



competitiontribunal
SOUTH AFRICA

COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM131Nov19

In the matter between

RCS CARDS (PTY) LTD

Primary Acquiring Firm

And

**ABSA BANK LTD (in respect only of certain Edcon
cardholders book debt owned by ABSA Bank Ltd)**

Primary Target Firm

Panel	: Yasmin Carrim (Presiding Member)
	: Andiswa Ndoni (Tribunal Member)
	: Halton Cheadle (Tribunal Member)
Heard on	: 15 January 2020
Order Issued on	: 15 January 2020
Reasons Issued on	: 29 January 2020

REASONS FOR DECISION

Approval

- [1] On 15 January 2020, the Competition Tribunal ("Tribunal") unconditionally approved the large merger transaction whereby RCS Cards (Pty) Ltd ("RCS") intends to acquire ownership of a portion of certain Edcon cardholders' book debt owned by ABSA Bank Ltd ("ABSA"), hereunder collectively referred to as 'the merging parties'.
- [2] Our reasons for unconditional approval follow.

Parties to the transaction

Primary Acquiring Firm

- [3] RCS is incorporated in South Africa and is ultimately controlled by BNP Paribus Société Anonyme. RCS does not control any firm in South Africa.
- [4] RCS and its controllers are jointly referred to as the 'RCS Group'.
- [5] The RCS Group provides consumer finance services, focusing on unsecured credit including retail credit card facilities and insurance products in South Africa. The RCS Group is structured into two main business lines: transaction finance (card products) and fixed term finance (loans).

Primary Target Firm

- [6] Edcon's book debt which consists of cardholders' book debt is currently owned by ABSA ("ABSA Book Debt") and was acquired by ABSA from Edcon in a previous transaction. The ABSA Book debt comprises a number of active Edcon store card accounts and gross receivables.
- [7] The ABSA Book Debt refers to all claims and entitlements for the use of an Edcon branded store card by individuals who qualify for and have been issued a with an Edcon store card; or claims recorded in the revolving credit facility agreements concluded between Edcon and the principal debtor.
- [8] ABSA is controlled by ABSA Group Ltd, a public company listed on the JSE.

Proposed transaction

- [9] The proposed transaction is a once-off acquisition unlike the Edcon Book Debt transaction which will be implemented in tranches over a period of time. Post transaction, RCS will wholly own and control the ABSA Book Debt.

- [10] RCS also intends to acquire a portion Edcon's Book Debt which is currently owned by Edcon in a separate notifiable transaction. We heard both transactions at the same time. Our reasons for that transaction is set out separately.¹

Competition assessment

- [11] The merging parties provide consumer retail finance in the form of in-store unsecured credit.
- [12] The Commission found a horizontal relationship between the merging parties in the market for the provision of unsecured customer credit related to the purchase of goods in retail stores. The Commission however investigated the proposed transaction in the national market for unsecured credit lending as there are other forms of unsecured credit lending that compete with in-store unsecured lending. Therefore, the market for unsecured credit lending (relevant market) was preferred.
- [13] The Commission found that the merging parties will have a combined post-merger market share of less than 10% in the market for unsecured credit lending in South Africa. Given the low post-merger market share, the Commission was of the view that the proposed transaction is unlikely to change the market structure. The Commission also found that there is an excess of 10 market participants with a greater presence in the relevant market which will continue to competitively constrain the merging parties.
- [14] The Commission examined the transaction further and found that the proposed transaction is unlikely to raise existing barriers to entry into the unsecured credit market nor will it give rise to any information exchange concerns.
- [15] We enquired from the merging parties as to the effect of the proposed transaction on the current and future cardholders (customers) with credit facility agreements with Edcon. The merging parties submitted that there will be no effect on customers as the proposed transaction essentially deals with which entity would be funding the credit whether it be Edcon or RCS. Customers will retain the same offering.

¹ See *RCS Cards (Pty) Ltd and Edcon Limited (in respect only of cardholders book debt owned by the Edcon)* (Case No: LM129Nov19).

[16] We were satisfied with the Commission's analysis and the merging parties' response above.

Public interest

[17] The proposed transaction did not raise any employment concerns or adversely affect any other public interest ground.

Conclusion

[18] In light of the above, we were of the view that the proposed transaction is unlikely to result in a substantial lessening of prevention of competition in any market. In addition, the proposed transaction raises no public interest concerns.

[19] We accordingly approved the proposed transaction without conditions.



Ms Yasmin Carrim

29 January 2020
Date

Ms Andiswa Ndoni and Prof. Halton Cheadle concurring.

Tribunal Case Manager : Ndumiso Ndlovu

For the Merging Parties : R Wilson and S Manley of Webber Wentzel

For the Commission : M Mfuphi and W Gumbie