

Completed acquisition by Ardonagh Group Limited of Bennetts Motorcycling Services Limited

Decision on acceptance of undertakings in lieu of reference

ME/6882/20

The CMA's decision to accept undertakings in lieu of reference under section 73(2) of the Enterprise Act 2002 given on 20 November 2020. Full text of the decision published on 27 November 2020.

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 situation 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**).
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. The CMA gave notice to Ardonagh on 30 September 2020, pursuant to section 73A(2)(b) of the Act, that it considered that there were 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 was considering Ardonagh's offer (the **UILs Provisional Acceptance Decision**).

4. The text of the SLC Decision and the UILs Provisional Acceptance Decision are available on the CMA webpages.¹

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. 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 and that the Merged Entity would, post-Merger, be three times the size of its next largest competitor by number of policies.²
6. The SLC Decision found further that the Parties are close competitors, in particular through Ardonagh's *Carole Nash* business and the Bennetts business, which 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.³
7. The CMA also 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 from arising.⁴
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 [X] motorcycle insurance business, as well as a proportion of the policy book of the [X] brands (**Partial Divestiture Offer**); and

¹ See <https://www.gov.uk/cma-cases/ardonagh-group-bennetts-motorcycling-services-merger-inquiry>.

² See paragraph 11 of the SLC Decision.

³ See paragraphs 12 – 13 of the SLC Decision.

⁴ See paragraphs 11 – 19 of the SLC Decision.

- (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.⁵
10. The text of the undertakings containing the Full Divestiture Offer is available on the CMA webpage (the **UILs**).⁶

Consultation

11. On 14 October 2020, pursuant to paragraph 2(1) of Schedule 10 to the Act, the CMA issued a notice of consultation on the proposed undertakings, set out in Annex 1 below, inviting interested parties to give their views on the UILs (the **Notice of Consultation**).⁷ The CMA received no responses to the Notice of Consultation.
12. For the reasons set out in the Notice of Consultation, the CMA's view remains that the UILs resolve the SLC identified in the SLC decision in a clear-cut manner, ie without giving rise to material doubts about the overall effectiveness of the UILs or concerns about their implementation.⁸
13. The CMA therefore considers that the UILs offered by Ardonagh are clear-cut and appropriate to remedy, mitigate or prevent the competition concerns identified in the SLC Decision.

Decision

14. For the reasons set out above, the CMA considers that the UILs offered by Ardonagh are as comprehensive a solution as is reasonable and practicable and remedy, mitigate or prevent the SLC identified in the SLC Decision and any adverse effects resulting from it. The CMA has therefore decided to accept the UILs offered by Ardonagh pursuant to section 73 of the Act. The

⁵ 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.

⁶ See <https://www.gov.uk/cma-cases/ardonagh-group-bennetts-motorcycling-services-merger-inquiry>.

⁷ The full consultation text was published on <https://www.gov.uk/cma-cases/ardonagh-group-bennetts-motorcycling-services-merger-inquiry>.

⁸ *Merger remedies, (CMA87)*, December 2018, Chapter 3, in particular paragraphs 3.27, 3.28 and 3.30.

Merger will therefore not be referred for a phase 2 investigation.

15. The final undertakings, which have been signed by Ardonagh and will be published on the CMA webpages,⁹ will come into effect from the date of this decision.

Colin Raftery
Senior Director, Mergers
Competition and Markets Authority
20 November 2020

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

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

Introduction

16. 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**.
17. 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 situation¹⁰ 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.¹¹
18. On 23 September 2020, Ardonagh offered undertakings in lieu of reference to the CMA for the purposes of section 73(2) of the Act.
19. 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**).

¹⁰ 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.

¹¹ See <https://www.gov.uk/cma-cases/ardonagh-group-bennetts-motorcycling-services-merger-inquiry>.

The undertakings offered

20. 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.¹²
21. 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.¹³
22. 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.¹⁴
23. 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 [X] motorcycle insurance business, as well as a proportion of the policy book of the [X] 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

¹² See paragraph 11 of the SLC Decision.

¹³ See paragraphs 12 – 13 of the SLC Decision.

¹⁴ See paragraphs 11 – 19 of the SLC Decision.

capital of Bennetts to a purchaser approved by the CMA (**Full Divestiture Offer**).

24. 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.¹⁵
25. The text of the undertakings containing the Full Divestiture Offer is available on the CMA webpage.¹⁶
26. 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

27. 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.¹⁷ 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 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.

¹⁵ 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.

¹⁶ See <https://www.gov.uk/cma-cases/ardonagh-group-bennetts-motorcycling-services-merger-inquiry>.

¹⁷ *Merger remedies (CMA87)*, December 2018, Chapter 3, paragraph 3.28.

Proposed decision and next steps

28. 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.
29. 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 webpage¹⁸
30. 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.¹⁹
31. 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.

¹⁸ See <https://www.gov.uk/cma-cases/ardonagh-group-bennetts-motorcycling-services-merger-inquiry>.

¹⁹ Under paragraph 2(4) of Schedule 10 to the Act.