

Anticipated acquisition by ALD S.A. of LP Group B.V. (the holding company of LeasePlan Corporation N.V.)

Decision on relevant merger situation and substantial lessening of competition

ME/6998/22

The CMA's decision on reference under section 33(1) of the Enterprise Act 2002 given on 8 November 2022. Full text of the decision published on 5 December 2022.

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.

SUMMARY

1. On 22 April 2022, ALD S.A (**ALD**), solely controlled by Société Générale, agreed to acquire LP Group B.V., the holding company of LeasePlan Corporation N.V. (**LeasePlan**) (the **Merger**). ALD, Société Générale and LeasePlan are together referred to as the **Parties**. For statements referring to the market position following the Merger, ALD and LeasePlan are together referred to as the **Merged Entity**. The Competition and Markets Authority (**CMA**) believes that it is or may be the case that each of Société Générale, ALD and LeasePlan is an enterprise; that these enterprises will cease to be distinct as a result of the Merger; and that the turnover test is met. Accordingly, arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
2. The Parties overlap in the provision of vehicle leasing and fleet management services for passenger cars and light commercial vehicles up to 3.5 tons, to private individuals, small to medium enterprise (**SME**) and corporate customers in the UK. Operational and financial leases are the most commonly offered vehicle leasing products in the UK and allow the customer to rent the vehicle for a set period, with the option to retain the ownership of the vehicle, in the case of a financial lease, and

returning the vehicle to the lessor at the end of the lease period, in the case of an operational lease. In particular, for corporate customers, vehicle leasing services are frequently acquired alongside fleet management services, which encompass a number of ancillary services used by customers to organise, track, maintain and outsource the administration of their vehicles.

3. The CMA has not concluded on the specific frame of reference. For the purposes of its assessment, however, the CMA has considered the impact of the Merger on the provision of vehicle leasing and fleet management services for passenger cars and light commercial vehicles up to 3.5 tons in the UK (**vehicle leasing services in the UK**), without distinguishing between different customer or lease types. In the competition assessment the CMA considered whether the Parties may compete more closely or face fewer constraints in narrower segments for specific customer and lease types.
4. The CMA believes that the Parties are both material suppliers of vehicle leasing and fleet management services in the UK. The Merged Entity would be the largest supplier of these services, with a share of around [10-20]% (by volume) for all lease and customer types, and has a higher share in some segments, in particular the supply of financial leasing to corporate and SME customers.
5. The CMA has received evidence that the Parties, being two of the larger lease providers in the UK, are considered by third parties to be relatively close competitors. The CMA's analysis of win and loss data and internal documents suggest that the Parties are not each other's closest competitors and are subject to multiple competitive constraints.
6. The CMA believes the Merged Entity will continue to be constrained by a number of large competitors (such as Arval, Lex Autolease and VWFS) and a tail of medium and smaller lease providers in the provision of vehicle leasing services in the UK. The CMA also considers that the relatively higher shares of supply for financial leasing to corporate and SME customers are not of significant concern because, among other reasons, the volatility of shares of supply, depending on who wins a particular contract, and given the relatively small size of the market. As such, these shares may not be fully indicative of the competitive pressures exerted by each provider and also do not take into account the constraint on the Parties by the threat of operational leasing providers starting to offer financial leasing services.
7. The CMA notes that, given the high degree of concentration in the supply of certain types of vehicle leasing services in the UK to certain customer segments, there will continue to be a risk of horizontal unilateral effects in the event of any further consolidation in the industry. The CMA will therefore continue to review carefully any potential future relevant merger situations.

8. As a result, the CMA believes that the Merger does not give rise to a realistic prospect of a substantial lessening of competition (**SLC**) as a result of horizontal unilateral effects in relation to the supply of vehicle leasing services in the UK.
9. The Merger will therefore not be referred under section 33(1) of the Enterprise Act 2002 (the **Act**).

ASSESSMENT

Parties and transaction

10. ALD S.A. (**ALD**) is a French-headquartered group whose core activities are the provision of vehicle leasing and fleet management services.¹ ALD's worldwide turnover for financial year 2021 was £8.82 billion, of which £[<] was generated in the UK.² ALD's ultimate parent company Société Générale is a global banking and financial services group headquartered in Paris.³ Société Générale's worldwide turnover for financial year 2021 was £[<], of which £[<] was generated in the UK.⁴
11. LeasePlan is a company based in the Netherlands which mainly provides full fleet leasing and management services⁵ for passenger cars and light commercial vehicles. LeasePlan's worldwide turnover for financial year 2021 was £8.33 billion, of which £[<] was generated in the UK.⁶
12. ALD and Lincoln Financing Holdings PTE Limited (Lincoln Financing)⁷ entered into a Framework Agreement on 22 April 2022. Pursuant to the Framework Agreement, ALD will acquire 100% of the share capital and voting rights of LP Group B.V., the holding company of LeasePlan, from Lincoln Financing (the **Merged Entity**).
13. The Parties informed the CMA that the Merger is conditional upon merger control approvals from the CMA, the European Commission (**EC**), and relevant competition authorities in Brazil, Mexico, and Turkey.⁸ The Parties have also informed the CMA

¹ Final Merger Notice, submitted on 9 September 2022 (**FMN**), paragraph 19. ALD's UK business is undertaken by ALD Automotive Ltd, which sits under a holding company, ALD Automotive Group Ltd. ALD also has an interest in Ford Fleet Management UK Ltd. FMN, paragraph 23. ALD and LeasePlan also supply used vehicles in the UK. The CMA considered the Parties' activities in the wholesale supply of used vehicles, retail supply of used vehicles and B2B used vehicle remarketing services, but ultimately did not have concerns, as the Parties' shares of supply are small and there are multiple competitors.

² FMN, paragraph 77 and Table 1.

³ FMN, paragraph 27.

⁴ FMN, paragraph 77 and Table 1.

⁵ FMN, paragraph 30. This comprises of the funding of vehicle fleets in the form of operational leasing, and the provision of various related fleet management services such as repair, maintenance and tyres management, insurance and damage handling, fuel management, roadside assistance and replacement vehicles.

⁶ FMN, paragraph 77 and Table 1.

⁷ FMN, paragraphs 37 – 40. Lincoln Financing is currently indirectly owned by TDR Capital, Abu Dhabi Investment Authority, GIC, ATP, PGGM, [<], Goldman Sachs and [<] (the **Lincoln Shareholders**). FMN, paragraphs 38. Upon completion, ALD's ownership structure will be as follows: (a) Société Générale will hold c.53% of ALD's share capital, and would be the majority shareholder and [<]; (b) the Lincoln Shareholders would hold c.30.75% of ALD's share capital [<]; and (c) free float shares would represent c.15% of the ALD's share capital. FMN, paragraph 60.

⁸ FMN, paragraphs 44 and 55.

that the Merger has received approval from the competition authorities in Brazil, Mexico and Turkey.⁹

14. The Parties have announced that the rationale for the Merger would create a leading global mobility provider, with increased advantages of size and scale, as well as increase the Merged Entity's capabilities in offering a fully digital business model and being a global provider of sustainable mobility solutions.¹⁰ This is consistent with the Parties' internal documents.¹¹

JURISDICTION

15. Each of Société Générale, ALD and LeasePlan is an enterprise. As a result of the Merger, these enterprises will cease to be distinct.
16. The UK turnover of LeasePlan exceeds £70 million, so the turnover test in section 23(1)(b) of the Act is satisfied.
17. The CMA therefore believes that it is or may be the case that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.¹²
18. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 21 September 2022 and the statutory 40 working day deadline for a decision is therefore 15 November 2022.

COUNTERFACTUAL

19. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (ie the counterfactual).¹³ For anticipated mergers, the counterfactual may consist of the prevailing conditions of competition, or conditions of competition that involve stronger or weaker competition between the merger firms than under the prevailing conditions of competition.¹⁴
20. In this case, the CMA found that there is no evidence supporting an alternative counterfactual to the prevailing conditions of competition, and neither the Parties nor

⁹ FMN, paragraph 55.

¹⁰ See ALD's [press release on the proposed acquisition of LeasePlan](#).

¹¹ See for example, ALD Annex 1411 to the FMN, page 4.

¹² As part of its jurisdictional assessment, the CMA also considered the Lincoln Shareholders' (see footnote 7 above) interests in ALD and found that the Lincoln Shareholders, neither jointly nor separately, are likely to have material influence over ALD post-Merger. This is because the Lincoln Shareholders will [X]. FMN, paragraph 63. Of the Lincoln Shareholders, TDR has the [X] in LeasePlan ([X]). Post-Merger, TDR's share will be [X] (FMN, paragraph 60) and will have [X]. FMN, paragraphs 64 and 67. As such, these rights will not provide TDR with the ability to veto the Merged Entity's strategic commercial decisions and thereby exercise material influence over it.

¹³ [The Merger assessment guidelines \(CMA129\) – 2021 revised guidance \(CMA129\)](#), paragraph 3.1.

¹⁴ CMA129, paragraph 3.2.

third parties have put forward arguments in this respect. Therefore, the CMA believes the prevailing conditions of competition to be the relevant counterfactual.¹⁵

BACKGROUND

Overlapping activities

21. ALD and LeasePlan both provide vehicle leasing and fleet management services for passenger cars and light commercial vehicles up to 3.5 tonnes to individual, SME and corporate customers in the UK (**vehicle leasing services in the UK**).
22. Vehicle leasing is generally an alternative to purchasing a vehicle outright.¹⁶ A lease allows the customer to rent the vehicle for a period of time and use it exclusively.¹⁷ The two types of leases broadly offered in the industry, and which are offered by each of the Parties, are operational leases and financial leases.
 - (a) **Operational leases** are leases which anticipate that the vehicle is returned to the lessor at the end of the lease period.¹⁸ The lessor usually maintains legal ownership of the vehicle throughout the lease.¹⁹ Operational leases can also be referred to as personal or business contract hire (**PCH** and **BCH**).
 - (b) **Financial leases** are leases which anticipate that the lessee may have the option to retain the vehicle at the end of the lease period.²⁰ Financial leases can also be referred to as personal or business contract purchase (**PCP** and **BCP**).
23. While most customers could choose either lease type, their decisions may be influenced by whether they want to own the vehicle at the end of the lease or tax considerations.²¹ Fleet management services (as described in the paragraph below) can also be supplied with either type of lease.²²
24. **Fleet management services** are a way for a customer to organise, track, maintain and outsource the administration of their company or personal vehicles.²³ Management of a fleet involves a range of tasks such as determining the fleet strategy and logistics (ie contract account management, telematics), establishing car and fuel policies and repairs services (ie insurance, repair, maintenance and tyre (**RMT**) services), to roadside assistance and replacement vehicles.²⁴

¹⁵ CMA129, from paragraph 3.12.

¹⁶ FMN, paragraph 113.

¹⁷ FMN, paragraph 113.

¹⁸ Notes of calls with third parties.

¹⁹ Note of a call with a third party.

²⁰ Notes of calls with third parties.

²¹ FMN, paragraph 128.

²² FMN, paragraph 129.

²³ FMN, paragraph 144.

²⁴ FMN, paragraph 144.

25. The Parties supply three customer categories, which are **private individuals, SMEs and corporates**. There is no consistent distinction between these customer categories in the industry,²⁵ though for the purposes of the CMA's assessment, SMEs have been categorised as customers with 25 vehicles or less. Corporate and SME customers tend to require vehicles for commercial use (ie delivery vans) or employee benefits, while private individuals usually use vehicles for personal use.²⁶ Some corporate customers which have operations in multiple countries require vehicle leasing services across those countries.²⁷

Procurement process and parameters of competition

26. Customers procure vehicle leasing and fleet management services either directly or indirectly from leasing providers. The direct sales channel generally involves a leasing provider selling their services online or through a dedicated internal sales force.²⁸ The indirect sales channel consists mainly of **partners** such as brokers, which offer customers a range of providers and vehicles. Customers can also acquire services through vehicle dealership networks (ie Original Equipment Manufacturers (**OEMs**)), banks and other partners (ie insurance companies).²⁹ Third party feedback has confirmed that many competitors supply through both the direct and indirect channels.³⁰
27. For private and SME customers, vehicle leasing and fleet management services are more commonly introduced to the Parties via partners.³¹ In comparison to corporate customers, private and SME customers are less likely to acquire fleet management services, and may only acquire some services, such as RMT services.³²
28. Corporate customers and larger SMEs are more likely to contract directly with a leasing provider.³³ These types of customers tend to require a wider range of fleet management services, such as consultancy services regarding fleet strategy.³⁴ Corporate customers and larger SMEs often run formal tender processes in order to select one or more lease providers.³⁵ The CMA heard from some large customers that they are able to engage in 'multi-sourcing' strategies, which results in the customer entering agreements with multiple lease providers at one time.³⁶ During the term of multi-sourcing arrangements, the CMA understands that customers may

²⁵ FMN, paragraph 242; Note of a call with a third party.

²⁶ FMN, paragraph 144.

²⁷ Notes of calls with third parties.

²⁸ FMN, paragraph 160.

²⁹ FMN, paragraph 161.

³⁰ Notes of calls with third parties; Third party responses to the CMA's questionnaire.

³¹ FMN, paragraphs 148, 149 and 241. As described in paragraph 26, **Partners** can include third parties such as brokers, OEMs, banks or insurance companies.

³² FMN, paragraph 149; Parties' response to the CMA's request for information dated 6 September 2022, paragraph 5, Table 2. A small number of customers acquire 'standalone' or 'unfunded' fleet management services, where they do not also acquire leases from the leaser provider. FMN, paragraph 439.

³³ FMN, paragraph 241.

³⁴ FMN, paragraphs 144 and 145.

³⁵ FMN, paragraphs 176 and 177.

³⁶ Note of a call with a third party; Third party responses to the CMA's questionnaire.

invite these lease providers to compete again to supply individual vehicles or batches of vehicles.³⁷

29. Corporate customers which operate in multiple countries, may invite tenders for and enter international framework agreements (**IFA**) with lease providers.³⁸ These IFAs tend to cover terms related to management fees and interest rates, type of product and services to be included, but the remaining fleet management services are usually agreed on a country specific basis.³⁹
30. Third party feedback indicated that the factors customers generally take into account when deciding on lease provider include price, customer service, quality and range of fleet management services, variety of lease types, product offering (ie employee salary sacrifice or electric vehicles), international presence and digital capability.⁴⁰ Price tends to be the most important factor (particularly for private and SME customers), though service and product offering are also important.⁴¹

FRAME OF REFERENCE

31. Market definition provides a framework for assessing the competitive effects of a merger and involves an element of judgement. The boundaries of the market do not determine the outcome of the analysis of the competitive effects of the merger, as it is recognised that there can be constraints on merging parties from outside the relevant market, segmentation within the relevant market, or other ways in which some constraints are more important than others. The CMA will take these factors into account in its competitive assessment.⁴²
32. As explained above, the Parties overlap in the supply of vehicle leasing services in the UK.

Product scope

33. The Parties submitted that the competitive dynamics of the Merger should be assessed in a product frame of reference which encompasses operational and financial leases, fleet management services and all customer types (ie private, SME and corporate).⁴³
34. The CMA considered the extent to which:

³⁷ Notes of calls with third parties.

³⁸ FMN, paragraph 151; Note of a call with third party.

³⁹ FMN, paragraph 154.

⁴⁰ Notes of calls with third parties; Third party responses to the CMA's questionnaire.

⁴¹ Third party responses to the CMA's questionnaire.

⁴² CMA129, paragraph 9.4.

⁴³ FMN, paragraph 246, 252 and 264.

- (a) Operational and financial leases should be included in the same frame of reference;
 - (b) Private, SME and corporate customers are part of the same frame of reference; and
 - (c) Standalone fleet management services should be distinguished as a separate frame of reference.
35. The CMA notes that the possible segmentation between operational and financial leases and different types of customers intersect with each other (eg the supply of operational leases might be further segmented by type of customer).

Operational and financial leases

36. As noted above, the Parties overlap in the provision of operational leasing and financial leasing. Accordingly, the CMA has considered whether the provision of operational and financial leasing should be included in the same product frame of reference.
37. The Parties submitted that operational and financial leasing should be included in the same product frame of reference.⁴⁴ From a demand-side perspective, the Parties submitted that operational leasing and financial leasing are largely substitutable as their underlying purpose (ie lease of a vehicle) is not fundamentally different.⁴⁵ The Parties also submitted there is strong supply-side substitutability between both types of leases and leasing providers can generally provide both types of lease.⁴⁶
38. Previous OFT cases have not distinguished between operational and financial leasing.⁴⁷ The EC has previously considered the extent to which financial leasing is part of the same frame of reference as operational leasing and reached a variety of positions: it has found operational and financial leasing to be part of the same product market, distinguished between them, and left the definition open.⁴⁸
39. The CMA has received some evidence of demand-side substitutability between operational and financial leasing. For example, a competitor told the CMA that there

⁴⁴ FMN, paragraph 252.

⁴⁵ FMN, paragraph 250, 347-348, 379.

⁴⁶ FMN, paragraphs 249, 379, 423, 424, 431.

⁴⁷ [ME/1995/05 Lex Vehicle Leasing Limited / HSBC Bank Plc](#), paragraphs 6 – 11; [ME/3457/07 Carillion plc / Alfred McAlpine plc](#), paragraphs 22 – 25. In these cases, the OFT considered the supply of fleet car hire and management (FCH) services to be the relevant product frame of reference. FCH services involves leasing cars to customers, sourcing those cars, repairing and maintaining them, and breakdown and accident management; [ME/1625/04 Lex Vehicle Leasing/FCE Bank](#).

⁴⁸ [M. 8744 Daimler/BMW/Car Sharing JV of 7 November 2018](#), paragraph 86; [M.5217 – GEFA/PEMA of 6 August 2008](#), paragraphs 7; [M.234 – GECC/Avis Lease of 15 July 1992](#), paragraphs 6; [M.8309 Volvo Car Corporation/First Rent a Car of 26 July 2017](#), paragraphs 27 – 30; [M.6333 BMW/ING Car Lease of 23 September 2011](#), paragraphs 14 – 16; [M.5568 Volkswagen/Fleet Investments/LeasePlan Corporation JV of 19 August 2009](#), paragraphs 18 – 19; [M8414 DNB/Nordea/Luminor Group of 14 September 2017](#), paragraphs 54 and 67; [M.4199 – De Lage Landen / Athlon – 12 June 2006](#), paragraph 8 – 13.

is a growing consumer trend from financial lease towards operational lease in the retail segment.⁴⁹ A customer told the CMA that the cost of using the two leases is similar,⁵⁰ while another corporate customer, which has used both lease types, explained that unlike in the past, both operational and financial leasing are now treated equally from an accounting perspective.⁵¹ On the other hand, most customers who only use operational leasing suggested that their choice of lease type was due to a preference not to own the vehicle at the end of the lease.⁵² Most customers indicated that, when it comes to choosing a lease provider, it is not important to them that the lease provider offers different lease types, which seems to suggest that they are only interested in a specific type of leasing.⁵³

40. An ALD internal document notes the shift from ownership to usership, and consequently, customer demand switching from ownership options (including financial leasing) to usage options, particularly operational leasing.⁵⁴ A LeasePlan internal document notes that there is increasing awareness of the benefits of operational leasing in comparison to financial leasing.⁵⁵ A LeasePlan Commercial Plan also shows that it considers its supply of operational versus financial leasing products separately in some circumstances,⁵⁶ although on the whole the Parties' internal documents indicate they consider their respective competitive position within the UK without distinguishing between lease type.⁵⁷
41. From a supply-side perspective, third-party evidence received by the CMA indicates that operational and financial leasing are substitutable. Most of the competitors that responded to the CMA's questionnaire confirmed they are active in the provision of both operational and financial leasing.⁵⁸ One competitor told the CMA that it can offer financial leasing if required by a customer.⁵⁹ Most of those who do not offer financial leasing or do not offer certain financial leasing products indicated that the decision not to offer financial leasing products was based on business grounds not to do so.⁶⁰
42. Therefore, the evidence of supply and demand-side substitutability between operational leasing and financial leasing is mixed. The CMA left open whether there are separate frames of reference for operational and financial leasing, as a possible distinction does not seem to change the CMA's views about the effects of the Merger. For the purposes of its assessment, the CMA has considered operational

⁴⁹ Note of a call with a third party.

⁵⁰ Note of a call with a third party.

⁵¹ Third party response to the CMA's questionnaire.

⁵² Third party responses to the CMA's questionnaire; Note of a call with a third party.

⁵³ Third party responses to the CMA's questionnaire.

⁵⁴ ALD Annex 1702 to the FMN, slide 19.

⁵⁵ LeasePlan Annex 0203 to the FMN, slide 6.

⁵⁶ LeasePlan Annex 0535 to the FMN, slides 6 and 7.

⁵⁷ See, for example, ALD Annex 005 to the FMN, slide 5; LeasePlan Annex 0535 to the FMN, slide 13.

⁵⁸ Third party responses to the CMA's questionnaire; Note of a call with a third party.

⁵⁹ Note of a call with a third party.

⁶⁰ Third party responses to the CMA's questionnaire.

and financial leasing in the same product frame of reference. Nevertheless, the CMA has assessed whether the Parties compete more closely or face fewer competitive constraints with respect to specific lease types in its competitive assessment below.

Corporate, SME and private customers

43. As noted above, the Parties overlap in the supply of vehicle leasing and fleet management services to private individuals, SME and corporate customers. The CMA has considered whether the supply to these different customer types should be segmented.
44. The Parties submitted that the frame of reference should encompass all customer types.⁶¹ The Parties said that from the demand-side perspective, different customer types may have different procurement strategies and requirements, depending on their size and level of sophistication.⁶² However, from the supply-side perspective, the Parties consider that all leasing providers are capable of servicing all customer types because the services offered are largely the same regardless of customer size; though the lease provider will need to scale up its services the larger the customer.⁶³
45. In previous decisions, the EC tended not to consider segmenting the frame of reference based on customer type.⁶⁴ Past OFT cases did draw a distinction between commercial and individual customers, due to differences in contract negotiations, customer size and distribution channel.⁶⁵
46. From a supply-side perspective, third party evidence was mixed, but indicated that most major competitors supply vehicle leasing and fleet management services to all customer types.⁶⁶ Customer responses mentioned each of the top lease providers at least twice as suitable for each of private, SME and corporate customers.⁶⁷ However, submissions from competitors and customers indicated that some competitors tend to be better placed in servicing particular customer segments than others.⁶⁸ One competitor said that in order to increase its supply to corporate customers, it would require a dedicated sales team.⁶⁹ For larger, multinational

⁶¹ FMN, paragraph 246.

⁶² FMN, paragraph 243.

⁶³ FMN, paragraph 244.

⁶⁴ See for example [M.8309 Volvo Car Corporation/First Rent a Car of 26 July 2017](#), which does not consider segmenting the frame of reference by customer type at paragraphs 34 – 37.

⁶⁵ [ME/1625/04 Lex Vehicle Leasing/FCE Bank of 14 May 2004](#), page 2; [ME/1995/05 Lex Vehicle Leasing/HSBC Bank fleet car hire business of 25 October 2005](#), paragraphs 8 and 9; [ME/3457/07 Carillion plc/Alfred McAlpine plc of 8 February 2008](#), paragraph 23.

⁶⁶ Third party responses to the CMA's questionnaire; Notes of calls with third parties.

⁶⁷ Third party responses to the CMA's questionnaire.

⁶⁸ Third party responses to the CMA's questionnaire; Notes of calls with third parties.

⁶⁹ Note of a call with a third party.

corporate customers, third parties considered that there were fewer suitable leasing providers due to the customers' scale.⁷⁰

47. On the other hand, the Parties tend to treat these customer types differently to an extent. For instance, price and terms are more likely to be standard for private and SME customers, and are more likely to be negotiated individually for corporate customers.⁷¹ The CMA understands that the fact that private/SME customers are frequently acquired indirectly, whilst corporate customers tend to be acquired directly, may also account for this difference.⁷² In addition to this, the Parties may use particular marketing strategies for a customer type, and may have specific support teams for larger customers.⁷³
48. The CMA further considers that the Parties' internal documents demonstrated that they distinguish between and service all three customer types.⁷⁴ Some documents also assess the competitive dynamics for particular customer segments or lease types.⁷⁵
49. On balance, the CMA considers that there is evidence of supply-side substitutability between the service requirements of private, SME and corporate customers. The CMA notes, however, that some competitors have different focusses, which results, to some extent, in corporate customers having different lease provider options. The CMA left open whether there are separate frames of reference for different customers, as a possible distinction does not seem to change the CMA's views about the effects of the Merger. For the purposes of its assessment, the CMA considered the effects of the Merger by distinguishing, when appropriate, between corporate customers, on the one hand, and private/SME customers, on the other hand. Where there were weaker competitive constraints for a customer type, the extent of these constraints has been taken into account in the competitive assessment below.

Fleet management services

50. The CMA has considered whether fleet management services are part of the same product frame of reference as vehicle leasing.
51. The Parties submitted the product frame of reference should include fleet management services, and should not be segmented based on 'funded' and 'standalone' fleet management services.⁷⁶ The Parties submitted that, particularly

⁷⁰ Third party response to the CMA's questionnaire; Notes of calls with third parties.

⁷¹ FMN, paragraphs 178 – 182, 191 – 197.

⁷² FMN, paragraphs 178 – 182, 191 – 197.

⁷³ FMN, paragraphs 174, 175, 180.

⁷⁴ For LeasePlan, see LeasePlan Annex 0582 to the FMN; LeasePlan Annex 0535 to the FMN. For ALD, see ALD Annex 0132 to the FMN; ALD Annex 1703 to the FMN; ALD Annex 0037 to the FMN; and ALD Annex 1702 to the FMN.

⁷⁵ For LeasePlan, see LeasePlan Annex 0639 to the FMN. For ALD, see ALD Annex 0135 to the FMN; ALD Annex 0037 to the FMN.

⁷⁶ FMN, paragraph 256.

for operational leases, where the lessor retains the vehicles' residual value risk, a degree of fleet management services may be required to reduce their risk exposure.⁷⁷ Further, the Parties submitted that standalone fleet management services are generally a niche product, which comprise under [X] of each of the Parties' total revenues.⁷⁸ Third party evidence also confirmed that fleet management services are infrequently acquired on a standalone basis.⁷⁹

52. The OFT considered in previous decisions whether standalone fleet management services should be segmented from vehicle leasing, but generally considered they were a bundle of services.⁸⁰ In previous decisions, the EC has generally considered a product frame of reference which incorporates leasing and fleet management (also described as 'full fleet leasing'), but have also considered whether 'full fleet leasing' can be subdivided into funded and standalone fleet management services.⁸¹ In these decisions, the EC often left the exact product market definition open in this respect, although, in an earlier investigation, the EC received feedback that a segmentation between funded and standalone services was not appropriate given that both can be offered by the same suppliers.⁸²
53. The CMA received mixed evidence from customers on their use of fleet management services, which is probably related to the fact that private/SME customers and corporate customers use fleet management services to varying degrees (ie corporate customers tend to use fleet management services to a larger degree). From a demand-side perspective, the Parties submitted that a high proportion of their corporate customers also acquire some fleet management services from each of the Parties, while far fewer SME and private customers acquire fleet management services.⁸³ Only under half of the respondents to the CMA's questionnaire did not consider it important for lease providers to offer fleet management services,⁸⁴ while the remainder did consider that it was an important part of the offering.⁸⁵ One respondent indicated that it acquires some fleet management services separately to its lease arrangements.⁸⁶ From a supply-side perspective, the CMA also understands that all of the top 20 leasing providers in the UK supply fleet management services.⁸⁷
54. Overall, the CMA considers that, while customers take up fleet management services to varying degrees, there is a significant degree of supply side

⁷⁷ FMN, paragraph 257.

⁷⁸ FMN, paragraph 259.

⁷⁹ Notes of calls with third parties.

⁸⁰ [ME/1995/05 Lex Vehicle Leasing/HSBC Bank fleet car hire business of 25 October 2005](#), paragraph 11; [ME/3457/07 Carillion plc/Alfred McAlpine plc of 8 February 2008](#), paragraph 25.

⁸¹ [M.9720 Volvo Cars/Upplands Motor of 29 October 2020](#), paragraph 16; [M.8309 Volvo Car Corporation/First Rent a Car of 26 July 2017](#), paragraph 35.

⁸² [M.4199 – De Lage Landen / Athlon of 12 June 2006](#), paragraph 16.

⁸³ Parties' response to the CMA's request for information dated 6 September 2022, pages 3-4.

⁸⁴ Third party responses to the CMA's questionnaire.

⁸⁵ Third party responses to the CMA's questionnaire.

⁸⁶ Note of a call with a third party.

⁸⁷ Annex 0011 to the FMN.

substitutability because these services are supplied by most competitors alongside leases, and standalone fleet management services are not commonly used. As such, the CMA considers that the effects of the Merger should be assessed by reference to the supply of vehicle leasing services in the UK (which includes fleet management services).⁸⁸

Geographic scope

55. The Parties have submitted that the geographic frame of reference for the supply of vehicle leasing services is national in scope.⁸⁹
56. Past OFT decisions did not always conclude on the geographic frame of reference, although the OFT tended to assess the effects of the mergers it investigated by reference to the UK.⁹⁰ In past decisions,⁹¹ the EC considered that the geographic frame of reference for the supply of full fleet leasing was at least national in scope, and may be EEA-wide. The EC noted that differences in tax and duty regimes between countries, differences in wear and tear due to road conditions and preferences from customers pointed towards the supply of full fleet leasing being national in scope.⁹²
57. The evidence received by the CMA indicates that the appropriate frame of reference for the supply of vehicle leasing services is not broader than the UK. The Parties' internal documents often consider the competitive dynamics at national level⁹³ and evidence submitted by the Parties indicates that the competitive dynamics in the UK and in other countries in Europe is different.⁹⁴ Furthermore, some multinational customers submitted that being able to work with lease providers with international coverage is important,⁹⁵ but most acknowledged that they still acquire services or consider they could acquire services on a national basis.⁹⁶
58. The CMA has also considered whether the supply of vehicle leasing services could be narrower than the UK. Competitor evidence received by the CMA indicated that nearly all lease providers in the UK offer services nationally,⁹⁷ while only a small number do not service all four nations.⁹⁸ Third-party evidence and evidence from

⁸⁸ The CMA has also included OEMs which supply vehicle leasing services in its Frame of Reference and competitive assessment, as discussed below.

⁸⁹ FMN, paragraph 275.

⁹⁰ [ME/1625/04 Lex Vehicle Leasing/FCE Bank of 14 May 2004](#), page 2; [ME/1995/05 Lex Vehicle Leasing/HSBC Bank fleet car hire business of 25 October 2005](#), paragraph 12; [ME/3457/07 Carillion plc/Alfred McAlpine plc of 8 February 2008](#), paragraphs 26-27.

⁹¹ [M.9720 Volvo Cars/Upplands Motor of 29 October 2020](#), paragraph 29; [M.8309 Volvo Car Corporation/First Rent a Car of 26 July 2017](#), paragraph 31.

⁹² [M6333 BMW/ING Car Lease on 23 September 2011](#), paragraphs 20 and 22; [M.5568 Volkswagen/Fleet Investments/LeasePlan Corporation JV on 19 August 2009](#), paragraph 17.

⁹³ See for example LeasePlan Annex 0535 to the FMN and ALD Annex 005 to the FMN.

⁹⁴ See Annex 1904 to the FMN.

⁹⁵ Note of a call with a third party; Third party response to the CMA's questionnaire.

⁹⁶ Notes of calls with third parties; Third party response to the CMA's questionnaire.

⁹⁷ Third party responses to the CMA's questionnaire.

⁹⁸ Third party response to the CMA's questionnaire; Note of a call with a third party.

internal documents do not suggest that the conditions of competition between regions within the UK differs.

59. Given the reasons above, the CMA has considered the effects of the Merger by reference to the UK.

Conclusion on frame of reference

60. As noted above, the CMA did not have to conclude on the specific frame of reference in order to conduct its competitive assessment. However, for the reasons set out above, the CMA has considered the impact of the Merger on the supply of vehicle leasing services in the UK. The CMA has also considered whether the Parties may compete more closely or face weaker constraints for specific customer and lease segments (ie financial and operational leases).

COMPETITIVE ASSESSMENT

Horizontal unilateral effects

61. Horizontal unilateral effects may arise when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged firm profitably to raise prices or to degrade quality on its own and without needing to coordinate with its rivals.⁹⁹ Horizontal unilateral effects are more likely when the merging parties are close competitors.
62. The CMA assessed whether it is or may be the case that the Merger has resulted, or may be expected to result, in an SLC in relation to horizontal unilateral effects in the provision of vehicle leasing services in the UK.
63. In assessing whether the Merger raises competition concerns in the supply of vehicle leasing services in the UK, the CMA considered:
- (a) shares of supply;
 - (b) closeness of competition; and
 - (c) competitive constraints from other lease providers to UK customers.

Shares of supply

64. The Parties submitted their share of supply estimates for the volume of vehicles leased for the whole UK market and split by customer segment (corporate, SME and private) and leasing type (operational and financial) for 2018-2021.¹⁰⁰ These vehicle volumes include fleet management services, but also account for the Parties'

⁹⁹ CMA129, paragraph 4.1.

¹⁰⁰ FMN, Table 5.

volumes where certain customers do not acquire fleet management services. The estimates are based on the Parties' own sales data and data from the FN50 List, Frost & Sullivan and the British Vehicle Rental and Leasing Association. The shares for the whole market, which are based on the information provided by the Parties, are presented in Table 1. The Parties' share of supply estimates do not, overall, differ materially from the data on number of leased vehicles collected by the CMA from competitors for the provision of vehicle leasing and fleet management services in 2021. The Parties have also provided information and shares of supply for narrower product segments, for each customer type, each of financial leasing and operational leasing (in addition to the combined shares for both lease types),¹⁰¹ and for standalone fleet management services.¹⁰²

65. The shares of supply in Table 1 show that the Merged Entity would be the largest provider of vehicle leasing in the UK in 2021 with a relatively modest share of [10-20]%. ALD ([5-10] %) is the fifth largest and LeasePlan ([5-10]%) is the fourth largest lease provider in the UK. There are numerous competitors for the supply of vehicle leasing and a long tail of smaller competitors. The CMA considers that no provider (including the Parties) has a particularly high share of supply, and post-Merger, a number of lease providers would constrain the Parties.¹⁰³ The CMA considers that third-party evidence and win and loss data suggest that even lease providers with a small share of supply may constrain the Parties to some degree.

¹⁰¹ FMN, paragraphs 246, 252, 363 – 416, 418 – 438 and 439 – 448.

¹⁰² FMN, paragraphs 246, 252, 363 – 416, 418 – 438 and 439 – 448.

¹⁰³ The Parties also submitted the shares of supply for 2019 and 2020 and the CMA notes that there was not any material volatility in the shares in relation to vehicle leasing in the last three years.

Table 1: Shares of supply by volume (leased vehicles) in the provision of vehicle leasing in the UK, 2021.

Supplier	Share (%)
ALD	[5-10]%
LeasePlan	[5-10]%
Combined	[10-20]%
Lex Autolease	[10-20]%
Volkswagen Financial Services (VWFS)	[5-10]%
Arval	[5-10]%
Alphabet	[0-5]%
Novuna	[0-5]%
Zenith	[0-5]%
Free2Move	[0-5]%
Arnold Clark	[0-5]%
Mercedes Group	[0-5]%
RCI	[0-5]%
Others	[50-60]%
All competitors combined	[80-90]%
Total	100

Source: CMA analysis of the Parties' data.

66. The CMA obtained the volume of vehicles leased for 2021 by each lease type and customer segment from various third parties to assess the shares of supply provided by the Parties. The Parties' share of supply estimates do not, overall, differ materially from the CMA's own data for the provision of vehicle leasing and fleet management services in 2021. The CMA notes, however, that there were some discrepancies with what the Parties had estimated, in particular the shares for one of the larger competitors were significantly overestimated by the Parties in relation to financial leasing.
67. As noted in paragraph 64, for completeness, the Parties provided the shares of supply split by customer segment and leasing type.¹⁰⁴ These shares are presented in Table 2.

¹⁰⁴ Annex 0007 to the FMN.

Table 2: Shares of supply for the Parties by volume (leased vehicles) in the provision of vehicle leasing in the UK by segment, 2021.

<i>Customer</i>	<i>Lease type</i>	<i>Combined share (%)</i>
All	Operational	[10-20]%
	Financial	[0-5]%
	Operational and financial	[10-20]%
Corporate	Operational	[10-20]%
	Financial	[30-40]%
	Operational and financial	[10-20]%
SME	Operational	[10-20]%
	Financial	[30-40]%
	Operational and financial	[10-20]%
Private	Operational	[20-30]%
	Financial	[0-5]%
	Operational and financial	[5-10]%

Source: CMA analysis of the Parties' data.

68. The Parties appear to have relatively high shares in relation to the supply of financial leasing to corporate and SME customers. In these segments, the combined share of supply for the Parties is larger than in other segments and evidence from third parties confirmed that the Parties had a more material presence in these segments. While the CMA recognises that the shares are high in these segments, other evidence suggests that the shares of supply are not a concern:
- (a) There are a small number of customers in this segment and these customers tender for contracts. In particular, the CMA notes that the vast majority ([<]) of LeasePlan's sales in corporate financial leasing comes from a [<].¹⁰⁵ As such, the shares of supply may be subject to relatively high volatility depending on which supplier wins a given contract, given the relatively small size of the market, and might therefore not be fully indicative of the competitive pressure that each provider exerts. The CMA also notes that there are a number of competitors with a share of supply of [5-10]% or higher, ie Lex Autolease, VWFS and Alphabet.
 - (b) The Parties' internal documents and evidence from third parties indicate that some SME customers can, and have, switched to products targeted at private customers. As discussed at paragraph 49, there appears to be a level of supply-side substitution for lease providers between providing leases for private and SME customers. The CMA notes that the Parties have a small share of supply in private financial leasing, due to these customers being serviced by a broader range of providers including banks.¹⁰⁶

¹⁰⁵ The Parties submitted that LeasePlan's total number of cars leased to corporate customers in financial leasing was [<] and that [<] leased almost [<] vehicles from LeasePlan in 2021. FMN Table 13 and paragraph 422.

¹⁰⁶ Annex 0001 to the FMN, paragraph 116.

- (c) Further, the largest corporate customers that use financial leasing, as well as SME customers that responded to the CMA's questionnaire that use financial leasing, did not have concerns about the Merger. The CMA also notes that there are a number of competitors with a share of supply of [10-20]% or higher, ie Lex Autolease, VWFS and Alphabet.
- (d) Finally, the CMA notes that there is some degree of supply-side substitution between the supply of operational and financial leases and the threat of entry by suppliers of operational leases will also constrain the Merged Entity's incentive to increase prices in relation to financial vehicle leases to some extent.

69. Accordingly, the CMA considers that the Parties have a relatively modest combined share of supply in the provision of vehicle leasing services in the UK.

Closeness of competition

70. Horizontal unilateral effects are more likely when the merging parties are close competitors.¹⁰⁷

71. The CMA has considered the extent to which the Parties compete against each other in the supply of vehicle leasing services in the UK, and the extent to which customers consider the Parties as rivals for future opportunities. In its assessment, the CMA considered: i) the Parties' submissions; ii) third party evidence; iii) win and loss analysis; and iv) internal documents.

Parties' submissions

72. The Parties submitted that the market for vehicle leasing is highly fragmented, with multiple providers offering similar services.¹⁰⁸ The Parties also submitted that the shares of supply overstate the degree of competitive constraints that the Parties exert on each other in the UK.¹⁰⁹ The Parties submitted that ALD uses indirect sales to a greater extent than LeasePlan.¹¹⁰

Third party evidence

73. The CMA obtained third party evidence from the Parties' corporate and largest SME customers, partners and brokers, who represent the views of private and SME customers. Responses to the CMA's questionnaire indicate that the Parties are relatively close competitors, but that there are multiple other competitive constraints, as will be discussed below.

¹⁰⁷ CMA129, paragraph 4.8.

¹⁰⁸ FMN, paragraph 294.

¹⁰⁹ FMN, paragraph 5.

¹¹⁰ FMN, paragraph 483.

- (a) The Parties' largest customers mentioned both ALD and LeasePlan more frequently than their competitors, as lease providers that could meet their requirements.¹¹¹ Customers were also asked to rank the suitability of these providers' offerings (where a ranking of 3 represents most suitable and a ranking of 1 represents not suitable). ALD was ranked slightly lower (2.1) than LeasePlan (2.8) for the suitability of offering for corporate and large SME customers.¹¹² This suggests that customers perceive the vehicle lease offering of both Parties as suitable and broadly similar.
- (b) The Parties' partners (see paragraph 26 above) mentioned LeasePlan most frequently as one of the main lease providers in the UK for private and SME customers and ALD the third most often.¹¹³ The Parties were both ranked as being highly suitable.¹¹⁴ This suggests that customers perceive the vehicle lease offering of both Parties as suitable and broadly similar. Competitors were asked to list their main competitors in vehicle leasing for private and SME customers and corporate customers. Competitors mentioned the Parties the most frequently for both of the corporate and private/SME customer groups.¹¹⁵ They also ranked both of the Parties highly for suitability of offering for both customer groups.¹¹⁶ Competitors told the CMA that the Parties are close due to their similarity in their vehicle lease offering and ranking in the UK market.¹¹⁷

Win and loss analysis

74. The CMA obtained win and loss data from the Parties' corporate and large SME customers (**customers' bidding data**). Customers identified the suppliers that participated in their most recent tender for the supply of vehicle leasing in the UK.¹¹⁸ This data showed that less than half of the customers received bids from both of the Parties.¹¹⁹ For the bids where the Parties did overlap, only one customer received less than five bids in total from lease providers and all the other customers received more than five bids in response to their invitation to tender.¹²⁰
75. The win and loss analysis provided by the Parties (**Parties' win loss analysis**) identifies direct opportunities that the Parties won or lost between 2017 – July 2022. This analysis shows that ALD competes for LeasePlan's opportunities [X] of the time, but LeasePlan competes for ALD's opportunities only [X] of the time.¹²¹ This win and loss analysis indicates that the Parties compete against one another for

¹¹¹ Third party responses to the CMA's questionnaire.

¹¹² Third party responses to the CMA's questionnaire.

¹¹³ Third party responses to the CMA's questionnaire.

¹¹⁴ Third party responses to the CMA's questionnaire.

¹¹⁵ Third party responses to the CMA's questionnaire.

¹¹⁶ Third party responses to the CMA's questionnaire.

¹¹⁷ Third party responses to the CMA's questionnaire.

¹¹⁸ Third party responses to the CMA's questionnaire.

¹¹⁹ Third party responses to the CMA's questionnaire.

¹²⁰ Third party responses to the CMA's questionnaire.

¹²¹ Annex 0013 to the FMN.

some opportunities, but that ALD seems to pose a stronger constraint on Leaseplan than Leaseplan on ALD.¹²² This may be due to LeasePlan focusing more on [X] than ALD.¹²³ The CMA has not tested the results of the Parties' win and loss analysis in detail, given its findings that there is sufficient evidence that alternative rivals are bidding against the Parties. The CMA notes, however, that the Parties' win and loss data has some limitations and has placed limited weight on it.¹²⁴

Internal documents

76. A small number of the Parties' internal documents suggest that the Parties had a closer focus on each other than other competitors.¹²⁵ These documents tended to be competitor analysis and strategic board documents, which monitor a range of competitors, but at times single out either of the Parties' growth or financial results. One document, which was created in the context of the Merger, noted that the Parties were each other's most 'comparable peers' given geographical footprint and product mix.¹²⁶ The Parties' internal documents, however, reveal that they also closely monitor a range of competitive constraints, including Arval, Athlon, Alphabet, VWFS, Lex Autolease, Santander and Hitachi, amongst others.¹²⁷
77. Although one of these internal documents suggests that the Parties are each other's closest competitors, the CMA notes that the documents more generally refer to a wide range of competitive constraints.

Conclusion on closeness of competition

78. Overall, the Parties compete against each other in the supply of vehicle leasing services. The Parties are both two of the larger lease providers in the UK with a material share of supply. Customers and competitors view the Parties as similar in their offering and as competitors of each other across different lease types and customer segments. The CMA's analysis of win and loss data and internal documents suggest that the Parties are not each other's closest competitors and are subject to multiple competitive constraints.

Competitive constraints

79. Unilateral effects are more likely where customers have little choice of alternative suppliers. The CMA considered whether there are alternative suppliers that would

¹²² Annex 0013 to the FMN.

¹²³ FMN, paragraph 483.

¹²⁴ For example, the CMA notes that the Parties' win and loss analysis only includes direct opportunities that the Parties have competed in and does not include indirect opportunities.

¹²⁵ For ALD, see ALD Annex 2058 to the FMN; ALD Annex 1997 to the FMN. For LeasePlan, see LeasePlan Annex 0502 to the FMN; LeasePlan Annex 0589 to the FMN; LeasePlan Annex 0585 to the FMN; LeasePlan Annex 0599 to the FMN.

¹²⁶ LeasePlan Annex 0502 to the FMN.

¹²⁷ See ALD Annex 2062 to the FMN; ALD Annex 1997 to the FMN; LeasePlan Annex 0599 to the FMN; ALD Annex 1773 to the FMN; ALD Annex 1775 to the FMN; ALD Annex 1793 to the FMN; ALD Annex 0571 to the FMN; LeasePlan Annex 0577 to the FMN.

provide a competitive constraint on the Merged Entity. In its assessment, the CMA considered: i) the Parties' submissions; ii) third party evidence; iii) win and loss analysis; and iv) internal documents.

Parties' submissions

80. The Parties submitted that the market for vehicle leasing services is highly fragmented, with multiple providers offering similar services.¹²⁸ This includes other lease providers, OEMs, financial institutions, and specialist suppliers.¹²⁹ The Parties noted that they face an increasing competitive threat from OEM subsidiaries in particular, as they become providers of mobility services.¹³⁰ The Parties also submitted that the UK market is highly competitive with many credible competitors including Lex Autolease, VWFS, Arval, Alphabet, Novuna, Free2Move Lease, Zenith, LeaseDrive, Arnold Clarke, Athlon, RCI and a tail of smaller providers.¹³¹

Third party evidence

81. Customer, partner and competitor responses to the CMA's questionnaire indicate that the Merged Entity will continue to face constraints from a number of lease providers in the UK, which is in line with the limited combined shares of supply of the Parties and the high number of vehicle leasing providers, including a long tail of small providers.¹³² The third-party evidence suggests that at least some of these smaller providers may constrain the Parties to some degree. In particular:

- (a) The Parties' largest customers frequently mention, other than the Parties, Lex Autolease, VWFS, and Alphabet as suitable alternative providers.¹³³ Customers were also asked to rank the suitability of these providers' offering (where a ranking of 3 represents most suitable and 1 represents not suitable). Of those providers mentioned most frequently, only one received a score below 2.¹³⁴ A long tail of different competitors to the Parties were also mentioned by some customers, with an additional six providers mentioned by at least two different customers.¹³⁵ All of these providers received an average score of 2 or more.¹³⁶ A further 32 providers were mentioned by one customer.¹³⁷

¹²⁸ FMN, paragraph 294.

¹²⁹ FMN, paragraph 294.

¹³⁰ FMN, paragraph 314.

¹³¹ FMN, paragraph 302.

¹³² The CMA asked competitors to identify their main competitors in supplying leasing services by listing each competitor that competed with them closely, moderately or weakly, and to provide an explanation for the answer, including to note if there are any differences by lease type. While some responses did mention the type of vehicle leases offered by some competitors, overall the responses do not suggest that the type of lease provided materially impacted the competitive strength attributed to each supplier of vehicle leasing services.

¹³³ Third party responses to the CMA's questionnaire.

¹³⁴ Third party responses to the CMA's questionnaire.

¹³⁵ Third party responses to the CMA's questionnaire.

¹³⁶ Third party responses to the CMA's questionnaire.

¹³⁷ Third party responses to the CMA's questionnaire.

- (b) Partners representing the views of private and SME customers also frequently mentioned Lex Autolease, Arval and Novuna as suitable alternative providers.¹³⁸ Partners ranked all of these providers at least a 2.8 ranking on average for suitability.¹³⁹ A long tail of different competitors to the Parties were also mentioned by some partners, with an additional four providers named by at least two partners.¹⁴⁰ All of these providers received an average score of 2 or more.¹⁴¹ A further nine providers were named once each.¹⁴²
- (c) Competitors frequently mentioned many providers that they compete against closely. After the Parties, Lex Autolease, Arval, Alphabet, Novuna and VWFS were most frequently mentioned by competitors as other rivals in the supply of leasing services to corporate customers.¹⁴³ Each of Lex Autolease, Arval, Alphabet and Novuna were all noted to be strong competitors.¹⁴⁴ An additional 28 competitors were identified by at least one corporate customer.¹⁴⁵
- (d) Similarly, competitors frequently mentioned Novuna, Lex Autolease and Arval after the Parties as their main competitors in supplying leasing services to private and SME customers.¹⁴⁶ Each of Novuna, Lex Autolease and Arval were noted by competitors to be close competitors to them.¹⁴⁷ An additional 31 competitors were named by at least one competitor.¹⁴⁸

82. In relation to third party views on the effects of the Merger on competition, the CMA notes that:

- (a) A vast majority of corporate and large SME customers stated that they were not concerned about the Merger and noted that the Merger will bring about benefits if the Merged Entity can get better deals with manufacturers.¹⁴⁹ Other customers told the CMA that they will still have many alternatives after the Merger.¹⁵⁰
- (b) The majority of partners also expressed that they did not have concerns about the Merger.¹⁵¹ Partners noted that the market is competitive and there are lots of alternatives for customers.¹⁵²

¹³⁸ Third party responses to the CMA's questionnaire.

¹³⁹ Third party responses to the CMA's questionnaire.

¹⁴⁰ Third party responses to the CMA's questionnaire.

¹⁴¹ Third party responses to the CMA's questionnaire.

¹⁴² Third party responses to the CMA's questionnaire.

¹⁴³ Third party responses to the CMA's questionnaire.

¹⁴⁴ Third party responses to the CMA's questionnaire.

¹⁴⁵ Third party responses to the CMA's questionnaire.

¹⁴⁶ Third party responses to the CMA's questionnaire.

¹⁴⁷ Third party responses to the CMA's questionnaire.

¹⁴⁸ Third party responses to the CMA's questionnaire.

¹⁴⁹ Third party responses to the CMA's questionnaire.

¹⁵⁰ Third party responses to the CMA's questionnaire.

¹⁵¹ Third party responses to the CMA's questionnaire.

¹⁵² Third party responses to the CMA's questionnaire.

- (c) Most competitors did not have concerns about the Merger.¹⁵³ Two competitors noted that the Merger will have benefits for customers and one told the CMA the Merged Entity would be extremely competitive.¹⁵⁴
83. Some competitors expressed concerns about the Merger. These competitors noted that they believed the Merger would result in the Merged Entity benefiting from an increase in scale and buyer power.¹⁵⁵ These competitors told the CMA that the Merged Entity may get better deals with manufacturers.¹⁵⁶ The CMA notes, however, that:
- (a) Customers and competitors recognised that an increase in scale can be positive and savings can be passed on to customers.¹⁵⁷
- (b) Some of the competitors in the market, such as Lex Autolease, are currently larger than the Merged Entity. The CMA has not received evidence that these competitors, who have previously been larger, used their scale to foreclose other competitors.
84. A small number of competitors expressed concerns that post-Merger there will be a lack of alternatives for customers that are present in multiple jurisdictions (international customers) and have a preference to use a single provider of vehicle leasing in all these jurisdictions.¹⁵⁸ Internal documents also indicate that the Parties have a strong presence in providing leases for international customers.¹⁵⁹
85. The CMA received evidence that a significant number of the Parties' corporate international customers are present in multiple jurisdictions and use each of the Parties as vehicle leasing suppliers in multiple jurisdictions.¹⁶⁰
86. The CMA recognises that options may be more limited for international customers, as some vehicle leasing suppliers, such as Lex Autolease, are only active in the UK. The CMA notes, however, that:
- (a) The Parties submitted evidence that over half of the largest lease providers on the FN50 list are active in the UK and another country.¹⁶¹ Of these, ten providers are active in at least nine countries. Most of the competitors that

¹⁵³ Third party responses to the CMA's questionnaire.

¹⁵⁴ Third party response to the CMA's questionnaire; Only one customer and one partner expressed concerns about the Merger, noting that it would reduce the number of available suppliers. However, this customer and partner also provided evidence of a significant number of competitive constraints that would remain after the Merger.

¹⁵⁵ Third party responses to the CMA's questionnaire.

¹⁵⁶ Third party responses to the CMA's questionnaire.

¹⁵⁷ Third party responses to the CMA's questionnaire.

¹⁵⁸ Third party responses to the CMA's questionnaire.

¹⁵⁹ See ALD Annex 1703 to the FMN; ALD Annex 0134 to the FMN; ALD Annex 0132 to the FMN; LeasePlan Annex 0513 to the FMN.

¹⁶⁰ Parties' response to the CMA's request for information dated 6 September 2022, pages 1 – 3.

¹⁶¹ Annex 0011 to the FMN.

responded to the CMA's competitor questionnaire, confirmed that they can compete for and provide leases to international customers.¹⁶²

- (b) Tender data from international customers shows that multiple lease providers bid for these opportunities.¹⁶³ On average, international customers received five bidders per opportunity. The CMA notes, however, that this average is based on a small number of opportunities.¹⁶⁴
- (c) The majority of customers (including international customers responding to the CMA) told the CMA that they multi-source and have multiple lease providers at the same time.¹⁶⁵ Some international customers noted that they have multinational framework agreements with multiple lease providers, that customers may invite these lease providers to compete again to supply individual vehicles or batches of vehicles, and that country specific subsidiaries can decide which providers to use.¹⁶⁶ One international customer told the CMA that it had decided to work with more than one lease provider to ensure quality of services.¹⁶⁷
- (d) International customers that responded to the CMA's investigation did not express any significant concerns about the Merger.¹⁶⁸

87. The CMA therefore considers that the Merged Entity, when competing for business with international corporate customers, including those that do not multisource, will continue to be sufficiently constrained by other suppliers of vehicle leasing.

88. The CMA has taken into account the concerns expressed by competitors, in the context of the overall evidence, including evidence that indicates that there is a sufficient number of alternative competitors.¹⁶⁹ Some of the competitors that expressed concerns listed more than a few alternative suppliers of vehicle leasing.¹⁷⁰

Win and loss analysis

89. The customers' bidding data is broadly consistent with third party responses, showing that customers tend to consider a range of lease providers when they

¹⁶² Third party responses to the CMA's questionnaire.

¹⁶³ Third party responses to the CMA's questionnaire.

¹⁶⁴ Third party responses to the CMA's questionnaire.

¹⁶⁵ Third party responses to the CMA's questionnaire.

¹⁶⁶ Notes of calls with third parties.

¹⁶⁷ Third party response to the CMA's questionnaire.

¹⁶⁸ Third party responses to the CMA's questionnaire.

¹⁶⁹ See CMA129, paragraph 2.23, which states that the CMA does not normally consider specific pieces of evidence in isolation.

¹⁷⁰ Third party responses to the CMA's questionnaire.

tender. As mentioned above in paragraph 74, customers on average received between five to six bids per tender.¹⁷¹

90. The Parties' win and loss analysis is also consistent with this, showing that the Parties compete with a range of lease providers. The Parties submitted that they both regularly win and lose against Arval, Lex Autolease, Alphabet, Zenith, Novuna and Arnold Clarke.¹⁷²

Internal documents

91. The Parties' internal documents are consistent with the other evidence set out above that there are a number of alternative providers.
92. Documents produced by ALD which monitor competitive dynamics and competitors, generally list a wide range of other competitors. For example:
- (a) A consultancy document prepared for the ALD Board evaluates the competitive dynamics for the Merged Entity and identifies:¹⁷³
 - (i) Arval, Credit Agricole, Santander, Athlon, VWFS, and Alphabet as [redacted] competitors;
 - (ii) The strengths and weaknesses of five categories of competitors (a) OEMs, namely Alphabet, Athlon, Free2Move, Leasys, VWFS, Mercedes-Benz Financial Services; (b) Independent leasing companies, namely Arval, Lex Autolease (in addition to ALD and LeasePlan); (c) Banks, namely Santander and Credit Agricole; (d) Rental players such as Hertz, Sixt, Avis, Europcar; and (e) Emerging mobility players (Cluno, Bipi, Origin, BP EV Pro); and
 - (iii) OEMs to be the [redacted] threat for the Merged Entity.
 - (b) ALD's internal documents provide a sectoral overview and monitor the fleet size of other competitors such as Arval, VWFS, RCI, PSA, Element, Alphabet, Athlon, Lex Autolease, Sixt Leasing, Leasys.¹⁷⁴
 - (c) In an internal document which evaluates a proposal for a new product, ALD considers comparable products offered by Arval, Lex Autolease, Alphabet, Zenith and LeasePlan.¹⁷⁵

¹⁷¹ Third party responses to the CMA's customer questionnaire.

¹⁷² FMN, paragraph 475-479.

¹⁷³ ALD Annex 2062 to the FMN.

¹⁷⁴ See ALD Annex 2058 to the FMN and ALD Annex 2061 to the FMN.

¹⁷⁵ ALD Annex 1865 to the FMN.

(d) A number of ALD documents assess current opportunities and show that ALD monitors Arval, Lex Autolease, Alphabet, Athlon and LeasePlan.¹⁷⁶

93. Documents produced by LeasePlan also demonstrate that it monitors a range of other competitors:

(a) A number of documents which analyse updates from competitors show that LeasePlan monitors Arval, Athlon, and Alphabet, in addition to ALD.¹⁷⁷

(b) One internal document which evaluates the growth of competitors, considers Arval, Zenith, Vanarama, VWFS, Alphabet, Hitachi Capital, Octopus, Free2Move and Leasys.¹⁷⁸

(c) Another document compares LeasePlan's marketing activities with that of ALD, Alphabet, Arval, Lex Autolease, VWFS, Hitachi Capital, Lombard Vehicle Solutions, Tuskerdirect and Zenith.¹⁷⁹

(d) In a document focussing on the competitive threat from OEMs, LeasePlan monitors the offering and growth strategy of Alphabet, Athlon, Free2Move, Leasys, VW Group/VWFS, Stellantis Group and Renault-Nissan Group/RCI.¹⁸⁰ Another document considers that there is significant competition between traditional leasing players and OEMs.¹⁸¹

Conclusion on competitive constraints

94. The CMA has found that the Merged Entity will continue to be constrained by a number of large competitors in the supply of vehicle leasing services in the UK and by a tail of medium and smaller competitors. For the reasons set out above, the CMA believes that post-Merger, the Merged Entity would be constrained by, among others, Lex Autolease, Arval, VWFS, Alphabet and Novuna and other smaller suppliers, in the supply of vehicle leasing services to all customer groups.

95. The CMA notes that the outcome of one merger investigation is not an indication of the outcome of potential future merger investigations in the same sector.¹⁸² In any market where concentration levels are relatively high, in this case for some customer types, horizontal unilateral effects are more likely.¹⁸³ The CMA will continue to review carefully any potential future relevant merger situations in this

¹⁷⁶ See ALD Annex 1773 to the FMN; ALD Annex 1775 to the FMN; ALD Annex 1793 to the FMN.

¹⁷⁷ See LeasePlan Annex 0585 to the FMN; LeasePlan Annex 0598 to the FMN; LeasePlan Annex 0588 to the FMN; LeasePlan Annex 0584 to the FMN.

¹⁷⁸ See LeasePlan Annex 0577 to the FMN.

¹⁷⁹ See LeasePlan Annex 0571 to the FMN.

¹⁸⁰ Annex 0014 to the FMN.

¹⁸¹ LeasePlan Annex 0203 to the FMN, page 2.

¹⁸² See *Ecolab Inc. v Competition and Markets Authority* [2020] CAT 2, paragraph 93.

¹⁸³ CMA129, paragraph 4.38.

sector and, depending on the evidence available at the time, will not hesitate to intervene if necessary to prevent an SLC.

Conclusion on horizontal unilateral effects

96. For the reasons set out above, the CMA found that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to the supply of vehicle leasing services in the UK.
97. Given that the CMA believes that the Merger did not give rise to a SLC, barriers to entry and expansion have not been considered further.

DECISION

98. Consequently, the CMA does not believe that it is or may be the case that the Merger may be expected to result in an SLC within a market or markets in the United Kingdom.
99. The Merger will therefore **not be referred** under section 33(1) of the Act.

Maria Duarte
Director
Competition and Markets Authority
08 November 2022