



GAZDASÁGI  
VERSENYHIVATAL

## **GVH sanctions against misleading credit card ads once again**

**Two more banks were fined for misleading credit card ads by the GVH. Raiffeisen Bank and Budapest Bank were fined HUF 9 million (approx. EUR 36 thousand), and HUF 12 million (approx. EUR 48 thousand), respectively, for the infringements. The GVH initiated the proceedings against the two banks within the scope of a series of market clearing investigations.**

The GVH found that Raiffeisen Bank from spring 2002 and Budapest Bank from November 2004 promised consumers an interest free usage of their credit cards for a determined period (42-, and 45 days, respectively) on their website, radio and TV spots, in the printed media and in leaflets.

At the evaluation of the offer on the interest free use of the credit cards the GVH has taken as a basis that consumers only receive an appropriate view on interest free usage if the information contains clearly and accurately that:

- the lack of interest relates only to credit card payments of purchases and not to cash withdrawals,
- 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.

The necessity of the above is confirmed 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 customers about the interest free periods in many leaflets, but the method of information supply is rather dubious from a consumer protection point of view. 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 deadline. This option cannot be utilised "partially", so if the repayment is greater than the minimum amount, but it does not cover the whole debt, then there is no interest free period for the repaid amounts either;

- consumers do not realize that in the case of the repayment of only a fraction of the debt they have to pay interests for the whole debt, not only for the part not repaid yet;
- 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.

The results of a research concerning the examined period on the website of Budapest Bank also established that:

- many clients (one third of the credit card holders) use their card for cash withdrawal,
- a considerable part of clients is attracted by the phrase „interest free up to 45 days”,
- the length of the interest free period is an important aspect for consumers choosing a credit card.

The GVH established that the ads on credit cards released by Raiffeisen Bank and Budapest Bank were suitable for the unfair manipulation of consumer choice. The GVH imposed on Raiffeisen Bank a fine of HUF 9 million (approx. EUR 36 thousand) and on Budapest Bank a fine of HUF 12 million (approx. EUR 48 thousand).

The first proceeding of the same kind was initiated against OTP Bank in spring 2006 as the GVH suspected it of providing inappropriate information on the interest free use of its credit card products. After the investigation the GVH imposed a fine of HUF 100 million (approx. EUR 400 thousand) on OTP. The bank appealed the decision but in first instance the Municipal Court of Budapest dismissed the appeal.

It was found in the proceeding against OTP that financial institutions commonly apply misleading advertisements, so the GVH decided to enter into a series of market cleaning investigations in order to reduce fraudulent practices on the market of credit cards. Besides the present case, K&H Bank was fined HUF 15 million (approx. EUR 60 thousand), Citibank HUF 20 million (approx. EUR 80 thousand) and Erste Bank HUF 2 million (approx. EUR 8 thousand). The market cleaning series continues, and the GVH is conducting several proceedings against banks.