

APPENDIX 1.1
(referred to in paragraphs 2.3 and 7.1)

The reference and the conduct of the inquiry

1. On 27 May 1987 the Director General of Fair Trading sent to the Commission the following reference:

The Director General of Fair Trading in exercise of his powers under sections 47(1), 49(1) and 50(1) of the Fair Trading Act 1973 hereby refers to the Monopolies and Mergers Commission the matter of the existence of or possible existence of a monopoly situation in relation to the supply in the United Kingdom of credit card services.

The Commission shall investigate and report on the questions whether a monopoly situation exists and, if so:

- (a) by virtue of which provisions of sections 68 of the said Act that monopoly situation is to be taken to exist;
- (b) in favour of what person or persons that monopoly situation exists;
- (c) whether any steps (by way of uncompetitive practices or otherwise) are being taken by that person or those persons for the purpose of exploiting or maintaining the monopoly situation and, if so, by what uncompetitive practices or in what other way;
- (d) whether any action or omission on the part of that person or those persons is attributable to the existence of the monopoly situation and, if so, what action or omission and in what way it is so attributable; and
- (e) whether any facts found by the Commission in pursuance of their investigations under the preceding provisions of this paragraph operate, or may be expected to operate, against the public interest.

For the purposes of this reference:

`credit card services' means:

- (i) the undertaking and performance of engagements with suppliers to pay for goods or services supplied to credit cardholders against the presentation of a credit card;
- (ii) the undertaking and performance of engagements with the credit cardholder by the person issuing the credit card (or on whose behalf and on whose authority the credit card is issued) to the credit cardholder,

but does not include the undertaking and performance of engagements to pay the amount of any cheque delivered to a person supplying goods or services or to refund amounts of cash supplied to credit cardholders;

`credit card' does not include:

- (a) a card issued in connection with the acquisition of goods and services from only one supplier or group of suppliers under common ownership or control or trading under a common business name; or
- (b) a trading check; or

- (c) a 'charge card', that is to say a card issued on terms that credit is provided to the cardholder only between the date of the relevant purchase and the date of billing at which date the cardholder is required to satisfy his outstanding liability in full.

The Commission shall report on the reference within a period of 24 months from the date hereof.

27 May 1987

(signed) GORDON BORRIE
Director General of Fair Trading

2. The composition of the group of members of the Commission which was responsible for the present investigation and report is indicated in the list of members in the preface.

3. On 27 May 1987 the Office of Fair Trading issued a press notice inviting interested parties to submit evidence to the Commission. Subsequently, the Commission placed notices in:

<i>The Times</i>	<i>Motor Transport</i>
<i>Financial Times</i>	<i>Caterer & Hotelkeeper</i>
<i>The Daily Telegraph</i>	<i>Morning Advertiser</i>
<i>The Guardian</i>	<i>Travel Trade Gazette</i>
<i>The Independent</i>	<i>Supermarketing</i>
<i>Daily Mail</i>	<i>Hardware Trade Journal</i>
<i>Daily Express</i>	<i>Nurseryman & Garden Centre</i>
<i>The Scotsman</i>	<i>Garage & Automotive Retailer</i>
<i>The Glasgow Herald</i>	<i>Service Station</i>
<i>Aberdeen Press & Journal</i>	<i>Hospitality</i>
<i>Belfast Newsletter</i>	<i>Superstore Management</i>
<i>The Yorkshire Post</i>	<i>DIY Superstore</i>
<i>Birmingham Post</i>	
<i>Western Daily Press</i>	
<i>Liverpool Daily Post</i>	
<i>Newcastle Journal</i>	
<i>Western Morning News</i>	
<i>London Daily News</i>	
<i>Sussex Herald</i>	
<i>The Economist</i>	

4. In addition to these advertisements we sought evidence and views from Government departments, the Bank of England, the Trades Union Congress, The Confederation of British Industry, trade associations, chambers of commerce and trade, consumer bodies, store groups, oil companies and issuers of charge cards. Evidence was also obtained from MasterCard International and Eurocard International. We carried out a survey of traders and a survey of consumers on their attitudes towards the No Discrimination rule and other matters. Members and staff of the Commission visited the card centres of Access at Southend-on-Sea, Barclaycard at Northampton, the Bank of Scotland at Dunfermline and TSB Trustcard at Brighton.

5. In July and August 1988 we informed the suppliers of credit card services of our provisional conclusion that for the purpose of section 7(1)(c) and (2) of the Fair Trading Act 1973 complex monopoly situations existed in relation to the supply of credit card services by the Access group of banks and The Joint Credit Card Company Ltd, and by the group of United Kingdom Visa banks and the Visa International Service Association. We raised with them a number of issues see Appendix 1.3. All new entrants to the market since August 1988 were similarly informed. Submissions were received from all the suppliers of credit card services (with the exception of two small participants). Hearings were held with the major suppliers of the reference services. All those who attended hearings are indicated in the list of parties who gave evidence, at Appendix 1.2.

6. Some of the evidence obtained in the course of our inquiry was of a commercially confidential nature and our report contains only such information as we consider necessary for an understanding of our conclusions.

7. We wish to record our appreciation to all who submitted evidence in writing, at formal hearings or at meetings and to those who responded to questionnaires or otherwise helped with our inquiry.