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# საია პენსიონერთა უფლებების დარღვევის პრაქტიკას აფასებს

## GYLA evaluates the practice of violating pensioners' rights

In the process of legal assistance provided by GYLA to pensioners, a number of

systemic, including legislative problems were identified, which requires timely response from the relevant agencies. In particular:

### **1. At the stage of awarding pensions the grounds for suspension and termination of pension are not explained to pensioners**

At the stage of awarding pensions for pensioners, the issue of defining the legal grounds for suspension and termination of pension is incompletely settled at the legislative level. It is common practice when improper information becomes the basis for suspension and/or termination of pension. In the absence of information, pensioners are deprived of an opportunity to avoid possible complications and have to start a long dispute in court to protect their rights, which is a heavy financial burden for them.

### **2. High interest rates and other problematic issues related to loans are set for loans secured by pensions**

As of September 30, 2023, the number of pensioners using pension loans/overdrafts in the country is 305,255. The amount of complaints about violations of the rights of pensioner borrowers is increasing. Only in 2023, 1,440 applications/complaints were submitted to the "National Bank of Georgia" regarding pension loans, which is almost 4 times more than the figure of the previous year.<sup>1</sup>

# საქართველოს ახალგაზრდა იურისტთა ასოციაცია GEORGIAN YOUNG LAWYERS' ASSOCIATION



The issue of high interest rate on pension-backed loans and other harsh terms in a contract, which put pensioners in a completely unfair and vulnerable situation is also problematic. It is worth noting that during the pandemic, in the period of March-May 2020, the cases of postponement of pension loans occurred due to a unilateral decision made by [REDACTED] Bank A. The pensioners received a short text message from the bank, according to which, if the pensioners were against to postpone the load, they should have informed the bank otherwise they would automatically benefit from a year so-called grace period. In this process, it was not explained to most of the borrowers what risks and conditions were associated with the deferral of loans. As a result, due to taking advantage of the grace period, they significantly increased the amount and the duration of the loans. In many cases, due to taking advantage of the grace period for 203 months, they even extended the loan repayment period by several years.

It should be highlighted that [REDACTED] Bank A as the only banking institution issuing state payments (pension), enjoys an advantage compared to other banks. According to the provision of the contract, in the presence of a loan obligation, the pension is withheld from the pensioner without a court decision, until the obligation is fulfilled. In many cases, the mentioned obligation is several times higher than

the principal amount of the loan, and even in this process, pensioners do not have access to the relevant information from the banking institution.

The mentioned practice is against the law of Georgia [REDACTED] State Pensions A and the practice established by the court. A number of pensioners have already won a court case against the bank regarding these issues, however, despite the practice established by the court, the conditions and illegal practices of the contract, which have been invalidated many times, do not change.<sup>2</sup> In addition, there have been several cases where the bank does not provide the borrowers with the agreements concluded with them, due to the fact that the relevant document could not be found in the archive.

**In order to correct problematic practices, we call for:**

**Social Services Agency:**

- To develop a special rule, according to which the procedure for explaining the rights

and duties of pensioners while awarding a pension is defined. In particular, the obligation to provide pensioners with written information about the legal grounds for suspension and termination of pension should be defined.

### **National Bank of Georgia:**

- To have a proper and timely response regarding the statements made by the pensioners, which concern the facts of alleged violation of their rights by the bank;
- From the submitted statements, to highlight the systemic flaws that exist in connection with pension loans and in this direction to effectively control the activities of the banking institution.

### **Liberty Bank:**

- Review the standard terms of the pension loan agreement. In this process, to take into account the practice established by the courts in relation to above-mentioned issues;
- To change the illegal practice of deducting pension funds without a court ruling/decision due to loan obligations;
- To provide pensioners with timely and complete contracts concluded with them;
- When offering banking products, fully and comprehensively explain the contractual conditions to pensioners. The offer and the explanation of the conditions should be made in a way of taking into account borrowers age and their physical condition.