

☐ Sunny Bank violates Article 24 of the Fair Trade Law by engaging in deceptive or obviously unfair conduct that was able to affect trading order. 【July 13, 2006】

Sunny Bank, when entering into contracts with housing loan borrowers, did not provide the two types of housing loan programs (“may-settle-debt-anytime” and “restricted-debt-settlement-period”) for the borrower to freely compare and choose from. During its 766th Commissioners’ Meeting on July 13, 2006, the FTC determined that Sunny Bank took advantage of its dominant position and its obviously unfair conduct was sufficient to affect trading order, which violated Article 24 of the Fair Trade Law. The FTC thus imposed a fine of NT\$400,000.

Financial enterprises rely on their economically dominant position and take advantage of borrowers, who, in wanting to show determination in fulfilling their debt obligations, are forced to accept terms such as a high penalty for breach of contract in premature debt settlement and extremely long restrictive amortization periods. In not providing a “may-settle-debt-anytime” loan program as an option for borrowers, financial enterprises restrict housing loan borrowers to agreements such as a lock-out period (a period wherein early debt settlement is restricted), which means that they are unable to avail themselves of new and lower loan rates. Thus it has been difficult for low-interest-rate capital to replace the high-interest-rate capital in old housing loans. The conduct of Sunny Bank could have obstructed market capital allocation efficiency and have impaired the interest rate pricing competition of the housing loan market. Furthermore, it was at risk of being obviously unfair conduct that was sufficient to affect trading order and violate Article 24 of the Fair Trade Law.

The case started when consumers filed complaints against Sunny Bank stating that during the contract signing, the bank did not provide information on the two loan conditions (“may settle debt anytime” and “restricted debt settlement period”) to its customers. During investigation, Sunny Bank claimed that the “may-settle-debt-anytime” and “restricted-debt-settlement-period” programs it offered in 2004 and 2005 were based on annual interest rates on housing loans with a threshold of approximately three percent, such that the borrower could opt for the “may-settle-debt-anytime” program with approximately a three percent annual interest rate and above or the “restricted-debt-settlement-period” program with approximately a three percent annual interest rate and below. The information on housing loan borrowers from July to December 2004, which Sunny Bank provided to the FTC, however, was not consistent with the contents of the aforementioned two loan programs that have annual interest rates with a threshold of approximately three percent as claimed by the bank. Sunny Bank also claimed that the “may-settle-debt-anytime” and “restricted-debt-settlement-period” loan rates and others were explicitly indicated in the agreement signed by the borrower. Because the bank was unable to submit concrete evidence that it had provided the calculation of the interest rates of the two loan programs and loan conditions during the agreement signing, it was difficult to determine that Sunny Bank actually provided the aforementioned two loan programs for the borrower to freely choose from. Hence, the bank violated Article 24 of the Fair Trade Law.

After taking into account the motive, objective, degree of damage to trading order, duration of the action, scale of business, business operations, type and number of previous violations, interval of violations, conduct after the violation, cooperation during the investigation, and other factors, the FTC, in accordance with Article 41 of the Fair Trade Law, imposed the aforementioned fine.