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17 December 2018

Competition & Markets Authority
Victoria House,
37 Southampton Row,
London
WC1B 4AD

Dear Sir / Madam

Experian / ClearScore: response to Phase II provisional findings

Further to the Competition and Markets Authority's ('CMA') publication of its provisional findings in the Phase II merger reference between Experian and ClearScore ('the Acquisition') [X] welcomes the invitation to comment on the CMA's provisional findings and possible alternative remedies.

In summary, we broadly support the CMA's provisional findings and do not believe that there is an alternative remedies package that would address the concerns raised in the CMA's provisional report. We set out below the areas that are of concern to us and which would lead to less competition if the Acquisition is cleared by the CMA.

Like Experian and ClearScore, we offer credit comparison platforms ('CCPs'), [X]. These CCPs list products of suppliers (banks, financial services providers, energy providers) which consumers can compare; and then select those they want to apply for. Consumers [X] will only be successful in their application and so able to purchase a product if they meet the minimum credit rating required.

If consumers are shown a long list of products, but actually are only eligible for a limited number of them, this is not good for the consumer or for the CCP. Therefore, we consider pre-qualification services ('PQS') an essential tool to enable undertakings to compete in the CCP market. PQS is integral to providing a good consumer experience, which is something we pride ourselves on and which we think differentiates us from our competitors. We have to buy PQS from third parties and offer them to consumers for free. We only receive some revenue if the consumer successfully applies for and takes up the product from the product supplier. Without PQS, end-users are shown products for which they are ineligible, the consequence of which is consumer attrition – we lose customers. Also, where PQS is not working effectively, we are incurring costs to buy these services where there is no chance of us making any income (because the pre-qualification is not correct and so the consumer cannot be accepted for the product). In these circumstances, we cannot compete effectively in the CCP market against others who are using PQS.

To our knowledge, there are presently two PQS providers in the United Kingdom, Runpath and HD Decisions, both of which are owned by Experian. This was reflected in the CMA's Third Party Response Document, in which Runpath and HD Decisions were the only PQS providers identified¹. The acquisitions were strategically significant for Experian as providers of PQS are reliant on credit bureaus like Experian in order to obtain the data which is fundamental to an effective PQS product offering. Of the other credit bureaus, Equifax does not provide a PQS; and, although we understand that Transunion (previously Call Credit) may be developing an offering, it is not currently present in the PQS space. At the moment, Experian effectively controls the input of PQS in the UK across all four major comparison sites (MoneySuperMarket, Confused.com, Compare the Market and GoCompare).

¹ CMA Experian / ClearScore Merger 'Summary of Third Parties' views', p.13

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It is our view that a combined Experian / ClearScore will have a distinct market advantage in the supply of CCP services. As identified in the third-party response document, lenders identified PQS as a key driver in the CCP market, specifically in relation to the volume of sales². Experian / ClearScore would also benefit from a hugely increased number of users. The greater the number of users, the more attractive the CCP is to the product suppliers; the wider the selection of product suppliers, the more attractive the CCP is to other users; and so on. This, combined with the fact that Experian / ClearScore would have internal access to the leading pre-qualification service (via Runpath and HD Decisions), a service which is essential in order to be able to compete, means that it would become increasingly difficult for any other company to maintain or expand its position in this market.

We note that the CMA has provisionally found that Experian's foreclosure incentives in respect of PQS will not materially increase and therefore did not reach a conclusion on market foreclosure.³ [X]. We consider that, if this deal goes through, this market dynamic would be made worse.

There is one further point on which we have a comment. In its provisional findings report, the CMA says that an alternative to a more traditional PQS offering is for financial providers to connect directly with a CCP through the use of APIs. Whilst the rise of 'open banking' has largely been hailed as a literal 'opening up' of the financial services sector, in this case we think that the benefit is over-stated. At present, rather than developing their own APIs, a significant portion of banks and CCP providers outsource the PQS element to HD Decisions. Therefore, we do not see that open banking and the use of APIs removes any of the concerns we have identified above.

Please note that the comments above include information which is confidential.

Thank you in advance for taking our comments and concerns into consideration in reaching your final decision in relation to the Acquisition.

Yours faithfully,

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² CMA Experian / ClearScore Merger 'Summary of Third Parties' views', p.11.

³ Provision Findings, p.70