

***Case No COMP/M.6164 -
BARCLAYS BANK/ EGG
CREDIT CARD ASSETS***

Only the English text is available and authentic.

**REGULATION (EC) No 139/2004
MERGER PROCEDURE**

Article 6(1)(b) NON-OPPOSITION
Date: 18/04/2011

***In electronic form on the EUR-Lex website under
document number 32011M6164***



Brussels, 18.4.2011

C(2011) 2872 final

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EC) No 139/2004 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus [...]. Where possible the information omitted has been replaced by ranges of figures or a general description.

MERGER PROCEDURE

PUBLIC VERSION

To the notifying party:

Dear Sir/Madam,

**Subject: Case No COMP/M.6164 - BARCLAYS BANK/ EGG CREDIT CARD ASSETS
Commission decision pursuant to Article 6(1)(b) of Council Regulation No 139/2004¹**

1. On 14 March 2011, the European Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which the undertaking Barclays Bank PLC ("Barclays", UK) acquires, within the meaning of Article 3(1)(b) of the Merger Regulation, control of parts of the undertaking Egg Banking plc ("Target", UK), ultimately controlled by Citigroup Inc. ("Citigroup"), by way of purchase of assets².

I. THE PARTIES

2. Barclays is the operating company of the Barclays Group, a global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services.
3. The Target is formed of certain credit card assets and liabilities of Egg Banking plc ("Egg"). The core activity of the Target is the issue and operation of credit cards in the UK under the Egg Card and Egg Money brands.

¹ OJ L 24, 29.1.2004, p. 1 ("the Merger Regulation"). With effect from 1 December 2009, the Treaty on the Functioning of the European Union ("TFEU") has introduced certain changes, such as the replacement of "Community" by "Union" and "common market" by "internal market". The terminology of the TFEU will be used throughout this decision.

² Publication in the Official Journal of the European Union No C 93 of 25/03/2011, p. 26

II. THE OPERATION

4. The proposed transaction consists of the acquisition by Barclays of certain credit card assets and liabilities previously under the sole control of Egg and, ultimately, Citigroup, pursuant to the asset purchase agreement entered into between Barclays and Egg on 1 March 2011.

III. CONCENTRATION

5. As a result of the proposed transaction, Barclays will acquire sole control of the whole of the Target.
6. In view of this, the notified operation is a concentration within the meaning of Article 3(1) of the Merger Regulation.

IV. EU DIMENSION

7. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million (Barclays: EUR [...] million; Target: EUR [...] million)³. Each of them has an EU-wide turnover in excess of EUR 250 million (Barclays: EUR [...] million; Target: EUR [...] million), but they do not achieve more than two-thirds of their aggregate EU-wide turnover within one and the same Member State. The notified operation therefore has an EU dimension.

V. COMPETITIVE ASSESSMENT

8. The Target supplies credit cards, only in the UK, under the Egg Card and Egg Money brands. Horizontal overlaps with Barclays occur therefore only in respect of the UK market for credit cards. Barclays supplies credit cards to UK consumers under the "Barclaycard" brand, which is a member of the Visa and MasterCard networks. Barclays also co-brands credit cards with a number of partner organisations.⁴

³ Turnover calculated in accordance with Article 5 of the Merger Regulation.

⁴ Barclays does not issue pure store cards. The co-branded cards issued by Barclays along with partner organisations like Hilton, Bhs, Intercontinental, Thomas Cook and Orange are not pure store cards.

A. Product markets

(i) Payment card issuing

9. In previous decisions the Commission has distinguished the issuing of payment cards from other payment card-related activities such as the acquiring of merchants and card processing.⁵
10. Within the activity of issuing payment cards, the Commission has considered that debit cards and credit/charge cards belong to separate relevant markets⁶ and has distinguished between the following:
 - Credit/charge card issuing: Although the credit function differs between the two,⁷ charge cards⁸ and credit cards⁹ have been considered by the Commission to be part of the same relevant product market as regards the payment function, since both types of cards offer similar payment services.
 - Universal/special purpose credit card issuing: Within the segment of credit/charge cards, the Commission has distinguished between universal cards and special purpose cards due to the difference in the payment functions between the two.¹⁰ Special purpose cards consist of pure store cards which are accepted for payment only in all commercial outlets of a given brand or selection of brands and within a limited geographic scope (typically national). Universal cards include both hybrid store cards¹¹ and cards which do not have any association with particular store brands, and are characterised by much wider acceptance for payments at a range of commercial outlets. Universal cards carry the brands of payment networks

⁵ Case COMP/M.5384 *BNP Paribas / Fortis*, Decision of 3 December 2008, paragraph 18.

⁶ Case COMP/M.5384 *BNP Paribas / Fortis*, Decision of 3 December 2008, paragraphs 14-16.

⁷ Case COMP/M.5384 *BNP Paribas / Fortis*, Decision of 3 December 2008, paragraph 35.

⁸ Charge cards, also known as "deferred debit cards", are required to be settled on a net basis in full at the statement due date and do not offer credit. Statements are issued periodically, typically on a monthly basis. Case COMP/M.5384 *BNP Paribas / Fortis*, Decision of 3 December 2008, paragraph 19.

⁹ Credit cards in the strict sense, also referred to as "revolving credit cards", require the customer only to settle a fraction of the outstanding balance figuring on periodic statements of account. The remaining part of the outstanding balance may be carried over to the next statement period, in which case interest charges become due. The customer disposes of a credit facility up to a pre-arranged ceiling which is replenished as repayments are made on the outstanding amount. Case COMP/M.5384 *BNP Paribas / Fortis*, Decision of 3 December 2008, paragraph 19.

¹⁰ Case COMP/M.5384 *BNP Paribas / Fortis*, Decision of 3 December 2008, paragraph 27.

¹¹ Hybrid store cards offer particular conditions or services when used in the sponsoring store or collection of stores, and carry a proprietary logo, but can still be used in other establishments, whether nationally or internationally, for which purpose they are co-branded with national or international payment scheme logos. Case COMP/M.5384 *BNP Paribas / Fortis*, Decision of 3 December 2008, paragraph 19.

such as Visa, MasterCard, American Express and Diners Club which ensure their wide acceptance across a range of outlets.

➤ *Personal/corporate credit card issuing*: Corporate cards are issued to the employees of companies for use on company business, while personal cards are issued to private individuals for their personal use. The Commission has previously left open the question of whether personal cards and corporate cards belong to different relevant product markets,¹² although it has noted that these two types of card are not substitutable from the demand side as they serve distinct segments of demand, carry different commercial conditions and corporate cards also offer certain additional services to the corporate customer as a whole.¹³

11. The Parties are of the view that a number of payment mechanisms (such as store cards, debit cards, cheques, cash, hire-purchase and overdrafts) may be substitutable for credit cards but provide information on the basis of the product market definitions established by the Commission.
12. The exact product market can be left open in the present case since even on the narrowest possible definition of the relevant market, serious doubts do not arise as to the compatibility of the notified transaction with the internal market.

(ii) *Card-based consumer credit*

13. At its most general, consumer credit consists in the supply of personal financing and other means of credit to individuals in order to purchase durable consumer goods (for example, cars and household equipment) as well as to finance consumption.
14. The Commission has considered¹⁴ that the provision of card-based consumer credit should be viewed as a separate and distinct product market from personal loans, which include loans sold directly via banks (personal credit) and finance at the point of sale (classical credit). The Commission has left open the question of whether the provision of card-based consumer credit should be further distinguished between credit offered on universal cards and credit offered on personal store cards.¹⁵
15. Although the Parties are of the view that card-based consumer credit competes with, at least, both personal loans and overdrafts on current accounts on the grounds that all of these methods can be used by customers interchangeably to satisfy a customer's need for short term credit, they provide information, for the purpose of the notification, on the basis of a relevant product market limited to card-based consumer credit as established by the Commission in previous decisions.

¹² Case COMP/M.5384 *BNP Paribas / Fortis*, Decision of 3 December 2008, paragraph 17.

¹³ Case COMP/M.5384 *BNP Paribas / Fortis*, Decision of 3 December 2008, paragraph 38.

¹⁴ Case COMP/M.5384 *BNP Paribas / Fortis*, Decision of 3 December 2008, paragraph 57.

¹⁵ Case COMP/M.5384 *BNP Paribas / Fortis*, Decision of 3 December 2008, paragraph 56.

16. The exact product market can be left open in the present case since even on the narrowest possible definition of the relevant market, serious doubts do not arise as to the compatibility of the notified transaction with the internal market.

B. Geographic markets

17. The Commission considered in *BNP Paribas/Fortis* that the geographic market for both payment card issuing and card-based consumer credit is national¹⁶. The exact geographic market can, however, be left open in the present case since serious doubts do not arise at national level as to the compatibility of the notified transaction with the internal market.

C. Competitive assessment

18. Both Parties are active in the area of issuing credit cards. In line with the Commission's previous decisions, the Parties have considered credit cards and charge cards to be part of the same product market. The term "credit card" is used in the remainder of this decision to include both credit cards in the strict sense and charge cards. Although Barclays also issues debit cards, the Target does not.
19. Both Parties issue universal credit cards only. Barclays issues both corporate and personal credit cards, whereas the Target only issues personal credit cards.
20. As the Target is only active in the UK, the Parties' activities overlap in relation to the issuing of universal, personal credit cards in the UK. The Parties are not aware of any vertical links, upstream or downstream, between Barclays and the Target.
21. The Parties thus submit that the markets affected by the proposed transaction are the following: (i) universal credit card issuing in the UK; (ii) personal credit card issuing in the UK; and (iii) card-based consumer credit in the UK. On these markets, the Parties' market shares in 2009 were as follows:

(i) universal credit card issuing in the UK¹⁷:

- Barclays: [10-20]%
- Target: [0-5]%
- Combined: [20-30]%

(ii) personal credit card issuing in the UK¹⁸:

- Barclays: [10-20]%
- Target: [0-5]%

¹⁶ Case COMP/M.5384 *BNP Paribas / Fortis*, Decision of 3 December 2008, paragraph 73.

¹⁷ Based on value of transactions.

¹⁸ Based on value of transactions.

- Combined: [20-30]%

(iii) card-based consumer credit in the UK¹⁹:

- Barclays: [10-20]%
- Target: [0-5]%
- Combined: [20-30]%

22. It follows that as a result of the proposed transaction the Parties' combined market shares will remain moderate in all product market segments (below 25%) and the increment will be low (below 5%).
23. In addition, in every market segment there would remain a significant number of credible competitors capable of imposing a competitive constraint on the merged entity. In the universal and personal credit card issuing markets, HSBC, Lloyds and The Royal Bank of Scotland have market shares within the range of 13-14% and a number of smaller actors have market shares within the range of 5-8%. In the card-based consumer credit market, Lloyds and MBNA have market shares of almost 20% and HSBC and The Royal Bank of Scotland have market shares of almost 13% and 10% respectively.
24. Finally, the UK's OFT has found, in respect of the UK market for card issuing, that switching credit card providers is relatively frequent and that customers can hold cards from a number of providers at any one time.²⁰ The Parties also report one new market entrant, Metro Bank, which started operations in July 2010 and provides customers with MasterCard credit cards.
25. In view of the foregoing, serious doubts do not arise as to the compatibility of the notified transaction with the internal market in any of the market segments considered.

¹⁹ Based on value of gross receivables at 2009 account closing.

²⁰ OFT Report to the Secretary of State for the anticipated acquisition of Lloyds TSB plc of HBOS plc (24 October 2008).

VI. CONCLUSION

26. For the above reasons, the European Commission has decided not to oppose the notified operation and to declare it compatible with the internal market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of the Merger Regulation.

*For the Commission
(signed)
Joaquín ALMUNIA
Vice-President*