Anticipated acquisition by Nationwide Building Society of Virgin Money UK PLC

ME 7094/24

SUMMARY

OVERVIEW OF THE CMA'S DECISION

1. The Competition and Markets Authority (**CMA**) has found that the acquisition by Nationwide Building Society (**Nationwide**) of Virgin Money UK PLC (**Virgin Money**), is a relevant merger situation that does not give rise to a realistic prospect of a substantial lessening of competition (**SLC**).

2. In March 2024, Nationwide announced that it had agreed to acquire the entire issued and to be issued share capital of Virgin Money for a purchase price of approximately £2.9 billion. The CMA refers to this acquisition as the **Merger**. Nationwide and Virgin Money are together referred to as the **Parties** and, for statements relating to the future, the **Merged Entity**.

Who are the businesses and what products/services do they provide?

3. Both Nationwide and Virgin Money supply retail banking services. The products that the CMA looked at in detail are:

   (a) Mortgages on homes that will be occupied by the owner (**owner-occupied** mortgages);

   (b) Buy-to-let (**BTL**) mortgages; and

   (c) Credit cards.

Why did the CMA review this merger?

4. The CMA's primary duty is to seek to promote competition for the benefit of consumers. It has a duty to investigate mergers that could raise competition concerns in the UK, provided it has jurisdiction to do so. In this case, the CMA has concluded that it has jurisdiction to review this Merger because a relevant merger

situation has been created: each of the Parties is an enterprise that will cease to be distinct as a result of the Merger and the turnover test is met.

What evidence has the CMA looked at?

5. In assessing this Merger, the CMA considered a wide range of evidence in the round.

6. The CMA received several submissions and responses to information requests from the Parties, and examined a number of the Parties' own internal documents. The CMA gathered information about competitive dynamics in owner-occupied and BTL mortgages, and credit cards.

7. The CMA spoke to and gathered evidence from other companies and organisations to understand better the competitive landscape and to get their views on the impact of the Merger. In particular, the CMA received evidence from competitors, mortgage brokers and price comparison websites. It also engaged with the Financial Conduct Authority (**FCA**) and Prudential Regulation Authority (**PRA**).

8. The CMA also received concerns from individuals who were of the view that Nationwide's members should have had the opportunity to vote on the acquisition of Virgin Money. The CMA's merger control function is part of its statutory duty to promote competition for the benefit of consumers. As the CMA is required to assess the impact of the Merger on competition, these concerns did not fall within the scope of its investigation.

What did the evidence tell the CMA about the effects on competition of the Merger?

9. The CMA looked at whether the Merger would lead to an SLC in the supply of owner-occupied mortgages, BTL mortgages and/or credit cards. The CMA found that the Merger does not give rise to a realistic prospect of an SLC in any of these areas for the reasons below.

Theory of harm 1: Horizontal unilateral effects in owner-occupied mortgages

10. The Parties both provide owner-occupied mortgages. The CMA found that the Merged Entity would remain relatively small in scale in both Great Britain (**GB**) and Northern Ireland (**NI**). In addition, although Nationwide is a strong provider, other providers compete more closely with Nationwide than Virgin Money does (eg Lloyds, NatWest and Santander in GB, Ulster Bank and Allied Irish Bank in NI), and would exert a sufficient competitive constraint on the Merged Entity.

Theory of harm 2: Horizontal unilateral effects in BTL mortgages

11. Nationwide and Virgin Money provide BTL mortgages. The CMA assessed the impact of the Merger on competition in BTL mortgages in aggregate and in particular segments (eg mortgages sold to portfolio landlords) in GB. The CMA found that although the Merged Entity would be the largest supplier according to some measures, it would still have a share of supply below 30% in all segments. In addition, Virgin Money is relatively small and other providers (eg NatWest, Santander, Barclays, and some specialist lenders) compete more closely with Nationwide than Virgin Money does. These providers would exert a sufficient competitive constraint on the Merged Entity.

Theory of harm 3: Horizontal unilateral effects in credit cards

12. The CMA assessed the impact of the Merger on competition in the types of credit cards provided by Nationwide, in the UK. The CMA found that while Virgin Money is a relatively large provider, its share of supply is below 30% on most measures. In addition, Nationwide is small and only provides credit cards to its existing customers. The CMA also found that other competitors (eg Lloyds, Barclays, NatWest and HSBC) would exert a sufficient competitive constraint on the Merged Entity.

What happens next?

13. The Merger will therefore **not be referred** under section 33(1) of the Enterprise Act 2002 (the **Act**).