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Commitment on the consumer credit market

The Competition Council of the Hungarian Competition Authority (GVH) terminated a case against OTP Bank (National Savings Bank, hereinafter: OTP) after accepting a commitment by OTP. The proceeding was initiated on the suspicion that OTP had abused its dominant position. Based on the commitment, OTP has to pay back money to tens of thousands of its clients.

The case was initiated after OTP unilaterally modified the amount of the early repayment fee charged in connection with consumer credit in August 2005. The raise was substantial in comparison to the amount fixed in the contracts with the clients. This conduct was suspected to be an abuse of a dominant position. In the case of Hungarian forint denominated credits, as a consequence of the raise, those who intended to pay the credit back before the term stipulated in the contract, had to pay a fee of 35 000 instead of 5 000 forint.

OTP contested the infringement and referred to its increased costs, to the lump-sum nature of the original fee (meaning that it was not cost-based and that it applied to all administrative activities), and to its adherence to sectoral regulations. At the same time, OTP offered a commitment with the following content:

1. *The currently applied 15-day deadline for the modification of the contract to the detriment of customers, including in connection with the conditions of the contract, will be modified to 30 days as from 1 September 2007 with regard to any modification of the conditions of the contract, with the exception of the rate of exchange and the change of interest rate.*
2. *As from 1 January 2008, OTP undertakes that in the case of modifications to the contract, it will individually inform its customers of this fact; those with e-mail addresses via e-mail and others via regular post free of charge.*
3. *It undertakes that customers who entered into a consumer credit contract before 31 July 2005, and*
 - a) *made an early repayment, paying the 35 000 forint fee, will be paid back 15 000 forint;*
 - b) *who have not so far made an early repaid, will be offered the possibility to doing so within 30 days by paying a fee of 20 000 forint.*
4. *Sixty days following the acceptance of the commitment by the Competition Council, OTP will contact those customers who made an early repayment by paying 35 000 forint and it will ask them whether the 15 000 forint mentioned above should be paid into a bank account or repaid in cash. The payment will take place upon the receipt of the answer of the customer. The affected customers are those who signed a contract*

with OTP between 3 May 2004 and 31 July 2005, irrespective of whether the credit was granted in Hungarian forint or foreign currency.

Sixty days following the acceptance of the commitments by the Competition Council, OTP will contact those customers who have not so far made an early repayment, and it will inform them of the possibility of doing so within 30 days by paying 20 000 forint.

5. *In the letter that is to be sent to the customers (referred to under point 4), OTP will inform the customers of the commitment injunction of the Competition Council.*
6. *OTP will inform the GVH about its compliance with points 3 and 4, and subsequently upon the request of the GVH.*

A proceeding may be terminated with binding commitments if the public interest can be effectively safeguarded in this manner. The Competition Council is of the opinion that the possible anticompetitive effect resulting from the rise in the early repayment fee is to be eliminated by the commitments. The clients affected by the unilateral modification of the contract will get back a significant proportion of the difference in a swift and easy procedure. The Competition Council took into account the fact that OTP had adhered to the sectoral rules in the course of its action.

The payback affects tens of thousands of customers while the future possibility of early repayment may affect about 300 thousand customers.

The GVH expects its acceptance of the commitment to serve as an example to other market players.

Case-number: **Vj-12/2006.**

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