



GAZDASÁGI  
VERSENYHIVATAL

## **GVH sanctions once more for misleading credit card ads**

**The previously fined OTP Bank has not changed its misleading credit card advertisements so the GVH imposed again a HUF 200 million (app. EUR 8 million) fine on it. The GVH conducts a series of market clearance investigations with the aim to put an end to harmful advertising practices of the banks which issue credit cards. As a recent step made within this series it also condemned Cetelem Bank. The latter was fined HUF 8 million (app. EUR 32 thousand).**

The first proceeding concerning the credit card market was initiated in 2006 against OTP Bank as the GVH suspected that from 2003 it provided inappropriate information on its credit card products. After the investigation the GVH imposed a fine of HUF 100 million (app. EUR 250 thousand) on OTP. The bank appealed the decision but in first instance the Municipal Court of Budapest dismissed the appeal. Meanwhile it became clear that the bank had not altered its behaviour in compliance with the decision, so in July 2007 the GVH decided to start new investigations. It was found that since October 2006 OTP continued the infringement, so the GVH imposed once more a fine. At the determination of the amount of the fine the GVH took into account as aggravating factors that OTP was already fined for that behaviour and that in three other cases it was also fined for consumer fraud. In its proceedings the GVH always follows the principles described in a public document issued by it about the freedom of consumer choice, while fines are imposed in compliance of a notice about fine-setting of the President of the GVH and the Chair of the Competition Council of the GVH.

It was found in the 2006 proceeding against OTP that financial institutions commonly apply misleading advertisements, so the GVH decided to enter into a series of market cleaning investigations in order to reduce fraudulent practices on the market. Beside the present case, K&H Bank was fined HUF 15 million, Citibank HUF 20 million, Erste Bank HUF 2 million, Raiffeisen Bank HUF 9 million, Budapest Bank HUF 12 million and Cetelem Bank HUF 8 million. The market cleaning series would continue and the GVH is confident that banks would take into account the principles laid down in its decisions while determining their future practices.

At the evaluation of the offer on the interest free use of the credit cards the GVH took as a basis that consumers only receive an appropriate view on interest free usage if the information contains clearly and accurately that:

- the lack of interest relates only to credit card payments of purchases and not to cash withdrawal,

- ▣ for the interest free use it is required that consumers repay their whole debt covering not only the amount spent, but all debts emerging from different grounds of the credit card relationship (e.g. transaction costs, other costs and fees),
- ▣ for the interest free use it is required that the full debt is repaid until the end of the deadline, and in the case of the repayment of only a fraction of the debt consumers concerned are obliged to pay interests as well.

For the objective assessment of an information which contains data on the length of the interest free period („interest free up to x days”), it is necessary to know that the promise relates to x days only if the transaction takes place on the very first day of the settling period, as after that day the number of the potentially interest free days reduces each day by one as the deadline for repayment approaches.

The necessity of the above is upheld by the statements of a report of the Hungarian Financial Supervisory Authority, according to which:

- ▣ a significant part of consumers is not aware of the peculiarities of interest free periods and they do not know that interest is only “absent” if the debt is repaid in a given time frame, as defined for the given product,
- ▣ financial institutions inform their customers about the interest free periods in many leaflets, but the method of information supply is rather dubious from a consumer protection point of view. They do not raise explicitly the attention of consumers to the fact, that the interest free period only applies if the whole of the debt is repaid until the end of the deadline. This option cannot be used „partially”, so if the repayment is greater than the minimum amount, but does not cover the whole debt, then there is no interest free period for the repaid amounts either,
- ▣ it is rather complicated to get to know all the details of the functioning of the interest free period from the general contracting rules or from other documents.