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## **Misleading credit card ads again – two more banks fined**

**Advertisements of Unicredit Bank Hungary Zrt., and Credigen Bank Zrt. on credit cards were abusive, the competition authority of Hungary (GVH) found. One and two million HUF fines were imposed, respectively.**

According to the results of the investigation advertisements of Credigen from October 2005, and advertisements of UniCredit from May 2005 were misleading, as they did not indicate that:

- The lack of interest related only to credit card payments of purchases and not to cash withdrawals,
- For the interest free use it was required that 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 was required that the full debt was repaid until the end of the deadline, and in the case of the repayment of only a fraction of the debt consumers concerned were obliged to pay interests as well.
- For the objective assessment of an information which contained data on the length of the interest free period („interest free up to 51 days”), it was necessary to know that the promise related to 51 days only if the transaction took place in the very first day of the settling period, as after that day the number of the potentially interest free days reduced each day by one as the deadline for repayment approached.

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 they 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 clients about the interest free periods in many leaflets, but the method applied is rather dubious from a consumer protection perspective. They do not explicitly draw the attention of consumers 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 assessed did not meet the above requirements, the GVH considered appropriate to impose fines.

At the determination of the level of the fine, the GVH took into account the resources spent on the advertisements, the number of consumers reached by the ads, and the low market share of the two banks. It was considered as an attenuating factor that consumers had the possibility to get acquainted with the real conditions of the product before concluding the agreement. On the other hand, in the case of Credigen it was considered as an aggravating factor that it had already conducted misleading practices. In the case of UniCredit it was an attenuating factor that it undertook to reconsider its advertising policy and to improve the level of its communications.

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Hungarian Competition Authority  
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