

Completed acquisition by Ardonagh Group Limited of Bennetts Motorcycling Services Limited

Notice under paragraph 2(1) of Schedule 10 to the Enterprise Act 2002 (the Act) – consultation on proposed undertakings in lieu of reference pursuant to section 73 of the Act

ME/6882/20

Please note that [X] indicates figures or text which have been deleted or replaced in ranges at the request of the parties or third parties for reasons of commercial confidentiality.

Introduction

1. On 7 August 2020, Ardonagh Group Limited (**Ardonagh**) acquired Bennetts Motorcycling Services Limited (**Bennetts**) via its majority owned and indirectly controlled subsidiaries Atlanta Investment Holdings C Limited and Atlanta Investment Holdings 2 Limited (the **Merger**). Ardonagh and Bennetts are together referred to as the **Parties** and, for statements referring to the future, the **Merged Entity**.
2. On 16 September 2020, the Competition and Markets Authority (**CMA**) decided under section 22(1) of the Enterprise Act 2002 (the **Act**) that it is or may be the case that the Merger constitutes a relevant merger situation¹ that has resulted or may be expected to result in a substantial lessening of competition (**SLC**) within a market or markets in the United Kingdom (the **SLC Decision**). The text of the SLC Decision is available on the CMA webpage.²
3. On 23 September 2020, Ardonagh offered undertakings in lieu of reference to the CMA for the purposes of section 73(2) of the Act.

¹ Pursuant to section 25(4) of the Act the four-month period mentioned in section 24 of the Act is extended while the CMA is seeking undertakings in lieu of reference.

² See <https://www.gov.uk/cma-cases/ardonagh-group-bennetts-motorcycling-services-merger-inquiry>.

4. On 30 September 2020, the CMA gave notice to Ardonagh, pursuant to section 73A(2)(b) of the Act, that it considers that there are reasonable grounds for believing that the undertakings offered, or a modified version of them, might be accepted by the CMA under section 73(2) of the Act and that it is considering Ardonagh's offer (the **UIL Provisional Acceptance Decision**).

The undertakings offered

5. As set out in the SLC Decision, the CMA found a realistic prospect of an SLC in relation to the distribution of motorcycle insurance to private customers in the UK. In particular, the SLC Decision found that the Parties are the two largest motorcycle insurance distributors in the UK, with a combined share of supply (by number of policies) of [30-40]%, with a significant increment of [10-20]% brought about by the Merger. Post-Merger, the combined entity would have been three times the size of its next largest competitor by number of policies.³
6. The SLC Decision found further that the Parties are close competitors, in particular Ardonagh's *Carole Nash* business is a close competitor to Bennetts; both have high brand awareness and both focus on older customers. The Parties also hold a significant incumbency advantage by virtue of their large customer base and direct sales, and have a higher retention rate than their competitors. The Parties are therefore less reliant on price comparison websites (**PCWs**) as a route to market than their competitors and are liable to be less exposed to price competition through PCWs than other distributors.⁴
7. The CMA further found that, post-Merger, the Merged Entity would face limited competition, as the tail of smaller motorcycle insurance distributors that would remain would find it difficult to compete closely with the Parties. The CMA also found that entry and/or expansion would not be timely, likely or sufficient to counter any SLC arising.⁵
8. As set out in the UIL Provisional Acceptance Decision, to address the SLC identified by the CMA Ardonagh has offered two alternative UILs to the CMA for the purposes of section 73(2) of the Act:
 - (a) The first UILs offer primarily comprised of the divestiture of the brand and policy book of Ardonagh's [✂] motorcycle insurance business, as well as

³ See paragraph 11 of the SLC Decision.

⁴ See paragraphs 12 – 13 of the SLC Decision.

⁵ See paragraphs 11 – 19 of the SLC Decision.

a proportion of the policy book of the [✂] brands (**Partial Divestiture Offer**); and

(b) The second, alternative, UILs offer, in the event the CMA did not accept the first UILs offer, comprised of the divestiture of the entire issued share capital of Bennetts to a purchaser approved by the CMA (**Full Divestiture Offer**).

9. In the UIL Provisional Acceptance Decision, the CMA found that only the Full Divestiture Offer represented a clear-cut solution to address the concerns in the SLC decision.⁶
10. The text of the undertakings containing the Full Divestiture Offer is available on the CMA webpage.⁷
11. The CMA does not consider it appropriate to seek an upfront buyer in respect of the Full Divestiture Offer because Bennetts is largely a stand-alone business (that is, it operates relatively independently) and therefore, the CMA does not have material concerns as to the viability or attractiveness of the proposed divestiture package to potential purchasers (ie composition risk) or the availability of suitable purchasers (ie purchaser risk). The CMA has also been provided with evidence of a number of potentially suitable purchasers who have expressed an interest in purchasing Bennetts. The CMA also notes that in the previous sales process of Bennetts there were several potential purchasers.

CMA assessment

12. The CMA currently considers that, subject to responses to the consultation required by Schedule 10 of the Act, the Full Divestiture Offer will resolve the SLC identified in the SLC Decision in a clear-cut manner, ie the CMA currently does not have material doubts about the overall effectiveness of the Full Divestiture Offer or concerns about their implementation.⁸ This is because divestment of the Bennetts business effectively reverses the Merger completely. Therefore, the CMA currently considers that it may restore competition in the market for the distribution of motorcycle insurance to private customers in the UK to the level that would have prevailed absent the Merger. The CMA also considers that the Full Divestiture Offer would be

⁶ The CMA does not believe that the Partial Divestiture Offer would achieve as comprehensive a solution as is reasonable and practicable to the SLC and any adverse effects resulting from it. As a result, the CMA decided not to accept the Partial Divestiture Offer.

⁷ See <https://www.gov.uk/cma-cases/ardonagh-group-bennetts-motorcycling-services-merger-inquiry>.

⁸ *Merger remedies (CMA87)*, December 2018, Chapter 3, paragraph 3.28.

capable of ready implementation, in particular because the Bennetts business is profitable, and there appear to be a number of suitable buyers with an interest in purchasing the divestment business, as is apparent from the Bennetts sales process last year.

Proposed decision and next steps

13. For the reasons set out above, the CMA currently considers that the Full Divestiture Offer is, in the circumstances of this case, an appropriate remedy to remedy, mitigate or prevent the competition concerns identified in the SLC Decision and forms as comprehensive a solution to these concerns as is reasonable and practicable.
14. The CMA therefore gives notice that it proposes to accept the Full Divestiture Offer in lieu of a reference of the Merger for a phase 2 investigation. The text of the proposed undertaking is available on the CMA webpage⁹
15. Before reaching a decision as to whether to accept the Full Divestiture Offer, the CMA invites interested parties to make their views known to it. The CMA will have regard to any representations made in response to this consultation and may make modifications to the Full Divestiture Offer as a result. If the CMA considers that any representation necessitates any material change to the Full Divestiture Offer, the CMA will give notice of the proposed modifications and publish a further consultation.¹⁰
16. Representations should be made in writing to the CMA and be addressed to:
Anastasija Rogozianskaja
Mergers Group
Competition and Markets Authority
The Cabot
25 Cabot Square
London
E14 4QZ
Email: anastasija.rogozianskaja@cma.gov.uk
Telephone: 020 3738 6173
Deadline for comments: 28 October 2020.

⁹ See <https://www.gov.uk/cma-cases/ardonagh-group-bennetts-motorcycling-services-merger-inquiry>.

¹⁰ Under paragraph 2(4) of Schedule 10 to the Act.