



GAZDASÁGI
VERSENYHIVATAL

Parliament accepted the annual report 2008 of the GVH

On its sitting of 21 September Parliament approved with 362 favourable votes, with one blackball the annual report 2008 of the Hungarian Competition Authority (GVH). The report analyses last year's activities following the traditional order: competition supervision, competition advocacy and the development of competition culture.

In the report the GVH makes some recommendations to Parliament in cases where, on the basis of its law enforcement experience, it perceived the mal-functioning of the system, however it was unable to restore balance with competition law tools.

I. The GVH suggests that Parliament pass laws that promotes effective competition on the mortgage loan market. First of all, it should make State subsidies portable. Second, by developing the regulation of mortgage credit institutions, it should make statutes that by promoting bank switching would facilitate consumer mobility and limit the possibility of financial service providers enjoying asymmetric benefits in contractual relationships.

The GVH published its sector inquiry report on bank switching at the beginning of 2009. The sectoral inquiry paid great attention to mortgage loans. The analysis reveals that in the field of crediting there are numerous barriers to consumer mobility, hereby consumers have to face higher fees than normally expected. Thanks to the intervention of the GVH, in the case of certain contract types, the regulation of unilateral contract modifications has been refined. However, this regulation does not cover mortgage loans funded through the issuance of mortgage bonds, therefore in the case of these contracts consumers cannot enjoy the benefits of the new regulation.

It also turned out from the sector inquiry that due to lack of state subsidy portability, consumers have to count with the fact that when switching to another bank in order to refinance the loan they lose state subsidy, which constitutes a significant cost element discouraging mobility. For this reason the GVH recommends that in the case of subsidized loan contracts Parliament should pass laws for making state subsidies portable to the same extent.

II. The GVH urges the review of the present system of originality examination of vehicles. The analysis of the GVH published in 2008 pointed out that the system of originality examination has been working under disputable circumstances, inadequately for consumers since the beginning. Legislation in this field has favoured in many respects the interest of the players of the private sector. Besides the fact that the costs necessary for the functioning of the system exceed public benefits reached, the originality examination is only partially able to achieve its original goal.

The obligation to buy this service also extends to cases where there is no real risk – to be prevented by the State –, which constitutes unnecessary extra costs for consumers. The officially determined fees for these services have followed the prices that evolved during

cartel activities earlier examined by the GVH and that were artificially high including extra profit. Law protects the position of the market players concerned, they do not have to compete. Furthermore, besides the system of originality examination the state also maintains and runs technological monitoring systems.

According to the GVH, to decrease the costs of vehicle owners the following possibilities are offered as alternatives: rationalizing State traffic administration tasks, enforcing price competition between originality examination service providers, enhancing transparency. If for any reason the level of costs of originality examination could not be decreased, the annulment of the obligation of origin examination or the commercialisation of the service may also be considered.

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