

***Case No IV/M.1408 -
HALIFAX / CETELEM***

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**REGULATION (EEC) No 4064/89
MERGER PROCEDURE**

Article 6(1)(b) NON-OPPOSITION
Date: 26/02/1999

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 26.02.1999
SG (99)D/1466

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying parties

Dear Sirs,

Subject: Case No IV/M.1408-HALIFAX/CETELEM

Notification of 1.02.1999 pursuant to Article 4 of Council Regulation N/ 4064/89

1. On 1.02.1999, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89¹ by which Halifax Plc (Halifax) and Cetelem SA (Cetelem) controlled by Paribas acquire within the meaning of Article 3(1)(b) of the Council Regulation joint control of Harry Dawn Limited (the joint venture), a newly created company.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of the Merger Regulation and does not raise serious doubts as to its compatibility with the common market and with the functioning of the EEA Agreement.

THE PARTIES' ACTIVITIES AND THE OPERATION

3. Halifax's main activity is retail banking within the United Kingdom. In a minor scale, it carries on retail banking activities in Spain and insurance activities in Luxembourg.
4. Paribas, the banking and financial services group, is the ultimate holding company of Cetelem, a company active mainly in France but also in Belgium, Netherlands, Italy Spain and Portugal. Cetelem's principal activities are in the provision of credit to individuals

¹ OJ L 395, 30.12.1989 p.1 ; corrected version OJ L 257 of 21.9.1990, p.13, as last amended by Regulation (EC) No 1310/97, OJ L 180, 9.9.1997, p.1, corrigendum in OJ L 40, 13.2.1998, p.17.

(mainly consumer loans for household equipment). It also provides finance leases, operating leases and home loans.

5. The primary purpose of the joint venture is to provide consumer credit and related insurance products to individuals in the UK. It will focus its activity in sub-prime customers and point-of-sale credit to customers of retailers. Halifax is not present in these segments. As a result the parties will be able to offer financial products in a segment of the UK consumer credit market which neither presently offers.
6. Halifax and Cetelem will each hold 50% of the shares of the joint venture and will each nominate three directors. Resolutions of the board concerning important matters will require de votes of both parties. The joint venture will have its own management and staff and will be sufficiently funded. It will be provided with access to appropriate technology and will offer products, which are separate from those of its parents. Furthermore, the joint venture will perform on a lasting basis all the functions of an autonomous economic entity. Thus, the transaction constitutes a concentration within the meaning of Article 3(1)(b) of the Regulation.

COMMUNITY DIMENSION

7. Halifax and Paribas have a combined aggregate worldwide turnover in excess of EURO 5,000 million (Halifax, EURO 11,940 million; Paribas EURO 19,476). Both of them have a Community-wide turnover in excess of ECU 250 million (Halifax, EURO 11,940 million; and Paribas EURO 16,324 million), but they do not achieve more than two-thirds of their aggregate Community-wide turnover within one and the same Member State. The notified operation therefore has a Community dimension, but does not constitute a Co-operation case under the EEA Agreement, pursuant to Article 57 of that Agreement.

COMPETITIVE ASSESSMENT

Relevant product market

8. The joint venture will operate in several sub-segments of the provision of consumer credit in the United Kingdom, in particular unsecured loans to sub-prime customers; point-of-sale credit to customers of retailers; Credit and payment cards and ATM services and also associated insurance services for customers of the joint venture. The consumer credit is part of a wider sector of credit to particulars (see Case IV/M.907 Agos/Itafinco). However, it is not necessary to further delineate the relevant product markets because, in all alternative market definitions considered, effective competition would not be significantly impeded in the EEA or any substantial part of that area.

Relevant geographic market

9. The notifying parties state that the relevant geographic market is the United Kingdom. At the present stage the retail banking and related sectors, as the consumer credit, are national in scope. However, it is not necessary to further delineate the relevant geographic markets because, in all alternative geographic market definitions considered, effective competition would not be significantly impeded in the EEA or any substantial part of that area.

Assessment

10. As a result of the joint venture, the parties will be able to offer financial products in the UK which neither presently offers. Cetelem does not trade in the United Kingdom. Halifax is engaged in retail banking activities including the provision of credit to prime borrowers. Halifax has no experience in the provision of sub-prime and point -of- sale products. Although the joint venture will not be offering secured personal loans, it will be competing directly in that segment with finance houses, many of which offer secured personal loans, particularly to sub-prime customers. The five largest competitors in these segments are First National Bank, HFC/Beneficial Bank, Lombar Direct, GE Capital and Capital Bank.
11. In view of the market position of the parties to the concentration, it appears that the notified operation will have no impact on competition in the EEA. Consequently, the proposed concentration does not create or strengthen a dominant position as a result of which effective competition would be significantly impeded in the EEA or any substantial part of that area.

ANCILLARY RESTRICTIONS

12. Clause 4(3) describes the scope of the joint venture's activities. The joint venture will not be permitted without the consent of the parents to offer the products which are the current principal activity of Halifax namely: loans secured by real property and retail banking activities requiring a license under the UK banking legislation. In addition, the joint venture will not be permitted without the permission of the parent companies to offer point of sale loans for passenger cars or light commercial vehicles.
13. Clause 13(2) provides the joint venture with the exclusive right to establish relations with consumers through any Utility company in the UK for the provision of point-of-sale consumer credit to the customers of that Utility, except in the case the Utility refuses to deal with the joint venture. The withdrawal of the parent undertakings from offering such products is necessary to provide the joint venture with a viable business and to ensure a separation of functions.
14. Under Clause 17, each of the parent undertakings agrees not to compete with the joint venture. Under Clause 17(1) each parent agrees not to establish relationships with customers through any retailer in the UK for the provision of consumer credit. Clause 17(2) requires Halifax not to supply details of sub-prime customers from its database to any entity other than the joint venture. Halifax will not introduce sub-prime customers to a third party. Under Clause 17(3)(d) Halifax will be entitled to continue to make arrangements with employers for the provision of consumer credit to employees.
15. The above provisions are necessary to delineate the scope of activities to ensure a separation of functions between the joint venture and its parents. Also to ensure a viable business for the joint venture and to protect the investment made by each parent. The Commission therefore declares these provisions ancillary to the concentration.

CONCLUSION

16. For the above reasons, the Commission has decided not to oppose the notified operation and to declare it compatible with the common market and with the functioning of the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation (EEC) No 4064/89.

For the Commission,