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## **GVH sanctions for misleading credit card ads**

**As a recent step of the series of market clearance investigations related to the credit card products of banks, the GVH fined three more financial institutions for credit card ads suitable for the deceiving of consumers. K&H Bank was fined HUF 15 million (approx. EUR 60 thousand), Erste Bank HUF 2 million (approx. EUR 8 thousand) and Citibank HUF 20 million (approx. EUR 80 thousand).**

In spring 2006 the GVH initiated a proceeding against OTP Bank assuming that the bank did not provide proper information for its clients about the conditions of the interest free use of their credit cards. OTP was finally fined HUF 100 million (approx. EUR 400 thousand). Though OTP requested the review of the decision of the GVH, the Municipal Court of Budapest affirmed the decision.

In the course of the competition supervision proceeding against OTP, financial institutions turned out to apply a wide range of misleading ads. Therefore, the GVH decided to initiate a series of investigations in order to clean up the market and to reduce the number of credit card ads misleading consumers. In addition to the proceedings already finished, some further proceedings continue against Budapest Bank, Cetelem Bank, CIB Bank, MKB Bank and Raiffeisen Bank.

The GVH has found that K&H Bank from April 2003, Erste Bank from November 2005 and Citibank from March 2002 provided information on the interest free use of their credit cards, which was suitable for the deception of consumers.

- 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 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,

- the whole debt covers 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 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 promise relates to x days only 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.

According to the GVH, ads that contain the promise „interest free” (up to x days) but no further information in connection with this, are suitable for the deceiving of consumers, since they disregard the fact that several further conditions are required to be fulfilled for the interest free use.

Pursuant to the GVH the expression „up to” means usually a maximum possibility. The interpretation of this expression in connection with credit cards is not obvious. In possession of information like „you can spend the money of the bank interest free up to x days” consumers may think that they can automatically spend the credit line interest free up to x days, and only have to pay interests from the end of the deadline.

Some pieces of the information contain that the lack of interest relates only to credit card payments of purchases. However, information disregarding the further conditions can be misleading either, since they create a false impression of the lack of interest, as an essential feature of the product. Some of the information establishes a connection between the credit card payments of purchases and the repayment of the amount spent. According to the GVH, this suggests to consumers, that they do not have to pay interests if they repay the money spent. However, for the interest free use it is required that the consumer repays the whole debt, not only the amount spent. The information may also suggest, that in the case of purchase, the consumer has to repay the spent amount within the x days mentioned in the information. The x days do not apply to the single purchases though, but to the whole settling period.

Some information declare that the repayment of the whole debt is required, but it is not obvious that the whole debt covers 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).

In course of the investigation the GVH discovered that the banks concerted with other undertakings concerning certain credit cards. The GVH established with respect to the competition law responsibility for the information given to consumers, that the agreement of the parties related to marketing cooperation, and the partners of the financial institutions played certain roles in forwarding the information to consumers. Both the banks and their partners had an interest in the cooperation. Therefore the responsibility of the partners cannot be excluded in connection with the unlawful information on the credit cards released by the banks and concerned by the agreements. The fact, that the content of the ads was defined by the bank is irrelevant. The available documents and declarations proved, that the responsibility of the partners relating to the information investigated was of minor importance. The GVH also established, that in this case the most efficient way of solving this competition problem was to impose sanctions on the bank. Thus the GVH terminated the competition supervision proceedings with respect to the partners of the banks.

At the determination of the amount of the fines the GVH considered the share on the market of credit cards and the period affected by the infringement among others. The GVH considered the efforts to modify the information in accordance with competition provisions as a mitigating circumstance.