



DETERMINATION OF MERGER NOTIFICATION M/14/002 -

LDC/Bluestone

Section 21 of the Competition Act 2002

Proposed acquisition by Lloyds Development Capital (Holdings) Limited of Bluestone Consolidated Holdings Limited

Dated 14 February 2014

Introduction

1. On 22 January 2014, in accordance with section 18 of the Competition Act 2002 ("the Act"), the Competition Authority ("the Authority") received a notification of a proposed acquisition whereby Lloyds Development Capital (Holdings) Limited ("LDC") would acquire control of Bluestone Consolidated Holdings Limited ("Bluestone").

LDC

2. LDC is a private equity specialist, focusing on management buyouts, institutional buyouts and development capital transactions, operating predominantly across the United Kingdom through a network of regional offices and with its head office in London. LDC invests across a broad range of sectors and it has particular experience in construction and property, financial services, healthcare industrials, IT and software, leisure and media, retail and consumer and support services. For the year ending 31 December 2013, LDC held investments in 88 entities.
3. LDC is a wholly owned subsidiary of Lloyds Banking Group plc ("Lloyds"), which offers a full range of financial services, including retail and wholesale banking, insurance and investment management services. For the financial year ending 31 December 2012, Lloyds had a worldwide turnover of €[...] million and a turnover in the State of €[...] million.
4. The parties state that while LDC is a wholly owned subsidiary of Lloyds, it operates as a stand-alone business and conducts its investments separately and without influence from the operations of the wider Lloyds group of companies.
5. LDC does not have an office in the State. However, it has a portfolio of investments in a range of companies, some of which according to LDC may be active in the State.¹
6. For the financial year ending 31 December 2012, LDC's worldwide turnover was €[...] million. According to LDC, it recorded [...] turnover in the State for the financial year ending 31 December 2012. As noted above, however, some of LDC's portfolio companies may be active in

¹ [...].

the State and thus may have generated turnover in the State for the financial year ending 31 December 2012.

Bluestone

7. Bluestone is a specialist lending and asset management business which targets the acquisition and management of underperforming loan portfolios in conjunction with a capital partner and also carries out its own loan origination activities. It has operations in Australia, New Zealand, the United Kingdom and the State, and is currently in the process of setting up a call centre in the Philippines. Bluestone is split into two business divisions: Bluestone Asset Management ("BAM") and Bluestone Capital Management ("BCM").
8. BAM specialises in the management of consumer loan portfolios, including debt collection services, and also originates and manages residential mortgages in Australia. BCM manages Bluestone's balance sheet including acquisition and origination funding structures.
9. In the State, Bluestone is active in capital and asset management through BAM which currently manages in excess of €[...] million in personal unsecured loans, auto and equipment leases, and is responsible for the end to end administration of these portfolios through a team of [...] staff based in Dublin, supplemented by call centre activity from BAM's business in the United Kingdom.
10. For the financial year ending 30 June 2013, Bluestone's worldwide turnover was €[...] million. Bluestone's turnover in the State for the same period was €[...] million.

Rationale for the Proposed Acquisition

11. The parties state in the notification:

"[...]"

Third Party Submissions

12. No submission was received.

Competitive Analysis

13. Neither LDC nor any of the portfolio companies controlled by LDC own or operate a business that is active in the provision of capital management services or asset management services. Thus, there is no horizontal overlap between LDC and Bluestone in the State.
14. [LDC] informed the Authority that [Lloyds] does not currently provide capital management services or asset management services to customers in the State. [LDC] also informed the Authority that [Lloyds] has no current plans to offer capital management services or asset management services to customers in the State. Thus, there is no horizontal overlap between Lloyds and Bluestone in the State.
15. In light of the above, the Authority considers that the proposed transaction will not raise any competition concerns in the State.

Ancillary Restraints

16. The shareholders agreement contains [...] month non-compete and non-solicitation clauses for [...] senior Bluestone executives. The Parties state that such restrictions are necessary in order to protect customer loyalty, know-how and goodwill.
17. The Authority considers these restrictions to be directly related and necessary to the implementation of the proposed transaction.

DETERMINATION

The Competition Authority, in accordance with section 21(2)(a) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition whereby Lloyds Development Capital (Holdings) Limited would acquire control of Bluestone Consolidated Holdings Limited will not be to substantially lessen competition in markets for goods or services in the State, and, accordingly, that the acquisition may be put into effect.

For the Competition Authority



Stephen Calkins
Member of the Competition Authority
Director, Mergers Division