



DETERMINATION OF MERGER NOTIFICATION M/14/025 - Lone Star/Start Mortgages (Nua Mortgages)

Section 21 of the Competition Act 2002

Proposed acquisition by Lone Star Funds (Lone Star Fund IX) of Start Mortgages Holdings Limited and loan book of Nua Mortgages Limited

Dated 30 October 2014

Introduction

1. On 13 October 2014, in accordance with section 18(3) of the Competition Act 2002 (“the Act”), the Competition Authority (“the Authority”) received a voluntary notification of a proposed acquisition whereby Lone Star Funds, through its Lone Star Fund IX and subsidiaries (collectively “Lone Star”), would acquire the entire issued share capital of Start Mortgages Holdings Limited (“Start Mortgages”), which includes an associated loan book, and a loan book (with associated securities) of Nua Mortgages Limited (“Nua Mortgages”).

Undertakings involved

The Acquirer

2. Lone Star is a private equity firm that invests globally in real estate, equity, credit and other financial assets through a number of private equity funds¹. Lone Star Fund IX² is one such private equity fund, established to make investments in financial and other investment assets, including single family residential debt and corporate and consumer debt products.
3. Lone Star Fund IX, through [...], entered into agreements for the purchase of the entire issued share capital of Start Mortgages, with an associated loan book, and for the purchase of a loan book (with associated securities) relating to Nua Mortgages.
4. Lone Star has had a presence in Ireland since 2001 [...]. In 2013, Lone Star had a worldwide turnover of €[...] and a turnover in the State of €[...].

The Targets

5. Start Mortgages is a company incorporated in the State, a subsidiary of which is Start Mortgages Limited, which is licensed as a retail credit institution by the Central Bank of Ireland under the Central Bank Act 1997. Start Mortgages, an Irish residential mortgage provider, has been closed to new business since 2009 and no new loans have

¹ Since the establishment of Lone Star in 1995, it has organized thirteen funds with aggregate capital commitments totalling over \$52 billion.

² Consisting of Lone Star Fund IX (U.S.) L.P., Lone Star Fund IX (Bermuda) L.P. and Lone Star Fund IX Parallel (Bermuda) L.P.

originated after that date. However, Start Mortgages maintains its license as retail credit firm and it remains involved in the servicing of loans.

6. The loan book of Nua Mortgages consists of [...] home loans secured by mortgages. All of the rights, title and interest under each underlying loan, mortgage asset and finance document are being acquired.
7. In the most recent financial year to March 2014, the turnover of Start Mortgages (including its associated loan book) was €[...] and the turnover attributed to the loan book of Nua Mortgages was approximately €[...].

The Vendors

8. Start Mortgages is being acquired from The Mortgage Lender Limited and the loan book of Nua Mortgages is being acquired from Investec Bank plc, both subsidiaries of Investec plc.
9. Investec plc is an international specialist bank and asset manager that provides a diverse range of financial products and services to a niche client base.

Rationale for the Proposed Acquisition

10. In the notification it is stated that:

“It is part of Lone Star’s Business to bid for loan portfolios worldwide.”
11. In response to questions by the Authority³, seeking to clarify issues around the proposed transaction, Lone Star stated:

“A secondary rationale [...], [...].”

Third Party Submissions

12. No submission was received.

Competitive Analysis

13. The proposed transaction concerns the indirect purchase by Lone Star, through two agreements, of the entire issued share capital of Start Mortgages, which includes an associated loan book, and a loan book (with associated security) which relates to Nua Mortgages Limited.
14. The acquisition of existing loans and credit portfolios of Start Mortgages and Nua Mortgages by Lone Star is for investment purposes via collection of the outstanding debt (interest and principal) owed on the loans or the sale of assets collateralising the loans.
15. The total value of outstanding mortgage loans in Ireland in the first quarter of 2012 was €86,628 million.⁴

³ Questions dated 23 October 2014 and written response received on 28 October 2014.

⁴ Central Bank of Ireland 2012 Quarter 1 Bulletin “The Irish Mortgage Market: Stylised Facts, Negative Equity and Arrears”, available at the following link:

16. To date Lone Star has acquired Irish mortgage loan portfolios with a face-value of approximately €[...] or approximately [0-10]% of outstanding mortgage loans in Ireland.
17. The target loans in the proposed transaction have a face value of approximately €[...], which is less than 1% of overall mortgage loans outstanding in Ireland.
18. Combined with Lone Star's existing portfolio this will result in Lone Star holding around [...]% of outstanding mortgage loans in Ireland.
19. In light of the above, the Authority considers that the proposed acquisition will not substantially lessen competition in any market for goods or services in the State.

Ancillary Restraints

20. No ancillary restraints were notified.

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 by Lone Star Funds of the entire issued share capital of Start Mortgages Holding Limited, which includes an associated loan book, and a loan book (with associated security) which relates to Nua Mortgages Limited, will not be to substantially lessen competition in any market 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