



News Release

75/04

20 December 2004

OFT REFERS HOME CREDIT TO COMPETITION COMMISSION

Competition Commission invites evidence

Following the Office of Fair Trading's (OFT) decision to refer the home credit market to the Competition Commission (CC) for further investigation, the CC is inviting evidence from all interested parties.

This market reference follows a 'super complaint' from the National Consumer Council and an initial OFT study into the sector. The CC will now carry out its own comprehensive inquiry, to see if any features of this market distort, restrict or prevent competition and if so, what action might be taken to remedy these.

The CC will now appoint members to its inquiry group and will then publish a draft timetable for the inquiry. The first task for the group will be to gather evidence by contacting all involved parties and by advertising for submissions from any other interested groups or individuals.

The CC would like to hear from all interested parties, in writing, by Friday 21 January 2005. To submit evidence, please write to:

The Inquiry Secretary (Home Credit Market inquiry)
Competition Commission
Victoria House
Southampton Row
LONDON
WC1B 4AD

Or email: home.credit@competition-commission.gsi.gov.uk.

Notes for editors

1. Enquiries should be directed to Francis Royle, Chief Press Officer, on 020 7271 0242 or Rory Taylor on 020 7271 0398/rory.taylor@competition-commission.gsi.gov.uk.
2. Under the Enterprise Act 2002 the OFT can make a market investigation reference to the CC if it has reasonable grounds for suspecting that competition is not working effectively in that market.
3. In its inquiry, the CC is required to decide whether: 'Any feature, or combination of features, of each relevant market prevents, restricts or distorts competition in connection with the supply or acquisition of any goods or services in the United Kingdom or a part of the United Kingdom.' If so, then there is an adverse effect on competition and the CC will also consider whether this is resulting in a detrimental effect on customers such as higher prices, lower quality or less choice of goods or services. The CC will then decide whether the CC should introduce remedies to tackle the adverse effect on competition or detrimental effect on customers or whether the CC should recommend action be taken by other bodies to remedy the adverse effects on competition and if so, what actions or remedies should be taken. If the CC finds there is no adverse effect on competition the question of remedies will not arise.
4. Under the Enterprise Act 2002, the CC has increased powers to take decisions (rather than make recommendations to Ministers) and to introduce remedies through undertakings or orders. The remedies can be structural (for example, a requirement to divest a business or assets) or behavioural (for example, requiring firms to discontinue some practices or adopt certain practices such as displaying prices or terms and conditions more prominently). In considering market definition and competitive effects, the CC will look to define the market under investigation and assess competition within that market, to establish whether any features in that market adversely affect competition.
5. The Enterprise Act 2002 requires the CC to consult the main parties on its proposed decisions and it will also publish notice of its provisional findings on the CC web site as required by its rules. Full details on the CC's guidelines for Market Investigation References are available on the CC web site www.competition-commission.org.uk.
6. Market investigation references are intended to focus upon the function of a market as a whole rather than the conduct of a single firm in a market. If the OFT has concerns about the conduct of a single firm or firms that have engaged in anti-competitive agreements, it will first consider whether those actions infringe the Competition Act 1998.
7. The right to submit super-complaints was created by section 11 of the Enterprise Act. A super-complaint is defined under section 11(1) of the Act as a complaint submitted by a designated consumer body that 'any feature, or combination of features, of a market in the United Kingdom for goods and services is or appears to be significantly harming the interests of consumers'
8. The text of the OFT's decision will be placed on the market investigation references section of the OFT web site as soon as is reasonably practicable.