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***Case No COMP/M.7078 - SANTANDER CONSUMER
FINANCE / EL CORTE INGLES / FINANCIERA EL
CORTE INGLES***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 29/01/2014

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EUROPEAN COMMISSION

Brussels, 29/01/2014
C(2014) 542 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 Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

MERGER PROCEDURE

To the notifying parties:

Dear Sir/Madam,

**Subject: No COMP/M.7078 - SANTANDER CONSUMER FINANCE / EL CORTE INGLÉS / FINANCIERA EL CORTE INGLÉS
Commission decision pursuant to Article 6(1)(b) of Council Regulation No 139/2004¹**

- (1) On 13 December 2013, the European Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004² by which Santander Customers Finance S.A ("SCF", Spain), ultimately controlled by Banco Santander S.A., and El Corte Inglés S.A. ("ECI", Spain), collectively referred to as "the Parties", acquire within the meaning of Article 3(1)(b) of the Merger Regulation, joint control of Financiera El Corte Inglés S.A. ("FECI", Spain) by way of purchase of shares, hereinafter "the proposed transaction".

1. THE PARTIES

- (2) SCF is active in the provision of finance services in Spain, Portugal and other countries. It offers finance products to customers at point of sale (through car

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 373, 20.12.2013, p. 31.

dealers or merchant outlets) and directly through its own branches, on the Internet and via telemarketing. SCF belongs to Banco Santander Group which is active in the retail, corporate and investment banking, asset management and insurance in the EEA and the Americas.

- (3) ECI is the parent company of El Corte Inglés Group, active in the field of retail distribution based on the department store model. ECI operates various types of stores: hypermarkets, supermarkets and convenience stores, travel agencies and optical shops. It also offers life insurance policies, services in the telecommunication technology sector and sells goods through teleshopping. ECI is active in Spain and Portugal.
- (4) FECCI is a credit institution within the meaning of Spanish law and is currently solely controlled by ECI. It provides credit services in connection with the purchases made in stores of the ECI Group and other stores with which it has bilateral arrangements. FECCI is mainly active in the market for personal credit to customers for financing the purchase of goods as well as in the market for the issuing of payment cards, namely, store cards. Other activities carried out by FECCI include value added tax (VAT) refund management services to customers, factoring services, and, insurance mediation services.

2. THE OPERATION

- (5) The proposed transaction consists in the acquisition of 51% of the shares and the voting rights on FECCI by SCF from ECI, pursuant to the Share Purchasing Agreement signed on 7 October 2013. On the same day ECI, FECCI and SCF have entered in a Shareholders' Agreement defining the new corporate governance structure.

Joint control

- (6) Following the transaction, FECCI's board of directors will have seven members appointed by the shareholders meeting, four of them on a proposal of SCF and three of them on a proposal of ECI. The non-executive Chairman of the board will be appointed by the 3 directors nominated by ECI after consultation with SCF, whereas those directors nominated by SCF will appoint the CEO after consultation with ECI.
- (7) Certain "board reserved matters" will require a decision with a favourable vote of five out of seven board directors, including among others: (i) the approval and amendments of the business plan and the budgets; (ii) the amendments of the current conditions of FECCI's commercial policy; (iii) investments in operating asset or any other asset related to FECCI's business in excess of EUR [...], provided that they were not envisaged in the business plan or the annual budget; conclusion, amendments or termination of financing agreements entered into by FECCI or its subsidiary for an aggregated amount in excess of EUR [...]; (iv) the establishment of strategic agreements or alliances having as their object the development of FECCI's business.
- (8) It follows from the above that the strategic decisions related to FECCI's commercial policy are jointly adopted by SCF and ECI. Therefore, FECCI will be jointly controlled by the Notifying Parties.

Full-functionality

- (9) The Parties submit that FECCI has sufficient resources to operate independently on the market, holds the necessary authorisations and meets the capital requirements to exercise the activities of a specialised credit institution in Spain. It also has its own management as well as 700 employees, including teams dedicated to client management, risk control and promotion. Furthermore, FECCI has its own assets and in particular it owns the IT system containing the applications necessary for cards management, operation and credit risk, administration system, comprising a database of transactions and customers, as well as customer management applications; a risk management system, an accounting system, an information system, and lastly a quality assurance system.
- (10) Further, FECCI has access to its own portfolio of customers and it provides private label card acceptance services to merchants such as Repsol, Burger King, Cinesa or Galeries Lafayette. [...].
- (11) The vast majority of FECCI's revenues stem from transactions with third parties and customers: end customers who finance their purchases using the "personal payment formula" or private label card, which represent [50-60]%, and fees paid by other companies than ECI, which represent [10-20]% of the income. FECCI is remunerated at arm's length for services provided to ECI.
- (12) Lastly FECCI has been active on the market for the last 17 years and the parties intend to maintain the joint control at least for a period of >8 years. Therefore, FECCI will operate on a lasting basis.
- (13) It follows from the above that FECCI will be a full-function joint venture. Therefore, the proposed transaction constitutes an acquisition of joint control over the whole of an undertaking within the meaning of Article 3(1)(b) of the Merger Regulation.

3. EU DIMENSION

- (14) The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million³, namely EUR 96 960 million. Each of them has an EU-wide turnover in excess of EUR 250 million (Banco Santander S.A.: EUR [...] million, ECI: EUR [...] million and FECCI: EUR [...] million), but they do not achieve more than two-thirds of their aggregate EU-wide turnover within one and the same Member State.
- (15) The notified operation therefore has a EU dimension within the meaning of Article 1(2) of the Merger Regulation.

4. MARKET DEFINITION

- (16) FECCI provides the following credit services exclusively in connection with purchases made in stores of the ECI Group and in stores with which it has bilateral agreements: (i) personal loans to customers and, (ii) financing through private label

³ Turnover calculated in accordance with Article 5(1) of the Merger Regulation and the Commission Consolidated Jurisdictional Notice (OJ C95, 16.04.2008, p1).

cards. It also provides VAT refund management services, factoring services and card management services. Other activities include the distribution of non-life insurance products which are offered together with payment cards. FECCI is also active in the field of customer credit and card issuing in Spain and marginally in Portugal.

- (17) SCF is active in the provision of card-based customer credit, customer credit granted via loans, customer credit activities for the purchase of motor vehicles, payment card issuing, including private label cards and management services for card payment in Spain and Portugal.
- (18) ECI is a large retail distribution company based on a department store model in Spain and in Portugal.
- (19) The proposed transaction gives rise to horizontal overlaps resulting in affected markets only in Spain as regards (i) the provision of consumer credit, in particular, the provision of consumer credit through loans, and (ii) the issuing of payment cards, in particular, the issuing of personal credit/charge cards and the issuing of personal pure store cards.
- (20) The proposed transaction also leads to limited horizontal overlaps in Portugal in the market for consumer credit and the issuing of payment cards and their respective segments. Nevertheless it does not result in affected markets even at the narrowest possible level. Thus, these overlaps will not be further examined.
- (21) Furthermore, there is a pre-existing vertical link between the activities of ECI and FECCI on the markets for retail distribution of goods in Spain and the provision of financing services. However, these vertical links do not result in affected markets either and, therefore, they will not be further assessed.

4.1. Relevant product market

4.1.1. The market for issuing of payment cards

- (22) In its previous decisional practice, the Commission has distinguished three main card-related activities: the issuing of cards to individuals and companies; card processing; and the “acquiring” of merchants (including hotels, airlines and other businesses accepting cards) for card payment acceptance.⁴
- (23) Within the activity of issuing payment cards, the Commission has considered that debit cards and credit/charge cards belong to separate markets.⁵
- (24) Charge cards⁶ and credit cards⁷ have been considered by the Commission to be part of the same relevant product market as regards the payment function, since both

⁴ Case COMP/M.5241 - American Express/Fortis/Alpha Card, para. COMP/M.5384 – BNP Paribas / Fortis, para. 14, Case No COMP/M.6164 -Barclays Bank/ Egg credit card assets, para. 9.

⁵ Case COMP/M.5384 BNP Paribas / Fortis, paras 14-16, Case No COMP/M.6164 - Barclays bank / Egg credit card assets, para 10.

⁶ 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

types of cards offer similar payment services, although the credit function differs between them.⁸

- (25) Within the group of credit/charge cards, it is possible to operate a distinction between special purpose cards and universal cards. The Commission has previously found that 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. For the purposes of this decision special purpose or pure store cards will be referred to as pure store cards.
- (26) Universal cards include both hybrid store cards⁹ as well as 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.¹⁰
- (27) The Notifying Parties submit that pure store cards could be used by the merchant for its promotional strategy and may include complementary services such as insurance. In practice these cards enable the merchants to encourage customer loyalty and to obtain information on purchasing patterns and the consumption profile. In the case of FECCI, pure purpose cards constitute a further element of the merchant's commercial offer. In this regard, the Notifying Parties consider that pure store cards compete with other services offered to customers on the market to which the particular retail store or chain belongs.
- (28) The Notifying Parties contest the existence of a market segment consisting in the issuing of pure store cards. According to them, pure store cards are not substitutable products from the demand side. Moreover, they do not compete in the same store, since once the customer has decided to carry out a purchase in a particular shop, pure store cards do not compete with each other. Rather, such cards play a role in the customer's decision as a part of the retailer's commercial offer. Furthermore, from the supply side (the moment merchants offer such cards to customers) pure store cards are not mutually exclusive products, as a customer may hold several of them.

monthly basis. Case COMP/M.5384 *BNP Paribas / Fortis*, Decision of 3 December 2008, paragraph 19.

⁷ 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.

⁸ Case COMP/M.5384 *BNP Paribas / Fortis*, Decision of 3 December 2008, paragraph 35; Case No COMP/M.6164 -Barclays Bank/ Egg credit card assets, para. 10.

⁹ 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 (see Case COMP/M.5384 *BNP Paribas / Fortis*, para 19).

¹⁰ Case COMP/M.5384 *BNP Paribas / Fortis*, para 22.

- (29) The market investigation has largely confirmed that card issuing constitutes a separate product market. Moreover, respondents to the market investigation have pointed out that differences between universal cards and pure store cards could support a further market segmentation into the issuing of universal cards, and the issuing of pure store cards.¹¹
- (30) A segmentation into the a market for the issuing of universal cards and the issuing of pure store cards could be justified on grounds of supply-side considerations, namely, different commercial conditions governing the relations between retailers and card issuers as well as particularities in the infrastructure needed for the issuing of universal or pure store cards. In particular, different fees apply to the use of each type of card. Moreover, universal and pure store cards are subject to different risk scoring, which is usually lower for the latter type of cards. As regards the technological infrastructure, pure store cards require specific computer applications for their customization according to a partner's preferences. Universal cards must also comply with brand-specific regulations (e.g. Visa, Mastercard or America Express), which renders them more standardised financial products as opposed to special-purpose cards, which are issued in consideration of the brand needs, e.g. the brand's sales strategy.¹²
- (31) The results of the market investigation suggest that, from the supply side, universal cards and pure store cards show limited substitutability. From the demand side, the market investigation has confirmed¹³ that there is a degree of substitutability between the two types of cards, since both types of cards can be used to pay at the same outlets, including those which offer pure store cards. However, pure store cards often have specific advantages which do not apply to universal cards, for example in terms of promotional programs. In this regard, customers hold an interest to hold a pure store card. A customer who holds a pure store card is therefore likely *a priori* to use it in preference to universal cards at the outlets which the card serves, at least if the circumstances which motivated holding it in the first place have not changed.
- (32) The Commission has also distinguished between corporate cards (issued to employees for professional use), and personal cards (issued to private individuals for personal use)¹⁴. FECCI does not provide corporate cards.
- (33) However, the precise product market definition can be left open, since the proposed transaction will not give raise to serious doubts regarding its compatibility with the internal market under any of the possible market definitions.

¹¹ Non- confidential version of the replies to question 18 of the Questionnaire Q1 to Competitors.

¹² Non- confidential version of the replies of UNOE BANK SA, Banco Popular Español S.A., Grupo Caixa, to question 19 of the Questionnaire Q1 to Competitors.

¹³ See also Case COMP/M.5384 BNP Paribas / Fortis, para. 28.

¹⁴ Case COMP M. 5384 - BNP Paribas / Fortis (paras. 38 and 39); Case COMP/M.6164 -BARCLAYS BANK/ EGG CREDIT CARD ASSETS, para. 10.

4.1.2. *The market for customer credit*

- (34) The Commission has in previous decisions held that banking services can be divided into three main segments, (i) retail banking (ii) corporate banking and (iii) financial market services.¹⁵
- (35) Retail banking generally comprises all banking services to private individuals and very small enterprises, which consist inter alia of deposits and account services (current accounts, saving accounts etc.), lending (personal loans, consumer credit, overdraft facilities, mortgages etc.), payment services and investment products such as (mutual) funds and other forms of asset management. The Commission has considered some of these as separate markets in a number of decisions, although it has ultimately left open the exact market definition.
- (36) In Spain, customer credit is generally offered by banks having their own distribution network and by specialised credit institutions.
- (37) In previous decisions, the Commission has considered that the provision of card-based consumer credit and customer finance loans, which include loans sold directly via banks (personal credit), and finance at the point of sale (classical credit) belong to separate product markets.¹⁶
- (38) Loans are usually contracted in relation to specific purchases and are usually of an amount higher than that of individual purchases made using credit/charge cards. The repayments associated with such loans are regular and occur over a period which is agreed in advance (i.e., in instalments). The interest rates for these loans are generally lower than those applicable to card-based credit.
- (39) Loans can be contracted directly with the bank or credit institution (at their offices or by means of distance selling). Nevertheless, it is also quite common that contracts are entered into at the point of sale, for example, in respect of the purchase of motor vehicles.
- (40) In the case of loans afforded directly at the point of sale, it may be the case that the retailer assumes part or even all interests as promotional expenses. Consumer finance is thus an additional cost for the commercial chain, and not a source of income, as the purpose is to attract customers and encourage purchases.
- (41) Card-based finance is more flexible because the credit is automatically available for each transaction (provided that the consumer does not exceed the maximum credit limit agreed in advance and that there are no incidences during the payment process) and it does not require successive authorisations by the bank. This credit thus serves a distinct purpose in enabling customers to borrow in order to finance

¹⁵ See among others: COMP/M.5960 - Credit Agricole / Casa di Risparmio della Spezia / Agences Intesa Sanpaolo; COMP/M.5948 - Banco Santander / Rainbow; COMP/M.5811 - Erste Bank / ASK; COMP/M.5726 - Deutsche Bank / Sal. Oppenheim; 8 September 2009 on case COMP/M.5605 - Credit Mutuel / Monabanq; COMP/M.5432 - Credit Mutuel / Cofidis; COMP/M. 5363 - Santander / Bradford & Bingley Assets.

¹⁶ COMP/M.5241 - American Express/Fortis/Alpha Card, para. COMP/M.5384 – BNP Paribas / Fortis, para. 14, Case No COMP/M.6164 -BARCLAYS BANK/ EGG CREDIT CARD ASSETS.

short-term gaps in cash flow, regardless of the purchasing need or opportunity. Nonetheless, the interest rate of card-based finance is usually higher.

- (42) The Parties consider that from a demand side prospective there is an undeniable competitive pressure between card-based customer credit and customer credit granted via loan, given that customers can use any of these possibilities to finance the purchase of goods.
- (43) The market investigation has confirmed that card based customers credit should be viewed as a separate and distinct market from personal loans.¹⁷ A number of differences contribute to this assessment. Different risk policies apply to both card-based credit and to customer loans. The technologic infrastructure used for payment cards and customer loans is different. Both card-based credit and consumer loans have a different commercial policy, implying different commissions and interest rates due to the fact that consumer loans are considered to cover higher amounts for a specific purchase, whereas card-based credit is used to finance a variety of purchases of lower value.¹⁸
- (44) On the basis of the results of the market investigation, it could be considered that card based credit and customer loans belong to separate product markets. However the exact product market definition can be left open since the proposed transaction will not give raise to serious doubts regarding its compatibility with the internal market under any plausible market definition.
- (45) In the past, the Commission has also considered without taking a definitive position on the matter, whether card-based consumer credit should be further segmented into credit offered on universal cards and credit offered on private label store cards.¹⁹ However, the proposed transaction will not give raise to serious doubts regarding its compatibility with the internal market under any plausible market definition and, therefore, the exact product market definition can also be left open.
- (46) Furthermore, in previous decisions, the Commission has considered the possibility of segmenting the consumer credit market into consumer credit activities for the purchase of motor vehicles and consumer credit for the purchase of other consumer goods²⁰. In the present case, SCF is active in the consumer credit segment for the purchase of motor vehicles, whereas FECCI is not. However the precise product market definition can be left open since the proposed transaction will not give raise to serious doubts regarding its compatibility with the internal market irrespective of the market definition chosen.

¹⁷ Reply to question 5 of the Questionnaire Q1 to Competitors. See also COMP/M.5384 – BNP Paribas / Fortis, para. 43.

¹⁸ Non- confidential version of the replies of Banco Popular Español, S.A, ING, Bankia, Cortefiel S.A. to question 6 of the Questionnaire Q1 to Competitors.

¹⁹ COMP/M.5384 – BNP Paribas / Fortis, para. 56.

²⁰ COMP M.1370 - PEUGEOT / CREDIPAR and M.3067 - Intesa/Capitalia/IMI Investimento/Unicredito/FIDIS Retail

4.2. Relevant geographic market

- (47) In its previous decisional practice, the Commission has consistently considered that, with regard to retail banking services, the relevant geographic market is national in scope due to the different competitive conditions within individual Member States and the importance of a network of branches²¹. This approach may also be followed in the present case.
- (48) The market investigation confirmed that the competition between suppliers which offer financing through loans or at the point of sale takes place mostly at national level.²² Consumer credit market in Spain is a mature market and is dominated by Spanish players who have a local presence.²³ In addition, companies located outside of Spain are generally unable to exercise competitive pressure, since in order to compete efficiently, they need local presence.
- (49) As regards payment cards, the Commission indicated that the market for such market is national in scope even though it admitted that there may be scope for the widening of the market in the future²⁴.
- (50) A majority of respondents to the market investigation largely confirmed that the competition between issuers of special purpose cards takes place at national level, and that companies located outside of Spain do not exercise significant competitive pressure in this market.²⁵ Issuers located outside Spain issue mainly universal and prepaid cards for the Spanish market. This is due to the lower technical complexity of these cards and to the difficulty in controlling the card acquisition at the point of sale.²⁶
- (51) Based on the above, it could be considered that both markets for payment card issuing and card-based consumer credit are national in scope. However the exact product market definition can be left open since the proposed transaction will not give rise to serious doubts regarding its compatibility with the EU internal market under any market definition.

5. COMPETITIVE ASSESSMENT

5.1.1. Card issuing

- (52) The Notifying Parties' activities in the market segment for credit/charge card issuing (including universal, hybrid and pure store cards) in Spain sheds a combined share of [10-20]% in terms of value (turnover), with an increment of [5-

21 COMP/M.4844, Fortis/ABN AMRO Assets; COMP/M.2578, Banco Santander Central Hispano/AKB; COMP/M.5384 – BNP Paribas / Fortis, para. 72

22 Replies to question 8 of the Questionnaire Q1 to Competitors.

23 Replies to question 9 of the Questionnaire Q1 to Competitors. Non-confidential reply of Banco Popular Español, S.A. to question 9 of the Questionnaire Q1 to Competitors.

24 COMP/M.3740, Barclays Bank/Förenings-sparbanken/JV and COMP/M.2567 Nordbanken/Postgirot

25 Replies to questions 21 and 22 of the Questionnaire Q1 to Competitors.

26 Non-confidential version of the reply of Unoe Bank S.A to question 22(1) of the Questionnaire Q1 to Competitors.

10]% attributable to FECCI, and [20-30]% in terms of volume (number of cards) with an increment of [5-10]% attributable to the Santander Group. The merged entity will also face competitive pressure from BBVA ([10-20]% by value; [10-20]% volume) and from CaixaBank ([10-20]% value; [5-10]% volume) as well as from several other smaller market players.

- (53) A potential market segment for issuing of pure store cards in Spain would yield high combined market shares by the Notifying Parties. Such market share would be [60-70]% with an increment of [0-5]% due to SCF in outstanding debt value, [70-80]% with an increment of [0-5]% due to SCF in turnover value and [50-60]% with an increment of [0-5]% attributable to SCF in number of cards. Indeed, SCF's presence in this market segment would be very limited. In addition, SCF issues hybrid store cards (co-branded cards) for several merchants in Spain, but neither ECI nor FECCI are active in this field. In light of this data, the proposed transaction will not have any substantial effect on the current market structure of such potential market segment. The resulting entity would also compete with BBVA (market share of [10-20]%), which offers special purpose/pure store cards to several large retail stores such as Zara (Inditex), Mango, Consum, or with Accordfin ([5-10]%), which also offers pure store cards to large retail chains, e.g. to Alcampo, Decathlon or Leroy Merlin.
- (54) The market investigation has emphasised that FECCI would have strengths in the market for issuing of payment cards, in particular in the hypothetical market segment of pure store cards. These strengths imply access to the largest customer base²⁷ in this market segment, a strong presence at the point of sale thanks to its mother company ECI's department stores and very good historical knowledge of customer behaviour, combined with significant experience in the operation of pure store cards as the main issuer of pure store cards in the Spanish market. Also, the high sales volume of ECI could facilitate the financing of customer purchases, for example, through the three-month interest free financing formula offered by FECCI to its customers.²⁸ However, the majority of the respondents of the market investigation also pointed out that there are no specific barriers to entry and expansion in this market segment, except for the need for commercial agreements with retailers with a large customer base wishing to offer pure store cards to their customers, and the fact that card issuers must comply with regulatory requirements, such as the need to become a financial entity under Spanish law and be granted a license to issue payment cards.²⁹ Finally, despite the fact that three respondents raised concerns with regard to the development of the Notifying Parties' market share mid-term, the vast majority of the respondents believe that the transaction would not have negative effects on pricing in the market for the issuing of pure store cards, since enough competitors would continue to exist post-transaction on this potential market segment and FECCI accounts for the large majority of the

²⁷ Access to such a large customer base resulting from the combination of SCF's and FECCI's customer portfolios is, however, not merger specific, since it could be achieved by means of commercial agreements between market players.

²⁸ Replies to questions 25 and 25.1 of the Questionnaire Q1 to Competitors.

²⁹ Replies to question 28 and 28.1 of the Questionnaire Q1 to Competitors.

combined share percentage with the entry of SCF not being significant enough to affect prices.³⁰

- (55) As regards the market for credit/charge card issuing, in view of the moderate combined shares of the Notifying Parties and the existence of several strong players remaining post-transaction, the proposed transaction will not give rise to serious doubts as to its compatibility with the EU internal market.
- (56) As regards a potential market segment for the issuing of pure store cards, considering the very limited increment of the Notifying Parties post-transaction which would not bring about any substantial change in the market structure and in light of the results of the market investigation, it could also be concluded that the proposed transaction will not give rise to serious doubts as to its compatibility with the EU internal market.

5.1.2. *Consumer credit*

- (57) After completion of the proposed transaction, SCF's and FECCI's combined market share in the overall market segment for consumer loans would amount to [10-20]% (with an increment of [0-5]% attributable to FECCI) in terms of credit portfolio. FECCI would continue to face competition from CaixaBank ([10-20]%) BBVA ([5-10]%), Banco Sabadell ([5-10]%) and several other market players which have market shares higher than FECCI. In addition, SCF's market share has been decreasing in the last three years. If the market definition excluded credit for the purchase of motor vehicles, the combined market share would amount to [10-20]%. The competition would present a similar landscape in this second scenario, with Banco Sabadell ([10-20]%), CaixaBank ([5-10]%), Novagalicia Banco ([5-10]%) and five other market players having shares higher than the increment.
- (58) With regard to the specific segment for card based customer credit in Spain, the Notifying Parties' combined share would be below 15% ([10-20]%, with an increment of [0-5]% attributable to FECCI). Therefore, the proposed transaction does not give rise to an affected market. In addition, there are other competitors with similar or higher market shares, namely CaixaBank ([10-20]%) and BBVA ([10-20]%), and five other financial institutions with shares higher than the increment.
- (59) The market investigation has revealed that SCF and FECCI are close competitors. However, they are not necessarily the closest competitors to each other.³¹ Some credit institutions other than FECCI are perceived to be closer competitors to SCF, as FECCI currently provides financing for FECCI's retail store customers only.³²
- (60) Almost all respondents to the market investigation have confirmed a high degree of market specialisation in the domain of consumer credit by SCF and FECCI, with particular strength in the financing of purchases at the point of sale.³³ The large

³⁰ Replies to question 29 of the Questionnaire Q1 to Competitors

³¹ Non-confidential version of the reply of UNOE BANK SA to question 10 of the Questionnaire Q1 to Competitors.

³² Non-confidential version of the reply to question UNOE BANK SA of the Questionnaire Q 1-Competitors

³³ Replies to question 13 of Questionnaire Q1 to Competitors.

retail business from ECI serving as a basis of customer acquisition to FECE is the main characteristic of the latter's specialisation in this market.³⁴ The market investigation indicated that access to retail distribution is a key element in order to be competitive in the market for consumer credit through cards as well as at the point of sale.³⁵ However, this is not perceived to be an insurmountable barrier by respondents to the market investigation.³⁶

- (61) The market investigation confirmed that the transaction would not lead to negative impact on price in the market for consumer credit.³⁷
- (62) Considering the moderate combined shares presented by the Notifying Parties and the existence of significant competitive pressure post-transaction, and in light of the results of the market investigation, the proposed transaction will not give rise to serious doubts as to its compatibility with the EU internal market regarding the market for consumer credit in Spain and its segments.

6. CONCLUSION

- (63) 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

³⁴ Replies to question 14 of Questionnaire Q1 to Competitors.

³⁵ Replies to questions 14 and 15 of the Questionnaire Q1 to Competitors.

³⁶ Replies to question 16 of the Questionnaire Q1 to Competitors.

³⁷ Replies to question 17 of the Questionnaire Q1 to Competitors.