



In 2013 Mercedes-Benz and five of its commercial vehicles dealers were fined over £2.8 million for taking part in unlawful cartel activity.

What are cartels and why are they harmful?

Simply put, a cartel is an agreement between businesses not to compete with each other - usually secret and often informal. Typically, cartel members may agree on prices, output levels, discounts, credit terms, which customers and areas they will supply or who should win a contract (bid-rigging). A cartel may also arise where businesses exchange commercially sensitive confidential information.

Cartels deprive consumers and other businesses of the benefits of fair competition. In the long run, cartels undermine competitiveness in the wider economy

What are the lessons from this case?

- 1. It can be easy to cross the line between legitimate and illegitimate contacts.** Competition law requires competing businesses - including franchisees of the same manufacturer - to set their business strategies independently. Discussing future pricing intentions is particularly problematic.
- 2. You can break the law even if your involvement is relatively limited.** In this case, one company was fined largely because an employee had attended and was involved in organising a single meeting where an anti-competitive arrangement was reached.
- 3. Smaller businesses do not get a 'free pass' on competition law.** The CMA will take firm action against cartels, irrespective of the size of the companies or the geographic scope of the case.

Being involved in a cartel can have serious consequences. Businesses can be fined up to 10% of their worldwide turnover and individuals may face disqualification from being a director for up to five years, and/or jail. For the dealers involved in this case, the penalties wiped out up to 18 months of profit after tax. However, one of the dealers avoided a penalty altogether by being the first to confess and apply for leniency.

What can you do?

- Create a culture of compliance - everyone in your business must understand what they need to do to stay on the right side of the law, and stick to it.
- Report a cartel (which you are not involved in) to the cartels hotline.
- Apply for leniency if you think you have been involved in a cartel.

Cartels hotline 020 3738 6888
cartelshotline@cma.gsi.gov.uk

Leniency advice and guidance
www.gov.uk/cma