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THE HUNGARIAN COMPETITION AUTHORITY

Sector inquiry in the banking sector

Summary in English

The Hungarian Competition Authority initiated a sector inquiry in retail banking on 7 February 2007 in order to collect information and estimate the process related to customer mobility in banking.

The possibility of a real market competition in the field of financial services only occurs if consumers have the opportunity to choose between actors on the market. The freedom of choice should have primary importance as well if consumers choose to move to another bank.

The possibility of choice between the services provided by the different financial suppliers enables consumers to react promptly to the appearance of services provided and products supplied with better terms and conditions. Owing to the mobility of consumers the financial suppliers might become interested in producing and selling products, which are more competitive and in this way their products might also reach more consumers.

Based on international experiences and effects on the Hungarian market it seems that the mobility of consumers in retail banking is uncommon, consequently market competition might be distorted and restricted. The high interchange fees might also weaken competition since the financial decisions of consumers are influenced by their banking relationships. Owing to the high interchange fees consumers are not able, after they have signed a contract with a bank, to demand the same services from another bank. Consequently, some banks enjoy significant market power and are able to capture certain consumers, which might weaken competition and is harmful for consumers.

The facilitation of consumer mobility in banking sector and the lowering of interchange fees may demolish competition barriers in retail banking. Consequently, assuring the mobility of consumers in banking by providing better services of higher quality may encourage competition.

During the proceeding the GVH is going to rely on international experiences, selected literature, surveying in the field of financial services provided to consumers and representative data from the market of loan offices.

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More information:

Hungarian Competition Authority

Communication Unit

András Mihálovits

Hungarian Competition Authority
Address: H-1054 Budapest, V. ker. Alkotmány u.5., HUNGARY
| H-1245 Budapest, 5. POB 1036
tel: +36-30 618-6618
email: Mihalovits.Andras@gvh.hu
<http://www.gvh.hu>