



GAZDASÁGI
VERSENYHIVATAL

Raiffeisen was not flexible in all cases

The Gazdasági Versenyhivatal (GVH, competition authority of Hungary) established that Raiffeisen Bank Zrt. pursued an activity suitable to deceive consumers. The bank failed to provide adequate information about its “Flexible Housing Credit” product in certain of its advertisements, therefore the a fine of HUF 80 million was imposed.

The GVH initiated proceedings against Raiffeisen Bank Zrt. in August 2007. The bank made an advertising campaign from 27 April to 10 June with the slogan “In the case of our new housing credit, it is you who determines the amount of monthly repayment!”. These advertisements would suggest to consumers that they can determine flexibly the amount of monthly repayments for the whole term of the agreement. However the investigation of the GVH revealed that consumers would only get a fair picture of the product, if the information provided would include expressly and unambiguously that the repayment can be determined only within the minimum and maximum amounts given by the bank, within the first two years and only in the case of foreign currency loans.

Certain advertisements included information on the minimum amount of monthly repayments and the APR concerning a loan of HUF 5 million. Raiffeisen Bank Zrt. emphasised that the lowest value of APR could be 6.17 per cent, however in contrast to the advertisement this value was not achievable during the campaign. By making this false declaration Raiffeisen restricted consumers in their ability to judge the product on its merits or compare it with competing products on the market.

According to the GVH the suitability of the conduct, under investigation, to unfairly manipulate consumer choice was reinforced by the circumstance that consumer contract themselves through the loan agreement for long term periods. In the present case, taking regard of the 35 years, i.e. 420 months long term, the values calculated for the first 2 years according to the conditions securing the lowest possible values do not give an objective picture of the whole product. The reduced APR that was available in the preferential period (without the relevant additional information), and which was highlighted in the TV spots and newspaper advertisements, played a major role in triggering extra interest from consumers concerning the product and made them maybe to visit the bank, where bank personnel has more possibilities to persuade them to conclude an agreement.

Based on the above the GVH established that particular advertisements of Raiffeisen Bank Zrt. were suitable to deceive consumers therefore imposed a fine of HUF 80 million. In determining the amount of fine, the GVH took into consideration as an alleviating factor the fact that consumers had the possibility to get acquainted with all the conditions of the contract before they concluded the agreement.

The GVH would like to draw the attention again to the fact that the essence of advertising is raising the attention, giving information, nevertheless regard has to be taken of the goals of advertising as well, namely stimulation of consumption, manipulation of consumers to choose a particular product or service. The creation of mutual contact is an essential element of business relations. Should the creation of contact be based on an infringing, deceptive information, then it is clear that the further inquiry does not eliminate the infringement. The information is infringing the relevant provisions, even if subsequently there is the possibility to get acquainted with all the details. Therefore advertisements should be on their own (without any additional information) genuine, true and accurate. Furthermore we cannot speak of advertisements that raise the attention, if they show one or more essential characteristics of the product. Whenever an information includes or highlights certain important characteristics, conditions, it has to be accurate in order to enable the consumer to get acquainted with the interrelated, inseparable conditions from the advertisement. Consequently even information that contains real conditions and highlights favourable characteristics, could be deceptive from a competition law point of view, if it does not mention other circumstances, that are inevitable for the evaluation of the disclosed characteristics.