



**Determination of the Competition Authority**  
Public Version

**Determination No. M/03/037 of the Competition Authority, dated 5 January 2004, under Section 21 of the Competition Act, 2002**

**Notification No. M/03/037 – Acquisition by GE Capital Woodchester Limited of a controlling interest in IFG Investment and Mortgage Services Limited and IFG Mortgage and Assurance Services Limited**

**Introduction**

1. On 5 December 2003 the Competition Authority, in accordance with Section 18 (1) of the Competition Act, 2002 (the Act) was notified, on a mandatory basis, of a proposal whereby GE Capital Woodchester Limited (GECW) would acquire 50% of the issued share capital of each of IFG Investment and Mortgage Services Limited and IFG Mortgage and Assurance Services Limited (the Companies) from IFG Group Plc (IFG).

**The Parties**

2. GE is a USA registered independent public company. It is a diversified industrial corporation active in fields such as aircraft engines, appliances, power systems, lighting, industrial systems, medical systems, plastics, speciality materials, broadcasting, financial services and transport systems. GECW is a member of the GE Group. It provides personal finance, specialised financing products and other services such as equipment and car leasing, hire purchase and loans to businesses and individuals across Ireland.
3. IFG provides financial services, financial advisory and intermediary services in the UK and Ireland. The Companies provide independent mortgage advisory services to mortgage lenders by arranging the provision of mortgage loans as a mortgage intermediary and through a network of agents all of which are mortgage intermediaries.

**Analysis**

4. The purpose of the acquisition is to form a joint venture between GE and IFG to develop a new residential mortgage product in the State – specialist residential mortgages designed for customers who demonstrate debt capacity despite not fitting the existing fixed underwriting criteria of other financial institutions.
5. There is no horizontal overlap in the activities of the parties. GE has a small presence in the State in relation to its specialist residential mortgage product. This residential mortgage product is offered via the Companies rather than directly by GE under a pilot programme. GE's share of residential mortgages in the State is less than 1%. The Companies do not act as mortgage lenders.
6. There is a vertical overlap between the activities of the parties. The Companies may provide mortgage intermediary services to a number of mortgage lenders, including GE. However, it is unlikely that the acquisition will result in foreclosure of other mortgage lenders from using the Companies services. GE's



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share of the residential mortgages in the State is less than 1%. Accordingly, there would be no incentive for the Companies to foreclose access to other mortgage lenders, or offer services on discriminatory terms and conditions. Equally, it is unlikely that the acquisition will result in foreclosure of other mortgage intermediaries from providing services to GE. As GE's market share in relation to mortgages in the State is not significant, any attempt on its part to foreclose other mortgage intermediaries would not substantially lessen competition.

7. Accordingly, the Authority finds that the acquisition would not result in a substantial lessening of competition. In reaching this conclusion, the Authority does not find it necessary to form a view as to whether the relevant product market should be defined to include all sales of residential mortgages, including mortgages provided to customers directly from a mortgage lender or via a mortgage intermediary, or as a narrower mortgage intermediary market, because the acquisition would not substantially lessen competition whichever market definition was adopted.

### **Ancillary Arrangements**

8. In addition to the acquisition of a controlling interest in the Companies, GE, the Companies and IFG proposed to enter into a number of ancillary arrangements in relation to the supply of GE's specialist residential mortgage product in the State. In particular, the parties proposed to put in place [ ] year arrangement for GE to act as the exclusive lender to the Companies in relation to specialist residential mortgage products, and for the Companies and IFG not to offer, advertise or promote competing specialist residential mortgage products within that period. GE would refer all direct applications for its specialist mortgage product to the Companies. In addition, the Companies would use best endeavours to ensure that its network of mortgage intermediaries only offer GE's specialist residential mortgage product.
9. The parties submitted that these arrangements were reasonable and necessary for the development of the joint venture in that its purpose was to foster the development of a new product, namely specialist mortgages in the State which requires significant investment by both parties.
10. The Authority finds that the supply arrangements are directly related to the transaction. However, in relation to the duration of the arrangements, the Authority is of the opinion that they are necessary for no longer than a period of three years. Accordingly, the ancillary arrangements are covered by this determination only for a period of three years.



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The Competition Authority, in accordance with Section 21(2) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition 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**

**Edward Henneberry**  
**Member of the Competition Authority**

**5 January 2004**