

# Remediation update

9 DECEMBER 2021

PROGRESS OVERVIEW – REMEDIATION OF LEGACY ISSUES

This update provides an overview of the most significant recent developments on legacy issues overseen by Danske Bank's central remediation office.

For information about the status of the remediation of all legacy issues handled by the remediation office, please visit [www.danskebank.com/remediationupdate](http://www.danskebank.com/remediationupdate).

## **Flawed data in debt collection systems**

- As previously communicated, we have initiated preliminary reviews of the debt collection systems in our other markets. We have concluded the preliminary review in Finland and a limited and preliminary sample indicates that an issue similar to one of the four original root causes of errors in our debt collection system in Denmark potentially is present in Finland as well. Our sample review for example shows that in some instances a fee of 5 EUR was merged erroneously into the principal debt in our debt collection system. A control mechanism has been implemented to ensure that the error does not occur going forward. We will complete an extended analysis of the debt collection system in Finland, in order to clarify the preliminary findings as well as potential derivative issues and in that way clarify the need for potential action towards affected debt collection customers. Should any affected customer have suffered any loss due to our errors, they will of course be compensated. We expect to have the initial results from the preliminary reviews of the other markets ready during January 2022.
- We continue the clean-up of our debt collection systems and in connection with this work, we have both concluded that four out of the 28 previously identified additional issues are non-issues as they do not have any impact on our customers and we have identified an additional eight possible issues, including a potential error in one of our mortgage types and a risk of insufficient setup related to debt repayment agreements. These additional issues are mostly related to manual processing errors and have been identified for certain specific customer groups. Hence, our preliminary assessment indicates that a limited number of customers may be eligible for compensation. We are still in the process of analysing these possible issues, and should there be cases in which they have affected our customers, they will be informed about it as soon as possible.
- Since the latest update, we have informed the Danish FSA of our handling of composition processes with debt collection customers. A composition agreement is a voluntary arrangement between a creditor and a debtor. In rare cases, a composition agreement can be the appropriate solution if the debtor cannot afford to repay the total debt. As the analysis of the debt collection system is yet to be finalized, we have been reluctant to enter into composition agreements with debt customers as we are committed to ensure that no overcollection would take place. We acknowledge that composition

agreements can be in the customer's best interest, and therefore we have decided to introduce a more formalised process regarding individual assessments.

- As previously communicated, we have chosen to withdraw our reports of debt collection customers to the RKI credit reference register in cases where the error in our debt collection system has caused uncertainty about outstanding debt. Claims from Asset Finance Denmark (Nordania Leasing) are registered in 'Debitor Registret', and we have discovered that around 200 claims in this register may be affected by the same issue. The customers' reports have been withdrawn and the affected customers will be informed as quickly as possible.
- In November 2020, the Danish Financial Supervisory Agency decided that an impartial review of the debt collection case should be conducted, for which KPMG and Poul Schmith were subsequently appointed, and most recently, the Danish FSA has decided to extend and broaden the review. The fact that the impartial review is extended and broadened naturally follows from the work to correct the errors in our debt collection may be extending beyond 2022. At the same time, it is important we have a robust setup for our debt collection going forward, and we look forward to get their assessment of our final setup.

Want to know more? [Get an overview of the issue.](#)

### **Interest on reminder fees**

- In the issue, which involves our wrongful charging of interest on reminder fees, 261,000 out of 550,000 affected customers in Denmark have received compensation. 241,000 of these customers have received less than DKK 10, while the remaining 20,000 customers have received DKK 20 on average. The highest amount that we have paid in Denmark so far is DKK 512.
- We have initiated the disbursement of compensation for the same issue in Norway, where we continue to expect that compensation of affected customers will be complete in 2022.
- As previously communicated, the issues regarding the wrongful charging of interest on reminder fees also apply to Asset Finance Denmark (Nordania Leasing) and Asset Finance Norway. In November 2021, we communicated that around 700 customers were affected in Norway. Additional analysis has now shown that the number of affected customers is around 1,800. The total compensation amount is currently estimated to be approximately NOK 1.8 million.

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### **Non-forced property sales made via home**

- As communicated previously, we identified an issue in the spring of 2019 concerning the bank's practice related to non-forced property sales in which a loss was accepted. We negotiated fees with all estate agents on behalf of our customers with the exception of the estate agent *home*.
- This practice was ended in summer 2019. Since then, we have been investigating potential consequences for our customers. Our review has shown that in 915 trades, we did not negotiate the agency fee, and hence customers may have paid too high a fee to *home*.

- The average compensation per trade for not negotiating agency fees amounts to around DKK 20,000 (excluding time compensation). We have now started to clarify whether the individual customers should have reduced the amount of any existing debt, receive a monetary compensation or a combination thereof. We expect to have compensated all customers before the end of February 2022.

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### **Issues with our tax services**

- We have previously identified delays in our tax reclaim service regarding dividend tax on foreign securities and in our delivery of tax refunds for US securities, which affect 2,900 and 2,400 customers, respectively. We are currently processing compensation notifications and payments according to local legislation. We expect the process of making payments to be completed before the end of this year with the exception of a few special cases.
- In September 2021, we communicated about additional issues in our tax services, which were identified on the basis of a thorough review of our services in this area. We implemented short-term solutions to ensure that none of the significant issues would affect customers going forward. Further analyses in November indicated that there could be cases among 130 business customers that were potentially still affected by incorrect dividend tax codes. The affected customers are being informed about the issue and we are implementing additional procedures and controls to ensure proper application of dividend tax codes.

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### **Infinite loan terms**

- As we communicated in October 2020, a number of customers' loan terms had become infinite due to payments not covering interest accrued after an interest rate increase. We have completed our analysis and found that the issue concerns 39 customers. We have contacted all affected customers, adjusted their terms and conditions individually, and prepared new loan repayment agreements. The Danish FSA has been informed of our work, and we consider the case to be closed.

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### **Fees for business customers**

- We communicated in February 2021 that approximately 2,300 business customers may, for a period of time, have paid a credit renewal fee that we had no basis for charging. Further analysis has shown that this number is in fact approximately 2,200 customers. Since our last update on this matter, an additional 607 customers have received compensation, bringing the total number of customers who have received compensation to 1,683.
- About 300 customers have been informed that they are not affected by the issue, while the remaining 224 special cases will be handled separately.

Want to know more? [Get an overview of the issue.](#)

### **Discrepancy between investment agreement and profile**

- As communicated in October 2020, this issue concerns registration errors relating to 600 customers' investment agreements, which led to discrepancies between the customers' investment profiles and their investment agreements. Our analysis shows that approximately 320 customers are entitled to compensation (with an average amount of DKK 8,100). The number of affected customers is slightly less than previously stated, as our calculations have shown that approximately 100 customers are not eligible for compensation as the registration errors have not caused them any losses.
- We have contacted all affected customers and have held approximately 470 meetings with customers to ensure consistency between investment profiles and agreements. We are still waiting to hear from the remaining customers, whom we have tried to contact several times. On an informed basis, some customers have decided to turn down a meeting about their investment agreement and we have therefore closed these cases.

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