on consumers' welfare; develop financial education programs that meet consumers' needs and expectations.

In order to improve the financial literacy of Romanian consumers it is imperative to develop and implement a national strategy for financial education, based on examples of good practice in the EU Member States which recorded notable successes in this regard, such as the United Kingdom, Sweden, the Netherlands and the Czech Republic. The financial education programs should focus on the combined use of specific tools, dedicated to the age group of the target population. In this respect, we consider appropriate that the school subject entitled "Financial Education", which is an optional subject in primary school curricula from September 2013, to be made compulsory in primary and secondary education cycles.

In order to reduce information asymmetry and stimulate competition in the banking sector, following the example of other EU Member States, we appreciate that it is useful and efficient to create a single portal, which contains comparative, relevant, clear and easy to understand information about the products and services provided by all domestic banks. The portal should include information on potential risks associated with the acquisition of various banking products and services with a focus on those products that pose high risks for consumers, as for example variable rate mortgages, foreign currency mortgages, credit cards with high rates combined with high limits etc. This measure can generate benefits in the short term as it will allow domestic consumers to adopt better decisions grounded into the economic reality.

Furthermore, in order to improve customers' access to recourse mechanisms to resolve disputes, which will increase consumers' trust in the banking sector we deem necessary the following measures: (i) all credit institutions should develop on their website a section dedicated to complaints with at least the minimal functionality of - presenting clear and detailed information on the complaints' mechanism, allowing registering the complaint and assigning a unique registration number; (ii) development of a unique website dedicated to financial consumer complaints and managed by the National Authority for Consumer Protection.

In our opinion, the proposed measures have the potential to generate beneficial and sustainable effects if policy makers as well as the regulators and competition authorities are actively engaged to: allocate the necessary financial and human resources; evaluate periodically, possibly annually, the impact of these measures on both the competition in the banking sector and the financial consumer protection; review the adopted strategies according to the results of periodic evaluations.

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