

The reference and background

1. On 23 February 2001 DTI sent the following reference to us:

Whereas it appears to the Secretary of State that it is or may be the fact that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a merger situation qualifying for investigation, as defined in section 64(8) of the Fair Trading Act 1973 (“the Act”), in that:

(a) enterprises carried on by or under the control of Lloyds TSB Bank PLC (one at least of which is carried on in the United Kingdom) will cease to be distinct from enterprises carried on by or under the control of Abbey National PLC; and

(b) the value of the assets to be taken over exceeds £70 million.

Now, therefore, the Secretary of State, in exercise of his powers under sections 64, 69(2) and 75 of the Act, hereby refers to the Competition Commission (“the Commission”), for investigation and report within a period ending on 12 June 2001, the following questions:

(i) whether arrangements are in progress, or in contemplation as described in paragraph (a) above, which, if carried into effect, will result in the creation of a merger situation qualifying for investigation;

(ii) if events so require, whether the actual results of those arrangements are the creation of such a situation; and

(iii) if so, in either case, whether the creation of that situation may be expected to operate or (if events so require) operates against the public interest.

In relation to the questions in paragraphs (i) and (ii) above the Commission shall exclude from consideration one of paragraphs (a) and (b) of section 64(1) of the Act if they find the other satisfied.

23 February 2001

(signed) ROLANDE ANDERSON
An official of the Department of
Trade and Industry

2. The composition of the Group of members responsible for this inquiry and report is indicated in the list of members in the preface.

3. Notices inviting interested parties including members of the public to submit evidence to us were placed in *The Daily Telegraph*, *Financial Times*, *The Herald* (Glasgow) and *The Scotsman*.

4. In addition we sought evidence and views from a wide range of third parties including financial institutions, consumer bodies, associations representing particular groups such as students and the socially disadvantaged, advertising agencies, supermarkets, trade associations, academics, chambers of commerce, trade unions and shareholders of Lloyds TSB and Abbey National. Written evidence was received from many of these parties and we held hearings with nine of them.

5. During the course of the inquiry CC members and staff visited the headquarters of Lloyds TSB and one of its London branches, and branches of Abbey National in Croydon and Coulsdon.

6. We received written evidence from Lloyds TSB and Abbey National, and each company attended two hearings.

7. On 30 March 2001 we held an open meeting—the first the CC had held during a merger inquiry other than a newspaper merger. The purpose of the open meeting was to enable a broad range of

interested parties to put forward and discuss views on matters relevant to the inquiry, and to improve public understanding of the inquiry process. Among those invited to attend were representatives from Lloyds TSB and Abbey National, other banks and building societies, consumer organizations, trade unions, academic institutions, shareholders, analysts and customers. Media representatives were invited to attend as observers. The following topics were discussed:

- competition in personal banking services in the UK; and
- the likely effect of the merger on those markets.

A verbatim transcript of the open meeting was made available on request, and a webcast of the proceedings was placed on the CC website (www.Competition-Commission.org.uk). The webcast had received 192 visits by late May 2001.

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

9. We should like to thank all those who helped us in our inquiry and are particularly grateful to Lloyds TSB and Abbey National on whom most of the burden of our detailed enquiries fell.