

The GVH has uncovered restrictive agreements affecting multiple EU Member States

5 March 2021, Budapest – The Hungarian Competition Authority (GVH) has imposed a fine of HUF 46 million on the group of undertakings that committed the infringement. This intervention by the GVH will eliminate a restriction of competition in the other affected EU Member States, in addition to benefiting Hungarian women since a compensation commitment amounting to HUF 140 million in total was also agreed to at the conclusion of the case.

The GVH established that the Jacobs Group, a vendor of products used in artificial nail application and decoration, had applied unlawful clauses in its contracts with distributors supplying nail salons which resulted in a restriction of competition on the Hungarian market. According to these clauses, since 2010, members of the group engaged in retail activities had been requiring suppliers to resell certain products to artificial nail salons operating on the Hungarian market at a uniform price that they had determined while at the same time obliging higher prices than the Hungarian price level for their foreign partners. This meant that artificial nail salons were only able to procure the Crystal Nails, BrillBird, and MarilyNails products supplied by the group at higher prices, which in turn influenced also consumer prices. Furthermore, the group of undertakings had also been including regional restrictions in both its domestic and foreign distribution agreements since 2009; it had prohibited its partners from selling the products outside the regions specified in their contracts beyond the scope of the exceptions permitted by the applicable legislation, which resulted in the market being divided up among these distributors.

In the course of the GVH proceeding, the group of undertakings showed an exceptional willingness to cooperate; within the framework of the so-called settlement proceeding, the group acknowledged the infringement, waived its right to seek legal remedy against the decision and agreed to voluntary commitments in order to eliminate the restriction of competition and compensate for their effects in ways that directly serve the interests of consumers. Among the commitments made, the compensation to be provided to the salons should be highlighted: professionals engaged in artificial nail application will be entitled to use 22 thousand coupons, worth HUF 110 million in total, over the course of the coming months, which will not be subject to the purchase restrictions introduced due to the pandemic and which grant them discounts when purchasing products from the undertakings in question or their distributors. In addition, the group of undertakings is going to gift 12 thousand bottles of hand sanitiser and 48 thousand facemasks to the salons, worth HUF 30 million in total. Taking all of the above into consideration, the GVH imposed a significantly reduced fine of HUF 46 million for the infringements. However, as a prerequisite of the fine reduction, the group will be required to provide evidence of the appropriate fulfilment of its commitments, including the amendment of its contracts with its domestic and foreign

distributors, which were found to infringe the law, and the removal of the unlawful provisions from these agreements.

The intervention of the GVH will eliminate the restrictive market practices existing in several Member States of the EU; on the other hand, the significantly reduced fine will ensure that as many employees as possible will be able to keep their jobs during the pandemic. Furthermore, as a result of the opening up of the price competition among the distributors of the products in question and the granting of compensation, salons and artificial nail professionals will also have a chance to reduce their prices, thereby enabling Hungarian women to access their services at a reduced cost.

The official registration number of the case is: **VJ/57/2017.**

GVH Press Office