



## Case M1357G

### Proposed Acquisition by Investec Asset Finance (CI) Limited of certain assets of Lombard Finance (CI) Limited

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### Decision – Preliminary Review

**Document No: CICRA 18/04**

**Date: 31 January 2018**

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## **Background**

1. On 23 January 2018, the Guernsey Competition and Regulatory Authority (“GCRA”) received an application for approval from Investec Asset Finance (CI) Limited for its proposed acquisition of a portfolio of lending from Lombard Finance (CI) Limited. As the acquiring undertaking, Investec, is a financial institution, this application took the form of a request for approval by preliminary review.
2. The GCRA registered the application on its website on 23 January 2018, with a deadline for comments of 30 January 2018. No comments were received.

## **Details of the parties**

3. The purchaser is Investec Asset Finance (CI) Limited, incorporated and registered in Guernsey, company number 63311, and registered office at Gategny Court, PO Box 188, Gategny Esplanade, St Peter Port, Guernsey, GY1 3LP. The ultimate parent company is Investec PLC, incorporated and registered in England and Wales, company number 03633621, whose registered office is 2 Gresham Street, London, EC2V 7QP. Investec is a financial institution as defined by the Competition (Prescribed Mergers and Acquisitions) (Guernsey) Regulations, 2012 (the “2012 Regulations”).
4. The target is a portfolio of lending owned by Lombard Finance (CI) Limited (“Lombard”), Lombard is a company incorporated and registered in Jersey with company number 35313, whose registered office is Royal Bank House, 71 Bath Street, St Helier, Jersey, JE2 4SU. The ultimate parent company of Lombard is The Royal Bank of Scotland Group, a public limited company incorporated and registered in Scotland, company number SC045551, whose registered office is 36 St Andrew Square, Edinburgh, EH2 2YB.

## **The transaction**

5. Investec will purchase from Lombard a portfolio of lending which is booked across Guernsey, Jersey, the Isle of Man and Gibraltar. The Guernsey Financial Services Commission, the Jersey Financial Services Commission and the Isle of Man Financial Services Authority have all been informed of the proposed merger.

## **Need for referral**

6. Each of the undertakings involved has turnover in Guernsey in excess of £2m and a combined turnover in excess of £5m in the Channel Islands. The transaction therefore requires GCRA approval under the Competition (Guernsey) Ordinance, 2012 (the “2012 Ordinance”) and the 2012 Regulations.

## Effect on competition

7. Both Investec and Lombard are active in the provision of retail and corporate loans.

### *Market definition*

8. Product Market: the parties consider that the relevant product market is the provision of loans to retail and corporate customers.
9. In previous cases, the European Commission has found that there are distinct markets for retail banking and for corporate banking, and that loans may constitute a distinct product market in both the retail and the corporate segment<sup>1</sup>.
10. The exact product market definition can be left open for the purposes of the present decision as the competitive assessment would not change on the basis of any market definition considered.
11. Geographic Market: the parties state that both retail and corporate customers in Guernsey can obtain loans from financial institutions based outside of Guernsey. This would imply that the geographic market is wider than national.
12. In previous decisions, the Commission has found the geographic market for retail banking services to be national or regional in scope and the geographic market for corporate banking services to be national or wider than national in scope<sup>2</sup>.
13. The exact geographic market definition can be left open for the purposes of the present decision as the competitive assessment would not change on the basis of any market definition considered.

### *Assessment*

14. The information provided by the notifying parties, and confirmed by publically available sources, indicates that the banking sector in Guernsey is highly fragmented. According to the notifying parties, there are 23 listed banks and 7 non-banking lenders in Guernsey. The GFSC Annual Report<sup>3</sup> for 2016 states that as at the end of 2016, there were 25 banking licences in Guernsey.
15. In addition, the value of the loans being purchased from Lombard by Investec is £29.7 million, as compared to the total value of total customer lending in Guernsey of £11.5 billion.
16. Given the fragmented nature of the market and the very small increment to any relevant existing market share held by any company that forms part of the Investec group, the

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<sup>1</sup> Case M.8553 – *BANCO SANTANDER / BANCO POPULAR GROUP*

<sup>2</sup> Case M.8553 – *BANCO SANTANDER / BANCO POPULAR GROUP*

<sup>3</sup> <https://www.gfsc.gg/sites/default/files/uploads/2016%20Annual%20Report%20-%20final%20version%20colour.pdf>, p.16

transaction is unlikely to lead to any substantial lessening of competition on any market in Guernsey.

**Conclusion**

17. The GCRA concludes that the acquisition would not substantially lessen competition within any market for goods and services in Guernsey and hereby approves the application for approval pursuant to s.17(1) of the 2012 Ordinance.

**31 January 2018**

**By order of the GCRA board**