

THE STORE CARDS MARKET INVESTIGATION ORDER

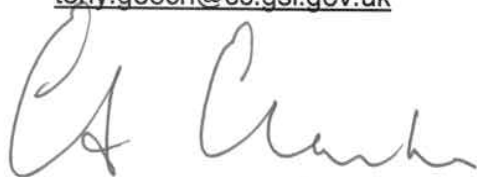
Notice of intention to make an Order pursuant to Schedule 10 to the Enterprise Act 2002 and public consultation on the proposed Order

1. In its report, *Store cards market investigation* (the report), published on 7 March 2006, the Competition Commission (CC) concluded that features of the market for consumer credit services through store cards and insurance purchased in association with the provision and use of store cards (the relevant market) have the effect, when taken in combination, of:
 - (a) insulating consumer credit services provided through store cards from the competitive pressures that would otherwise be brought to bear on them from credit cards, including store-branded credit cards; and
 - (b) insulating insurance purchased in association with the provision and use of store cards from the competitive pressures that would otherwise be brought to bear on such insurance.

2. The following are the features of the relevant market which the CC concluded, when taken in combination, have the effects specified above:
 - (a) providers and retailers structure the store card offer in such a way that many store cardholders take out such cards to obtain the retail benefits they offer rather than the credit available on them;
 - (b) most retailers offering store cards do not exert competitive pressure on store card APRs;
 - (c) most retailers' customers do not exert competitive pressure on store card APRs (either at the take-up stage or when they take credit) because their sensitivity to them is low;
 - (d) most retailers offering store cards do not exert competitive pressure on the level of, or the provider's policy in relation to the levying of, late payment fees;
 - (e) most retailers' customers do not exert competitive pressure on the level of late payment fees levied on store cards because their sensitivity to them is low;
 - (f) many providers combine different insurance products into packages (that is, payment protection insurance with one or both of purchase protection insurance and price protection insurance) which they sell in association with store cards;
 - (g) most retailers offering store cards do not exert competitive pressure on providers to lower their insurance premiums to cardholders, or to offer the components of their insurance package separately;
 - (h) most retailers' customers do not exert competitive pressure on premiums for insurance purchased in association with the provision and use of store cards because their sensitivity to the price of such insurance cover is low and they have a poor understanding of the terms of the cover they are purchasing; and

- (i) providers do not include sufficient information on their store card statements, leading to a lack of transparency in the provision of store card credit and card-related insurance.
3. The CC therefore concluded that the combination of features prevents, restricts or distorts competition in the relevant market. Accordingly, the CC found that there is an adverse effect on competition within the meaning of section 134(2) of the Enterprise Act 2002 (the Act).
 4. The CC identified the detrimental effects on customers, listed below, which have resulted from or may be expected to result from the adverse effect on competition:
 - (a) most store cardholders who take credit pay higher prices for that credit than would be expected in a competitive market;
 - (b) most store cardholders have less choice in relation to the individual elements of insurance cover sold in association with the provision and use of store cards than would be expected in a competitive market;
 - (c) some customers who revolve their store card balance will continue to pay for elements of the insurance package (purchase and/or price protection) that they no longer require or which no longer provide them with cover; and
 - (d) lack of transparency in the provision of store card credit and insurance leads to cardholders taking credit or insurance on terms which are not clear to them.
 5. The CC concluded that, in accordance with its duty under section 138(2) of the Act, it was necessary to take action to remedy, mitigate or prevent the adverse effect on competition concerned and the detrimental effects on customers so far as these have resulted, or may be expected to result, from the adverse effect on competition. The CC indicated in the report that it intended to pursue implementation of the measures by an order rather than undertakings.
 6. The CC consulted on possible measures in a Remedies Notice issued on 14 September 2005, and further in a Statement of Provisional Decision on Remedies on 20 December 2005. The CC decided on the range of measures that it considers have the effect of remedying, mitigating or preventing the adverse effect on competition, set out above.
 7. The CC now gives notice of the intention to make an Order. A draft of the Order is attached. The CC invites written representations from any interested person or persons.
 8. This notice and the draft Order have been published on the CC website.
 9. In accordance with paragraph 2(2) (f) of Schedule 10 to the Act, which requires that consultation extends for a period of not less than 30 days from the date of publication of this notice, representations should reach the CC by Friday, 30 June 2006. Representations will be published on the CC's website.
 10. In the absence of any written representations, the CC proposes to make the Order in its present form. If the CC considers that any such representation necessitates a modification of the Order the CC will give notice of the proposed modification.
 11. Comments on the Order should be provided to the CC in writing by Friday, 30 June 2006 and should be addressed to: Tony Gooch, Inquiry Secretary, Competition

Commission, Victoria House, Southampton Row, London, WC1 4AD; email:
tony.gooch@cc.gsi.gov.uk

A handwritten signature in black ink, appearing to read 'C Clarke', written in a cursive style.

Christopher Clarke,
Group Chairman,
Competition Commission,
31 May 2006