



GAZDASÁGI
VERSENYHIVATAL

FHB got fined

Certain advertisements provided by FHB Mortgage Bank on mortgage credit life insurance between 2004 and 2006 were likely to deceive consumers – established the Hungarian Competition Authority (GVH). As a consequence FHB has to pay a fine of HUF 10 million (approx. EUR 37 thousand).

The GVH initiated a proceeding against FHB Mortgage Bank (FHB Jelzálogbank Nyrt., hereinafter FHB) in the summer of 2008. FHB offered free mortgage credit life insurance in its advertisements between 2004 and 2006. (Credit life insurance is considered a special coverage of loans provided by financial institutions. The insurer commits itself to pay off the remaining part of the loan - in the event of death of the debtor - for the creditor.) After 1 June 2004 it was mentioned in the Business Terms and Conditions of FHB that "FHB does not commit itself to sustain the credit life insurance in the whole duration of the contract. The cessation of the credit life insurance might be provoked by changes in the business strategy, efficiency of FHB or other significant changes".

According to the GVH, in the case of financial services it is of high importance to provide the consumers with exact and appropriate information. Moreover because – as a consequence of the nature of the product – trust between the parties concerned has a determining role in the sales processes. Competition law responsibility of the undertakings that provide consumers with information is to be much more emphasized since consumers do not possess all the necessary information in the field of banking services, and they depend on the expertise of the financial institutions. Since consumers are reliant on the information due to the nature of the services, the undertakings can be expected to provide complete, thorough, correct and reliable information. This is the only way for consumers to be able to make well-established decisions when thinking of contracting for a banking service.

It is also to be highlighted that in case an advertiser publishes any kind of statement, then the advertisement has to provide essential information that is necessary for well-established consumer decisions. This is very important since consumers consider the information as it has been published or said and they do not consider whether the information is complete or not. The advertiser takes full responsibility that an advertisement determines within the time limits all the minimal information necessary for an average consumer to be able to make a well-established decision.

According to the GVH in the present case it was considered a very important factor for consumers when choosing between the various undertakings and their products that the creditor offered free credit life insurance for the home credit product. It is proven by the fact that FHB deemed it necessary to publish its free credit life insurance offer in its advertisements regularly between 2004 and 2006, and to emphasize that they were free of charge, and it is evident that these cost savings influenced consumer decisions. Moreover because some of the banks even oblige consumers to enter into credit life insurance

contracts, the costs of which influence them when choosing between the competing undertakings.

Based on the advertisements of FHB, consumers might think that if choosing the credit offered by FHB, they would also benefit from a credit life insurance free of charge until the duration of the contract. However, based on its Business Terms and Conditions, FHB did not commit itself to maintain free credit life insurance coverage until the duration of the contract. The possibility of benefiting from the free credit life insurance even ended in the spring of 2008.

The practice of the bank was capable of deceiving consumers, hereby FHB Nyrt. was fined HUF 10 million (approx. EUR 37 thousand) by the GVH.

When determining the amount of the fine, the GVH considered as an aggravating circumstance that the advertisements that deceived consumers between 2004 and 2006 were available for a long time and reached a wide range of consumers, and the infringement was in connection with transactions binding consumers for a long time. The GVH also considered mitigating circumstances. The bank admitted its responsibility in connection with some advertisements, and promised to remedy the related injuries of the consumers. FHB undertook that those consumers who signed loan contracts between 2 June 2004 and 31 December 2006 and had not joined earlier have the possibility between 1 February 2009 and 31 March 2009 to join the group credit insurance policy that had earlier been created and run (based on a contract with Allianz Hungária Biztosító Zrt) by FHB Kereskedelmi Bank Zrt owned by the undertaking under investigation. For those who decided to join, FHB undertook to cover 50 percent of the costs of the insurance in 2009. FHB also committed itself to publish this promotion on the homepage of its webpage after 1 January 2009 and in its advertisements with the current promotions from 1 February 2009, and twice in two nationwide daily papers.