



## Case M1438G

Proposed creation of a joint venture by Lloyds Bank plc and  
Schroders plc

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### Decision

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Date: 9 January 2019

Guernsey Competition & Regulatory Authority  
Suite 4, 1st Floor,  
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## Summary

1. Lloyds Bank plc (**Lloyds**) and Schroders plc (**Schroders**) (together, the **Notifying Parties**) intend to establish a joint venture company (**JV**) which will be active in the wealth and investment management sector (the **Transaction**). The notification requirement has been triggered in Guernsey because the turnover of the Notifying Parties exceeds the prescribed thresholds in Guernsey. However, the Notifying Parties intend the JV to be active in the UK only and do not anticipate that it will have any activities in the Channel Islands.
2. The transaction has been notified to the Guernsey Competition and Regulatory Authority (**GCRA**) pursuant to Section 16(1) of the Competition (Guernsey) Ordinance 2012 (the **2012 Ordinance**).
3. The GCRA has determined that the proposed creation of the JV will not lead to a substantial lessening of competition in any relevant market and hereby approves the notified transaction.

## The Notified Transaction

4. On 20 December 2018, the Channel Islands Competition and Regulatory Authorities<sup>1</sup> (**CICRA**) received a joint application from Lloyds and Schroders for the creation of a joint venture company intended to be active in the Wealth Planning sector in the UK.
5. CICRA registered the application on its website with a deadline for comments of 3 January 2019. No submissions were received.

## The Parties

6. Lloyds is a company registered in England and Wales, with registration number 2065. It is a wholly-owned subsidiary of Lloyds Banking Group, registered in Scotland with registration number SC95000 and listed on the London Stock Exchange and the New York Stock Exchange.
7. Schroders is a company registered in England and Wales with registration number 3909886 and registered on the London Stock Exchange.

## Guernsey: Requirement for GCRA Approval

8. Pursuant to the 2012 Ordinance<sup>2</sup>, a merger or acquisition occurs for the purposes of that Ordinance: *“on the creation of a joint venture”* and a joint venture is created where *“a business previously carried on independently by two or more undertakings, or a new business, is carried on jointly by them, whether or not in partnership or by means of their joint control of, or ownership of shares in the capital of, a body corporate”*.

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<sup>1</sup> The JCRA and GCRA co-ordinate their activities with respect to competition law enforcement in the Channel Islands. For the purposes of this document, the JCRA and GCRA are together referred to as CICRA, and all references to CICRA should therefore be read as references to each of the JCRA and GCRA unless the context otherwise requires.

<sup>2</sup> S.61(3)(b), (4).

9. When determining questions arising in relation to mergers under the 2012 Ordinance, the GCRA must take into account the principles laid down by EU law in respect of corresponding questions arising under EU law<sup>3</sup>.
10. When determining whether a joint venture constitutes a notifiable merger, the GCRA will therefore have regard to the principles set out in the EU Consolidated Jurisdictional Notice<sup>4</sup>. The Consolidated Jurisdictional Notice provides that jointly controlled joint ventures that are “full function”<sup>5</sup> are notifiable mergers. The GCRA therefore considers that a jointly controlled joint venture that is full-function as defined in the Consolidated Jurisdictional Notice is a notifiable merger under the 2012 Ordinance.
11. The Transaction will create a joint venture company. Following the implementation of the Transaction, the JV will be ultimately owned jointly by Lloyds (50.1%) and Schroders (49.9%). The [X] provides that the agreement of both Lloyds and Schroders is required for a range of key matters, including [X]. Lloyds and Schroders will therefore control the JV jointly.
12. According to the information provided by the Notifying Parties, the joint venture will have the characteristics of full-functionality<sup>6</sup>.
13. The notified transaction is therefore a merger, as defined by the 2012 Ordinance.
14. Under s.13(1) of the 2012 Ordinance, certain mergers must be notified to, and approved by the GCRA before they can be put into effect. Regulation 1 of the Regulations provides that mergers must be notified to the GCRA for clearance if:
  - a. The combined Channel Islands turnover of the undertakings involved in the merger exceeds £5 million, and
  - b. Two or more of the undertakings involved in the merger have Guernsey turnover exceeding £2 million.
15. According to information provided by the Notifying Parties, their combined and individual applicable turnover in the Channel Islands and Guernsey exceeds these thresholds. On this basis, the GCRA’s approval is required before the Transaction is executed.

## Market Definition

16. Under s.13 of the 2012 Ordinance, the GCRA must determine if the merger would substantially lessen competition within any market in Guernsey for goods or services. To this end, CICRA will

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<sup>3</sup> 2012 Ordinance, s.54.

<sup>4</sup> Commission Consolidated Jurisdictional Notice under Council Regulation (EC) No 139/2004 on the control of concentrations between undertakings, OJ C95/01, 16.4.2008 (**Consolidated Jurisdictional Notice**).

<sup>5</sup> Paragraphs 91 – 109 of the Consolidated Jurisdictional Notice explain the concept of full-functionality.

<sup>6</sup> In particular, it will be provided with sufficient resources to operate independently on the market, its activities will be broader than carrying out one specific function for its parent companies and it is intended to operate on a lasting basis.

identify the markets which are likely to be affected by the merger and then assess whether competition in these markets will be substantially lessened<sup>7</sup>.

### Views of the Parties

17. The parties consider that wealth investment and management services (**WIM**) is the appropriate frame of reference for the Transaction and that the geographic market is likely to be national in scope. They note that further subdivision of the WIM market would be possible but that no competition concerns would arise on the basis of any plausible market definition.

### CICRA Consideration

18. In this case, the market definition can be left open since, for the reasons set out below, the Transaction will not give rise to a substantial lessening of competition in Guernsey on any reasonable basis.

### Effect on Competition

19. Under the terms of [X], Lloyds will transfer its existing business active in the supply in the UK of restricted investment advice and associated investment services to the JV. Schroders and its majority owned subsidiary, [X], will provide [X]. The entire business that is being transferred to the JV is therefore the supply of wealth planning services in the UK and the JV will be active in the provision of WIM in the UK only. As a result the effect of the Transaction will occur wholly outside of Guernsey and so will not give rise to a substantial lessening of competition in Guernsey on any plausible basis.

### Decision

20. Based on the preceding analysis the GCRA concludes that the creation of the JV will not substantially lessen competition within any market in Guernsey for goods or services.

21. The GCRA is also satisfied that the merger would not be to the prejudice of:

- (a) consumers or any class or description thereof;
- (b) the economic development and well-being of the Bailiwick; or
- (c) the public interest.

22. The merger is therefore approved under Article 22(1) of the 2005 Law and s.13 of the 2012 Ordinance.

**9 January 2019**

**By Order of the Board of the GCRA**

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<sup>7</sup> In many cases, a market may already have been investigated and defined by CICRA or another competition authority. CICRA may take note of market definitions applied by other competition authorities, although these are not precedents. Competition conditions may change over time, changing the market definition. Market definition will always depend on the prevailing facts.