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CIB fined for misleading ads on credit cards

CIB Bank Zrt. provided inappropriate information on its credit card products – established the competition authority of Hungary (GVH). The financial institution has to pay a fine of HUF 15 million (app. EUR 60 thousand). The decision is a part of a series of investigations aiming the cleaning up of the market, during which together with the present one, the GVH imposed fines amounting altogether to HUF 381 million (app. EUR 1.524 million).

The GVH initiated a proceeding against CIB Bank Zrt. in December 2006, as it discovered that since 2001 in certain advertisements the bank provided misleading information on the interest free use of its credit cards.

At the evaluation of the offer on the interest free use of the credit card the GVH took as a basis that consumers receive an appropriate view on interest free usage in the advertisement 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 the 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 x days only apply 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 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 applied is rather dubious from a consumer protection point of view. They do

not raise explicitly the attention of the consumer 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 repayment is higher than the minimum amount, but does not cover the whole debt, than 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.

As the advertisements of CIB credit cards did not meet the expectations described above, they qualified as misleading. CIB was fined HUF 15 million. At the determination of the fine the GVH took into consideration that CIB is a major actor on the credit card market and that it applied its misleading advertisements for a long time and spent considerable amount on them. It was an attenuating factor that consumers could get access to the relevant information from other documents before concluding a contract. The GVH also took into account that the behaviour of CIB had positively changed during the administrative procedure in several aspects.

The first proceeding on 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 to its clients. At the end of the investigation the GVH imposed a fine of HUF 100 million (app. EUR 250 thousand) on OTP Bank. It was found in the course of the investigation that financial institutions commonly applied misleading advertisements, so the GVH decided to start a series of market clearing investigations in order to eliminate fraudulent practices on the market. Besides 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. As it was discovered, despite the earlier decision OTP had not changed its behaviour, hence, another fine of HUF 200 million was imposed on it.