

# Completed acquisition by Barratt Developments plc of Redrow plc

## Decision on acceptance of undertakings in lieu of reference

**ME/7089/24**

The Competition and Markets Authority’s decision to accept undertakings in lieu of reference under section 73(2) of the Enterprise Act 2002 given on 4 October 2024. Full text of the decision published on 4 October 2024.

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

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## 1. INTRODUCTION

1. On 21 August 2024, Barratt Developments plc (**Barratt**) acquired Redrow plc (**Redrow**) (the **Merger**).<sup>1</sup> Barratt and Redrow are together referred to as the **Merged Entity**, and for statements relating to pre-completion, the **Parties**.
2. On 8 August 2024, the Competition and Markets Authority (**CMA**) decided under section 33(1) of the Act that it is or may be the case that the Merger constitutes arrangements in progress or contemplation, which, if carried into effect will result in a relevant merger situation that 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 webpages.<sup>2</sup>
3. On 15 August 2024, the Parties offered undertakings in lieu of reference to the CMA for the purposes of section 73(2) of the Act. On 21 August 2024, the CMA gave notice to the Merged Entity, 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 the Parties' offer (the **UIL Provisional Acceptance Decision**).
4. The text of the SLC Decision and the UILs Provisional Acceptance Decision are available on the CMA webpages.<sup>3</sup>

## 2. THE UNDERTAKINGS OFFERED

5. As set out in the SLC Decision, the CMA found a realistic prospect of an SLC as a result of horizontal unilateral effects in the supply of new-build private residential housing (**new-build housing**) in one local area centred around the Barratt development at Tilstock Road, Whitchurch, which includes Redrow's development in Kingsbourne, Nantwich.
6. As set out in the UIL Provisional Acceptance Decision, to address the SLC identified by the CMA the Parties have offered undertakings in lieu of a reference relating to Redrow's entire overlapping area in the Kingsbourne, Nantwich site (the **Kingsbourne Development**) that has planning consent for the development of 324 houses (the **SLC Units**), subject to a number of commitments, namely: (i) appointing an independent third-party agent (**Proposed Agent**) to manage the

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<sup>1</sup> On 21 August 2024, Barratt acquired the entire issued and to be issued ordinary share capital of Redrow, by way of a court-approved scheme of arrangement between Redrow and Redrow's shareholders under Part 26 of the Companies Act 2006. As such, Barratt and Redrow have ceased to be distinct for the purposes of the Enterprise Act 2002. The CMA issued its Phase 1 Decision when the Merger was still anticipated.

<sup>2</sup> See [Barratt / Redrow merger inquiry - GOV.UK \(www.gov.uk\)](#).

<sup>3</sup> See [Barratt / Redrow merger inquiry - GOV.UK \(www.gov.uk\)](#).

sales process of the remaining unsold houses and houses where the sale has not been legally completed yet (**Unsold Plots**); (ii) ensuring that unbuilt houses and unbuilt infrastructure in the Kingsbourne Development (**Unbuilt Plots** and **Unbuilt Infrastructure**, respectively) are constructed to Redrow's quality standards and for construction to be completed in a timely manner; and (iii) providing aftersales services to all homebuyers to a level meeting or exceeding Redrow's pre-Merger standards. A monitoring trustee and an independent professional quantity surveyor (approved by the CMA) will be appointed to monitor and oversee the Merged Entity's compliance with the commitments. The text of the undertakings is available on the CMA webpages (the **Undertakings**).<sup>4</sup>

7. As regards the Proposed Agent, the Parties proposed Savills to take on this role. On 1 October 2024, the Merged Entity and Savills signed the mandate. This mandate was conditional on acceptance by the CMA of the Undertakings, including approval of Savills as the third-party agent.

### 3. CONSULTATION

8. On 12 September 2024, pursuant to paragraph 2(1) of Schedule 10 to the Act, the CMA published the Undertakings, inviting interested parties to give their views on them. The relevant text from the consultation is set out at Annex 1 of this decision.<sup>5</sup> For the reasons set out in the consultation, the CMA's preliminary view was that the UILs would 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.<sup>6</sup>
9. The CMA received no submissions during the consultation period to change its preliminary view that the UILs would be acceptable (and has not otherwise become aware of any information that might cause a change in this view).
10. The CMA therefore considers that the UILs offered by the Parties are clear-cut and appropriate to remedy, mitigate or prevent the competition concerns identified in the SLC Decision and that Savills is a suitable agent to manage the sales process of the Unsold Plots.

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<sup>4</sup> See [Barratt / Redrow merger inquiry - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/barratt-redrow-merger-inquiry).

<sup>5</sup> The full consultation text was published on [Barratt / Redrow merger inquiry - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/barratt-redrow-merger-inquiry).

<sup>6</sup> [Merger remedies, \(CMA87\), December 2018](#), Chapter 3, in particular paragraphs 3.27, 3.28 and 3.30.

# DECISION

11. For the reasons set out above, the CMA considers that the UILs provided by the Parties 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 the Parties pursuant to section 73 of the Act. The Merger will therefore not be referred for a phase 2 investigation.
12. The UILs, which have been signed by the Parties and will be published on the CMA webpages, will come into effect from the date of this decision.

**Joel Bamford**  
**Executive Director, Mergers**  
**Competition and Markets Authority**  
**4 October 2024**

## ANNEX 1

# Completed acquisition by Barratt Developments plc of Redrow plc

### 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.

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## 1. INTRODUCTION

13. On 21 August 2024, Barratt Developments plc (**Barratt**) acquired Redrow plc (**Redrow**) (the **Merger**). Barratt and Redrow are together referred to as the **Merged Entity**, and for statements relating to pre-completion, the **Parties**.
14. On 8 August 2024, the Competition and Markets Authority (**CMA**) decided under section 33(1) of the Act that it is or may be the case that the Merger constitutes arrangements in progress or contemplation, which, if carried into effect will result in a relevant merger situation that 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 webpages.<sup>7</sup>
15. On 15 August 2024, the Parties offered undertakings in lieu of reference to the CMA for the purposes of section 73(2) of the Act.
16. On 21 August 2024, the CMA gave notice to the Merged Entity, 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 the Parties' offer (the **UIL Provisional Acceptance Decision**).

## 2. THE UNDERTAKINGS OFFERED

17. As set out in the SLC Decision, the CMA found a realistic prospect of an SLC as a result of horizontal unilateral effects in the supply of new-build private residential housing (**new-build housing**) in one local area centred around the Barratt development at Tilstock Road, Whitchurch, which includes Redrow's development in Kingsbourne, Nantwich.
18. As set out in the UIL Provisional Acceptance Decision, to address the SLC identified by the CMA the Parties have offered undertakings in lieu of a reference relating to Redrow's entire overlapping area in the Kingsbourne, Nantwich site (the **Kingsbourne Development**) that has planning consent for the development of 324 houses (the **SLC Units**), subject to a number of commitments, namely: (i) appointing an independent third-party agent (**Proposed Agent**) to manage the sales process of the remaining unsold houses and houses where the sale has not been legally completed yet (**Unsold Plots**); (ii) ensuring that unbuilt houses and unbuilt infrastructure in the Kingsbourne Development (**Unbuilt Plots** and **Unbuilt Infrastructure**, respectively) are constructed to Redrow's quality standards and for construction to be completed in a timely manner; and (iii) providing aftersales

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<sup>7</sup> See [Barratt / Redrow merger inquiry - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/barratt-redrow-merger-inquiry).

services to all homebuyers to a level meeting or exceeding Redrow's pre-Merger standards. A monitoring trustee and an independent professional quantity surveyor (approved by the CMA) will be appointed to monitor and oversee the Merged Entity's compliance with the commitments. The text of the undertakings is available on the CMA webpages (the **Proposed Undertakings**).<sup>8</sup>

### 3. CMA ASSESSMENT

19. The CMA currently considers that, subject to responses to the consultation required by Schedule 10 of the Act, the Proposed Undertakings 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 Proposed Undertakings or concerns about their implementation.<sup>9</sup> This is because by accepting a quasi-structural remedy, with the sale of the Unsold Plots being facilitated by the Proposed Agent, the CMA considers that there are safeguards in place to ensure appropriate prices are obtained for these units. Further, and in light of the monitoring mechanisms built into the Parties' Proposed Undertakings through the appointment of a monitoring trustee and independent quantity surveyor,<sup>10</sup> the CMA considers that the quality of build of Unbuilt Plots and Unbuilt Infrastructure, and the provision of post-completion after-sales service will be suitably assured. Taken together, it is the CMA's view that these measures will address the circumstances presented by the Kingsbourne Development.
20. The CMA also considers that the Proposed Undertakings would be capable of ready implementation. This is because allowing the Merged Entity (under the Redrow brand) to finish out the Unbuilt Plots and Unbuilt Infrastructure, and allowing it to sell the Unsold Plots through the Proposed Agent, will quickly and practicably address the SLC since the difficulties associated with selling partly-built sites would not be encountered. In particular, the Proposed Undertakings would not face the delays associated with seeking additional/amended planning permissions for different specifications and other consents, warranty implications, allocation and transfer of responsibility for site-wide facility and infrastructure, and accommodation of affordable housing and other local planning authority obligations.<sup>11</sup> Additionally, the CMA considers that the Merged Entity would not be in a position to affect the pricing of Unsold Plots or be able to decrease the quality of the build of Unbuilt Plots and Unbuilt Infrastructure, or deteriorate the provision of service to Redrow's customers.

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<sup>8</sup> See [Barratt / Redrow merger inquiry - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/barratt-redrow-merger-inquiry).

<sup>9</sup> Merger remedies guidance ([CMA87](#)), December 2018, paragraph 3.28.

<sup>10</sup> CMA87, paragraphs 7.5 and 7.7.

<sup>11</sup> Remedies Form, 15 August 2024, paragraph 14(a).

21. Further, the CMA believes that the Proposed Undertakings are more practicable in addressing the SLC than a divestiture for the following reasons:<sup>12</sup>
- (a) **Construction status at Kingsbourne Development:** the SLC Units are not at a uniform stage of construction, where some have been completed while others are partially built.<sup>13</sup>
  - (b) **Likelihood of purchase:** given the partially built status of some of the SLC Units, there is only a limited pool of purchasers who would be willing to acquire the Kingsbourne Development.<sup>14</sup>
  - (c) **Lack of impact on existing planning permission:** change in the ownership status of the SLC Units at this stage would necessitate amendments to the existing planning permissions.<sup>15</sup> Consequently, there could be delays in delivering these homes to end consumers.
22. Due to the nature of the Proposed Undertakings,<sup>16</sup> the CMA does not consider it necessary to seek an upfront buyer.

### 3.1 Suitability of the Proposed Agent

23. In approving a third-party agent, the CMA's starting position is that it must be confident without undertaking a detailed investigation that the Proposed Agent will:
- (a) Be independent from and have no significant connection to the Merged Entity.
  - (b) Have the necessary resources and expertise in the sales of new-build housing to enable the sale of the Unsold Plots.
  - (c) Satisfy the CMA that the appointment of a third-party agent would not create further competition or regulatory concerns.
24. The Merged Entity has identified its preferred candidate for the role of Proposed Agent, Savills, which in the Merged Entity's views is a reputable estate agent with deep knowledge and experience in sales of new-build housing. The Merged Entity is already engaging with Savills on the design of the mandate, which will be subject to the approval of the CMA.<sup>17</sup>

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<sup>12</sup> [CMA87](#), paragraph 7.2

<sup>13</sup> Parties' email to the CMA, 31 July 2024.

<sup>14</sup> Parties' response to the CMA's UILs RFI 1, question 1, section 1.2.

<sup>15</sup> Remedies Form, 15 August 2024, paragraph 14(a). Parties' response to the CMA's UILs RFI 1, question 1, section 1.1.

<sup>16</sup> [CMA87](#), paragraphs 5.28–5.32.

<sup>17</sup> Remedies Form, 15 August 2024, paragraph 65.



25. Subject to the responses to this consultation, and having regard in particular to the criteria set out in paragraph 11 above, the CMA currently considers Savills to be a suitable third-party agent to sell the Unsold Plots for the following reasons:
- (a) it is independent from the Merged Entity;
  - (b) it has the necessary resources and expertise in the sales of new-build housing. Savills has extensive expertise in selling land and selling new homes within new developments, with over 30 regional residential development sales teams in the UK comprising over 240 experts specialising in both new homes sales and consultancy, backed up by Savills' best-in-class research team and residential development consultancy. Redrow has previously successfully engaged Savills as an estate agent [§]; and
  - (c) it does not create further competition or regulatory concerns as estate/sales agents do not compete in the supply of residential new-build housing in the UK.

#### **4. PROPOSED DECISION AND NEXT STEPS**

26. For the reasons set out above, the CMA currently considers that the Proposed Undertakings are, in the circumstances of this case, appropriate to remedy, mitigate or prevent the competition concerns identified in the SLC Decision and form as comprehensive a solution to these concerns as is reasonable and practicable.
27. The CMA therefore gives notice that it proposes to accept the Proposed Undertakings in lieu of a reference of the Merger for a phase 2 investigation. The text of the proposed undertaking is available on the CMA web pages.<sup>18</sup>
28. Before reaching a decision as to whether to accept the Proposed Undertakings, 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 Proposed Undertakings as a result. If the CMA considers that any representation necessitates any material change to the Proposed Undertakings, the CMA will give notice of the proposed modifications and publish a further consultation.<sup>19</sup>
29. Representations should be made in writing to the CMA and be addressed to:

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<sup>18</sup> See [Barratt / Redrow merger inquiry - GOV.UK \(www.gov.uk\)](http://www.gov.uk).

<sup>19</sup> Under paragraph 2(4) of Schedule 10 to the Act.

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**Deadline for comments: 26 September 2024**