



DETERMINATION OF MERGER NOTIFICATION M/07/039 - EBS/Britannia

Section 21 of the Competition Act 2002

Proposed joint venture between EBS Building Society and Britannia Building Society

Dated 27/08/07

Introduction

1. On 30 July 2007 the Competition Authority, in accordance with section 18(1) of the Competition Act, 2002 ("the Act"), was notified, on a mandatory basis, of a proposed joint venture between EBS Building Society ("EBS") and Britannia Building Society ("Britannia").

The Undertakings Involved

2. EBS is an Irish mutual building society incorporated and registered under the Building Societies Act 1989 and regulated by the Financial Regulator. EBS's main areas of activity are mortgages, savings and investments, personal loans, insurance and credit cards. As a building society it does not have shareholders, however certain types of accounts qualify for membership of EBS, including mortgage accounts and some savings accounts known as share accounts.
3. In the financial year ending 31 December 2006 EBS had a turnover of approximately €662 million; all turnover was generated in Ireland. EBS is not active outside of the State.
4. Britannia is a UK mutual building society which is authorised and regulated by the UK Financial Services Authority. Britannia is owned by its members. Britannia's main areas of activity are mortgages, savings, loans, credit cards and insurance. Britannia is predominantly active in the UK, but has some activities outside of the UK (deposit taking, commercial lending and mortgage insurance). Britannia services its customers in Northern Ireland through its branch in Belfast. Although Britannia does have some treasury funding counter-parties in Ireland, and its international deposit taking business is open to Irish residents, it did not generate sales in the State in the most recent financial year.
5. In the financial year ending 31 December 2006 Britannia had worldwide turnover of approximately €2,642.7 million.

The Proposed Transaction

6. The proposed transaction involves two steps:
 - i. The first is the formation of a full function joint venture between EBS and Britannia.
 - ii. The second is the acquisition by the joint venture of [.]

7. The proposed transaction first involves the formation of a full-function joint venture between EBS and Britannia for the purpose of launching a new intermediary mortgage lender in Ireland (the "JV"). Project Westport Limited ("Westport") has been incorporated for the purposes of the JV. The JV will be jointly owned and controlled by EBS and Britannia, each will own 50% of the issued share capital of Westport. The JV will operate autonomously in the market and will be managed by a board of directors appointed in equal proportions by EBS and Britannia. The board of directors will appoint a managing director.
8. [.]
9. The JV will only operate through the broker channel. The JV will combine the local mortgage market experience of EBS with the non-conforming mortgage expertise of the Britannia Capital Investment Group ("BCIG") relating to know-how in specialist mortgage origination, servicing and funding to offer a full range of mortgage loans to Irish residents, including prime and sub-prime/specialist mortgages.

Analysis

10. While Britannia is active in Northern Ireland it is not active in the State and consequently there is no horizontal or vertical overlap in the State between the activities of EBS and Britannia.
11. EBS currently offers prime mortgage products in Ireland; other than buy-to-let it does not offer any sub-prime mortgage products in Ireland. Britannia is not active in the State and the JV constitutes a new intermediary mortgage lender in the State with regard to the provision of prime and sub-prime mortgage products.
12. The Competition Authority considers, therefore that the proposed transaction does not raise competition concerns.

Ancillary Restraints

13. The Authority also reviewed restrictive arrangements agreed by the Parties contained in their Joint Venture ("JV") Agreement. The Authority considers that these arrangements are consistent with its approach in respect of ancillary restraints in mergers.

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 Joint Venture between EBS Building Society ("EBS") and Britannia Building Society ("Britannia") will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, that the acquisition may be put into effect.

For the Competition Authority

Dr. Paul K Gorecki
Member of the Competition Authority