COMPETITION TRIBUNAL OF SOUTH AFRICA

CASE NO: 59/LM/MAY08

In the matter between:

ABSA Group Limited Acquiring Firm

and

Woolworths Financial Services (Pty) Ltd Target firms

Panel : D Lewis (Presiding Member), Y Carrim (Tribunal Member), and L Reyburn (Tribunal Member)

Heard on : 17 July 2008

Order issued on : 17 July 2008

Reasons issued on : 31 July 2008

REASONS FOR DECISION

Introduction

1. On 17 July 2008 the Tribunal approved the merger between Absa Group Limited and Woolworths Financial Services (Pty) Ltd.

The Parties

2. The primary acquiring firm is ABSA Group ("Absa") which controls a number of companies, and which in turn is controlled by Barclays Plc (58.8%). The primary target firm is Woolworths Financial Services ("Woolworths FS"), a wholly owned subsidiary of Woolworths (Pty) Ltd, which in turn is a wholly owned subsidiary of Woolworths Holdings.

The Transaction and its Rationale

3. In terms of the proposed transaction, Absa will acquire 50% plus 1 ordinary share stake in Woolworths FS by means of a subscription for shares. Absa considers this deal as an opportunity to increase its presence in the consumer finance sector in South Africa. As far as Woolworths FS is concerned, this transaction will allow it to become a leading consumer finance operation with one of the most comprehensive financial services offerings in South African retail store network.

Relevant Product

4. There is a horizontal overlap between the merging parties in the provision of unsecured personal lending, including the issuing of credit cards and the granting of personal loans, as well as the facilitation or provision of short term and other insurance related products.

5. All of these services are provided by the merging parties nationally, on the basis of a national pricing strategy. For this reason, the geographic market is considered to be national in scope.

6. There is also a vertical relationship between the merging parties in that Absa currently provides some banking services to Woolworths, in the normal course of business and on market related commercial terms.

Competition Evaluation

Horizontal analysis

7. In the market for unsecured personal lending, Absa has a market share of 24.7%, and Woolworths FS is said to have significantly less than 2% market share pre-merger. The combined post merger market share is less than 26.7%.

8. In the credit card segment, Absa has 25.6% market share and Woolworths FS has around 2% market share premerger, which results in a combined post merger market share of 27.6%.

9. The merging parties submit that in the personal loans segment, Absa has less than 24% market share pre-merger, and again Woolworths FS has less than 2% market share.

10. In the short term insurance segment, the merging parties' combined market share post merger is estimated to be less than 3%.[1] This is considered to be a highly competitive market with significant other players as well as retailers such as Edgars, Jet and Clicks.

11. In all the abovementioned segments, there is a negligible market share accretion of around 2% post merger. In addition, there are other credible players present.

Vertical analysis

12. We find that no foreclosure concerns arise from the vertical relationship between the merging parties as Woolworths indicated that Standard Bank serves as its primary banker and provides the majority of its banking services needs, and that currently it sources banking services from other banks, such as FNB, Investec and Nedbank. Woolworths further indicated that it has no intention of changing its relationship with Standard Bank and the other banks post merger.

Conclusion

[1] The merging parties did not provide their premerger market shares in this segment.

13. In light of the above, we find that this merger will not result in a substantial lessening or prevention of competition in any of the relevant markets. Accordingly, we approve the merger without conditions.

14. There are no public interest issues.

________________ 31July 2008

Y Carrim Date

Tribunal Member

D Lewis and L Reyburn **concur** in the judgment of Y Carrim

For the merging parties : Deneys Reitz

For the Commission : T Masithulela

(Mergers and Acquisitions)

Tribunal Researcher: L Xaba