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PRESS RELEASE OF THE HUNGARIAN COMPETITION AUTHORITY

Undertakings organizing buyers' clubs sanctioned by the GVH

The Hungarian Competition Authority adopted the following decisions in its competition supervision proceedings relating to the organizing of buyers's clubs (consumers' groups).

- 1. The Competition Council established on its trial of 6 February 2006 that *Promo-Indra Consortio Rt.* advertised its practice of organizing and operating buyers' clubs in the period of 2004-2005 in a manner, which was capable to unfairly manipulate consumer's choice. The Competition Council imposed a fine of HUF 5 million (approx. EUR 20 thousand) on the defending party. (Case No Vj-149/2005)**
- 2. The Competition Council established on its trial of 31 January 2006 that *Common Based Kft.* followed a practice capable for deceiving consumers by failing to inform its consumers, in the advertisements organizing a buyers' club, of some features, essential for the decision of consumers, of its services. The Competition Council imposed a fine of HUF 1 million (approx. EUR 4 thousand) on the defending party. (Vj-150/2005)**

Subject matters of the two separated competition supervision proceedings were buyers' club (consumers' group) organizing practices. The main feature of buyers' clubs is the possibility for some of their members to obtain during the term, based on the monthly instalments of the members and owing to the financial contribution of the other members of the given group, the right of ownership of certain movable and immovable properties. Buying in buyers' clubs differs from buying with traditional payment in instalments as customers do not acquire the good after paying the first instalment. The identity of the members of a group occasionally obtaining the possibility to buy is decided by draws held by the organizer or in consequence of pre-redeem engagements. The fortune factor is an essential part of the system, not only in connection with the draws, but also with the engagement in pre-redeem actions, given the fact that members do not know and are not able to influence the willingness of others to pre-redeem.

In both competition supervision proceedings the Competition Council had to decide whether the advertisements in question were suitable to unfairly manipulate consumer choice, thus to decide whether they violated the Hungarian Competition Act.

In the competition supervision proceeding against **Promo-Indra** the Competition Council concluded that its advertisement infringed the provisions of the Hungarian Competition Act, because the words and phrases used in the laconic advertisement caused a false impression as Promo-Indra would give consumer credits or credits for the purpose of real estate purchases. Moreover the content of the advertisements could easily be misinterpreted that Promo-Indra offered more advantageous credit terms and conditions in comparison to credits otherwise available on the market.

The Competition Council imposed a fine of HUF 5 million (approx. EUR 20 thousand) on Promo-Indra for its unlawful behaviour.

In the proceeding against **Common Based** the Competition Council established that consumers, after reading the advertisements, may have concluded, due to the meaning customarily accepted in daily life of the terms used, that Common Based offered financial services for the case its services would be utilized. In fact, the company organized a 'group-intern crediting' between the members of the consumers' group; the company itself did actually not have the amount of money indicated in the advertisements. On the other side, the firm concealed the essential features of the service it offered, by failing to refer to the importance of the fortune factor, furthermore it was not clarified either how consumers could obtain the goods mentioned in the advertisements (e.g. real assets, cars).

The Competition Council imposed a fine of HUF 1 million (approx. EUR 4000) on the Common Based for its unlawful behaviour.

Budapest, 8 February 2006

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