LOAN COMPANIES TO PAY OVER PLN 1.65 MILLION IN FINES – UOKIK DECISIONS

* **“Free first loan up to PLN 2,000” and “get your loan in 15 minutes” were the catchphrases used by the Net Credit and Incredit loan companies; however, none of those promises would later turn out to be true.**
* **Both companies also specified understated annual percentage rates of charge, with Incredit also incorrectly calculating the amount of interest on the loans granted.**
* **The total amount of penalties imposed by the UOKiK on the two companies exceeded PLN 1.65 million.**

**[Warsaw, March 7, 2018]** The President of the Office of Competition and Consumer Protection imposed financial penalties on two loan companies – Net Credit and Incredit. The reason for this decision was that both companies provided their customers with misleading information, which amounted to unfair market practices.

*“The consumer has the right to receive full and reliable information at all stages, including in company advertising materials. However, both of the companies would provide misleading information as to important details, which may have induced consumers to take advantage of their offer”* – says Marek Niechciał, President of UOKiK.

1. **The practices challenged included the so-called “free” loans.** Both Net Credit and Incredit assured in their advertising that new customers would receive their first loan of up to PLN 2,000 “for free” and would be able to pay it back in 30 or 61 days. However, a single condition not mentioned in advertising – namely, timely repayment – would later be included in the contracts themselves. If the customer made a late payment, they would have to pay a commission and – in some cases – additional interest; for example, in case of a loan in the amount of PLN 2,000 taken out with Net Credit, these charges would amount to PLN 500.

*“If a customer took out an actual free loan and later failed to comply with the repayment schedule agreed upon, interest would normally be charged for each day of delay. In this case, however, the customer would also be forced to pay a commission, the payment of which was only conditionally suspended. Any delays in loan repayment for these promotional offers would therefore entail a cost that was higher than the advertising suggested. These practices may have misled consumers as to the actual risk associated with taking out a loan”* – explains Waldemar Jurasz, director of the UOKiK branch office in Cracow which was responsible for drafting the relevant decision.

1. **15 minutes – but not for all.** Both companies also promised in their advertising that the money would be available on the customer’s account within 15 minutes. However, what they failed to mention was that this only applied to those individuals whose accounts were maintained by one of the seven selected banks. In addition, Incredit has also failed to make clear that the 15 minute period would be calculated not from the moment of filing the application, but from the moment of the acceptance thereof.
2. **Understated annual percentage rates of charge.** The advertising materials for both companies included understated claims as to the effective annual percentage rate of charge; in some cases, the differences between the actual and advertised values were quite substantial. For example, for a loan in the amount of PLN 500 taken out for the period of 30 days (total loan amount: PLN 650), Net Credit would claim that the APRC was 741.82%, whereas the actual amount thereof was 2,333.95%.
3. **Incorrect amounts of interest charged.** According to the provisions of its own loan contracts, Incredit was only supposed to charge interest on the portion of the loan which has not yet been repaid. However, the interest charged with each successive instalment was actually calculated on the initial principal. As a result, customers would be forced to bear excessive costs of the loan; for example, for a loan of PLN 2,000 taken out for a period of 12 months (12 monthly payments), they lost more than PLN 90 due to incorrect interest calculations.
4. **Lack of information on intermediary status and loan company name.** Until March 2016, Net Credit operated as an intermediary, offering loans granted by other lenders. However, it failed to include information on this fact in its advertising, which may have generated confusion among consumers as to the identity of the actual creditor.

**Fines**

The President of UOKiK imposed fines on both companies. The total amount of fines imposed is PLN 1,312,947 and PLN 351,153 for Net Credit and Incredit respectively. The latter company was also placed under the obligation to reimburse its customers for the excessive interest charged. Both companies appealed against the decision.

Is your loan company causing you problems? Make sure to contact the Financial Ombudsman.

**Additional information for the media:**

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