

Anticipated acquisition by Nationwide Building Society of Virgin Money UK PLC

Decision on relevant merger situation and substantial lessening of competition

ME 7094/24

The Competition and Markets Authority's decision on relevant merger situation and substantial lessening of competition under section 33(1) of the Enterprise Act 2002 given on 19 July 2024. Full text of the decision published on 29 August 2024.

The Competition and Markets Authority (**CMA**) has excluded from this published version of the decision information which the CMA considers should be excluded having regard to the three considerations set out in section 244 of the Enterprise Act 2002 (specified information: considerations relevant to disclosure). The omissions are indicated by [§]. Some numbers have been replaced by a range, which are shown in square brackets.

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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**).

ASSESSMENT

1. PARTIES, MERGER AND MERGER RATIONALE

14. Nationwide is the UK's largest building society,¹ with over 16 million members as at April 2023.² Nationwide offers retail banking services to personal and business customers, including credit cards, owner-occupied mortgages and BTL mortgages on residential property (through its 'The Mortgage Works' brand). The turnover of Nationwide was £4,781 million in the UK in the financial year ended 4 April 2024.³
15. Virgin Money has around 6.6 million customers⁴ and offers a range of retail banking products to both personal and business customers, including credit cards, owner-occupied mortgages and BTL mortgages. The turnover of Virgin Money was £1,827 million in the UK in the financial year ended 30 September 2023.⁵
16. On 21 March 2024, the boards of Nationwide and Virgin Money agreed that Nationwide will acquire the entire issued and to be issued share capital of Virgin Money, after which Nationwide will be the sole shareholder in Virgin Money.⁶
17. The Parties submitted that the Merger would enable Nationwide to expand into business lending and business current accounts, grow in credit cards, and would combine the Parties' positions in savings and mortgages.⁷ The Parties further submitted that Virgin Money's customers would receive the benefits of Nationwide's mutual model,⁸ and Nationwide could access a greater diversity of funding and improve returns.⁹ The CMA considers that the Parties' internal documents broadly support this rationale.¹⁰

2. PROCEDURE

18. The CMA commenced its phase 1 investigation on 31 May 2024. As part of its phase 1 investigation, the CMA gathered evidence from the Parties and other market participants, such as mortgage brokers and price comparison websites. The CMA also engaged with the Financial Conduct Authority and Prudential Regulation Authority. The evidence the CMA has gathered has been tested

¹ Building societies are mutual organisations, owned by the customers of the building society that qualify as members. Final Merger Notice submitted on 30 May 2024 (FMN), paragraph 12.11.

² FMN, paragraph 3.1.

³ Nationwide, Annual [Annual Report and Accounts 2024](#), 22 May 2024, page 235.

⁴ FMN, paragraph 3.5.

⁵ FMN, paragraph 3.11.

⁶ FMN, paragraph 2.1.

⁷ FMN, paragraph 2.4(i).

⁸ FMN, paragraph 2.4(ii).

⁹ FMN, paragraph 2.4(iii).

¹⁰ For example, FMN, Attachment H.389. 'FINAL Project Exeter Board Sub-Committee.pdf' and Attachment I.02. '2024-01-26 Board Pack - Password_Redacted.pdf'.

rigorously, and the context in which the evidence was produced has been considered when deciding how much weight to give it.

19. Where necessary, this evidence has been referred to within this decision.

3. JURISDICTION

20. Each of Nationwide and Virgin Money is an enterprise. As a result of the Merger, these enterprises will cease to be distinct.
21. The UK turnover of Virgin Money exceeds £70 million in 2023, so the turnover test in section 23(1)(b) of the Act is satisfied.
22. 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.
23. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 1 June 2024 and the statutory 40 working day deadline for a decision is therefore 26 July 2024.

4. COUNTERFACTUAL

24. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (ie the counterfactual).¹¹
25. In an anticipated merger, the counterfactual may consist of the prevailing conditions of competition, or conditions of competition that involve stronger or weaker competition between the parties to a merger than under the prevailing conditions of competition.¹² In determining the appropriate counterfactual, the CMA will generally focus on potential changes to the prevailing conditions of competition only where there are reasons to believe that those changes would make a material difference to its competitive assessment.¹³
26. The Parties submitted that the relevant counterfactual against which to assess the Merger is the prevailing conditions of competition.¹⁴
27. Virgin Money's internal documents suggest that absent the Merger, it was planning to enter the supply of [§<].¹⁵ Virgin Money submitted that it had been exploring

¹¹ [Merger Assessment Guidelines](#) (CMA129), March 2021, paragraph 3.1.

¹² CMA129, paragraph 3.2.

¹³ CMA129, paragraph 3.9.

¹⁴ FMN, paragraph 11.1.

¹⁵ See for example, FMN, Attachments I.64. [§<]; I.73 [§<].

options to enter the supply of [X] and that this had ceased in March 2024 as a result of a shift in resources to support the Merger.¹⁶

28. For the purposes of its Phase 1 assessment, the CMA has assessed the impact of the Merger against the counterfactual where the merger firms exert the strongest competitive constraint on each other,¹⁷ being one where Virgin Money would have entered the supply [X] absent the Merger. The CMA believes the prevailing conditions of competition to be the relevant counterfactual for all other areas of overlap between the Parties.

5. COMPETITIVE ASSESSMENT

5.1 Background and nature of competition

29. Retail banking markets in the UK have a number of active suppliers, including banks, building societies, and a range of credit union and specialist financial services companies. Four major retail banks have achieved a strong market position and are active across all retail banking segments – Lloyds Banking Group (**Lloyds**), Barclays Bank (**Barclays**), HSBC Group (**HSBC**) and NatWest Group (**NatWest**). There are also a number of larger ‘challenger’ retail banking services providers. The Parties are typically considered part of this segment, alongside other providers such as Santander, TSB Bank and Skipton Building Society.
30. The UK banking industry has been subject to many reviews, several of which have raised concerns regarding competition in retail banking.¹⁸ The Merger also takes place against an increasing trend towards consolidation in the UK banking industry.¹⁹ The CMA has taken these considerations into account in this decision.
31. Both building societies and banks are authorised by the Prudential Regulatory Authority (**PRA**) and are ‘dual-regulated’ by the PRA and Financial Conduct Authority (**FCA**).²⁰

¹⁶ FMN, paragraph 13.11.

¹⁷ In Phase 1 investigations, if multiple potential counterfactual scenarios are each a realistic prospect, the CMA will choose the one where the merger firms exert the strongest competitive constraint on each other. CMA129, paragraph 3.12.

¹⁸ For example, the CMA’s 2016 retail banking market investigation found that older and larger banks do not have to compete hard enough for customers’ business, and smaller and newer banks find it difficult to grow (see [Retail banking market investigation for further details](#)).

¹⁹ For example, Barclays’ strategic partnership with Tesco Bank (see [‘Tesco agrees long-term strategic partnership with Barclays \(tesco plc.com\)’](#), accessed by the CMA on 17 July 2024), Coventry Building Society’s acquisition of The Co-Operative Bank (see [‘Important Update - Coventry Building Society’](#), accessed by the CMA on 17 July 2024), Barclays’ acquisition of Kensington Mortgages (see [‘Kensington Mortgages Acquired by Barclays Bank UK PLC’](#), accessed by the CMA on 17 July 2024) and NatWest’s acquisition of certain Sainsbury’s Bank assets (see [‘Purchase of Sainsbury’s Bank assets & liabilities | NatWest Group’](#), accessed by the CMA on 17 July 2024).

²⁰ FMN, paragraph 12.13.

32. While the Parties' activities overlap across a number of retail banking services, the CMA has assessed in this decision the impact of the Merger on the supply of mortgages and credit cards.²¹

5.1.1.1 *Mortgages*

33. The Parties overlap in the supply of mortgages, specifically:

- (a) owner-occupied mortgages; and
- (b) BTL mortgages. Within BTL mortgages, the Parties overlap in the following segments (among others): first-time landlords, portfolio landlords and new build properties. The CMA considers that the Parties would also overlap in the supply of [X] under the relevant counterfactual (see paragraph 28 above).

34. The Parties submitted that brokers and price comparison websites facilitate market transparency and enable customer switching and entry of new providers in the supply of mortgages.^{22,23} In addition, the Parties' internal documents show the importance of brokers to compete for customers in mortgages.²⁴ Similarly, third parties told the CMA that the vast majority of mortgages are supplied through brokers,²⁵ and that price comparison websites play less of a role in mortgages (than for other financial products such as credit cards) because price comparisons are typically done by a broker.²⁶ Moreover, the most recent Strategic Review of Retail Banking Business Models by the FCA found that mortgage brokers typically offer a range of mortgages to consumers and that the increased use of mortgage brokers had contributed to increased price competition.²⁷

35. The Parties submitted that the key parameters of competition for owner-occupied and BTL mortgages are price and affordability criteria.²⁸ This is consistent with submissions from third parties and the Parties' internal documents.²⁹

²¹ The CMA also considered the impact of the Merger on other overlapping activities, including personal loans, personal current accounts, personal savings accounts, personal protection insurance policies, general purpose business loans and business savings accounts. The CMA found no competition concerns in these areas given the low combined shares of supply and the constraint from other competitors.

²² The Parties submitted that there are around 5,500 mortgage brokerage firms in the UK and over 87% of owner-occupied mortgages are placed by those brokers.

²³ FMN, paragraph 15.22(ii) and 15.22(iv).

²⁴ See for example, FMN, Attachment H.327. TMW Board - 12 July 2023.pdf Attachment, page 6; Attachment I.33. Business Commercial Monthly LT - January 2024 Full Pack Final_Redacted.PDF, page 52

²⁵ Notes of calls with third parties, May 2024.

²⁶ Note of a call with a third party, May 2024.

²⁷ [Strategic Review of Retail Banking Business Models](#), January 2022, paragraphs 2.37-2.38.

²⁸ Affordability criteria are used by each lender to test whether a mortgage applicant could, based on their current income, afford the mortgage if interest rates rose to a given level determined by each lender. If a landlord cannot pass the lender's affordability criteria, they typically cannot take out a mortgage with the relevant lender. FMN, paragraphs 15.14 and 15.23.

²⁹ For example, notes of calls with third parties, April 2024; FMN, Attachment I.78. 2023-06 June LT Offsite Pack_Redacted.pdf, pages 108-114 and Attachment H.320. 'Pricing Committee - 18 December 2023 v2.pdf'.

5.1.1.2 Credit cards

36. The Parties overlap in the supply of credit cards, specifically:
- (a) Dual cards, being credit cards that offer interest-free periods for balance transfers and new purchases;³⁰ and
 - (b) Balance transfer cards, being credit cards offering a long interest-free period for consumers transferring the balance of an existing debt from another credit card.^{31,32}
37. The Parties submitted that the key parameters of competition are credit limits, the length of interest-free periods, and any fees for holding the credit card.³³ Third parties told the CMA that price comparison websites play a key role in directing new credit card business for suppliers.³⁴

5.2 Market definition

38. Where the CMA makes an SLC finding, this must be 'within any market or markets in the United Kingdom for goods or services'. An SLC can affect the whole or part of a market or markets.
39. Market definition involves identifying the most significant competitive alternatives available to customers of the merger parties and includes the sources of competition to the merger parties that are the immediate determinants of the effects of the merger.
40. While market definition can be an important part of the overall merger assessment process, the CMA's experience is that in most mergers, the evidence gathered as part of the competitive assessment, which will assess the potentially significant constraints on the merger parties' behaviour, captures the competitive dynamics more fully than formal market definition.³⁵

³⁰ FMN, paragraph 13.31(iii).

³¹ FMN, paragraph 13.31(i).

³² Nationwide submitted that it only provides dual cards. However, the CMA considers that Nationwide is active in providing balance transfer cards. This is because (i) Nationwide's website advertises a 'Balance Transfer Offer', which offers a long interest-free period for balance transfers as well as a significantly shorter interest free period for new purchases (see <https://www.nationwide.co.uk/credit-cards/member-credit-card/>, accessed by the CMA on 17 July 2024); (ii) third parties recognised that Nationwide is active in providing balance transfer cards through its 'Balance Transfer Offer' (source: response to the CMA questionnaire from third parties); (iii) credit cards offered by competitors which are similar to Nationwide's 'Balance Transfer Offer' (ie cards offering a long balance transfer period and a significantly shorter purchase period) are marketed as balance transfer cards.

³³ FMN, paragraph 15.28.

³⁴ Response to the CMA questionnaire from third parties, June 2024, Note of a call with a third party, May 2024.

³⁵ [CMA129](#), paragraph 9.2.

5.2.1 Product market

5.2.1.1 Owner-occupied mortgages

41. The Parties submitted that the most appropriate market is for the provision of mortgage products, and segmentation into owner-occupied mortgages and BTL mortgages is unnecessary given the clear supply-side commonalities.³⁶
42. However, the Parties also submitted that BTL mortgages generally bear a higher interest rate than owner-occupied mortgages, partly driven by the increased risk profile and capital requirements for BTL mortgages.³⁷ Further, Nationwide operates its BTL business through The Mortgage Works as a separate brand and entity,³⁸ and Nationwide's internal documents monitor owner-occupied and BTL mortgages separately.^{39,40}
43. In addition, third-party evidence shows that owner-occupied and BTL mortgages serve different customer needs and types of customers;⁴¹ are regulated differently;⁴² and have different competitor sets and different pricing strategies.⁴³
44. On this basis, the CMA has considered the impact of the Merger on owner-occupied mortgages separately from BTL mortgages.

5.2.1.2 BTL mortgages

45. The Parties submitted that it is unnecessary to consider the impact of the Merger on different BTL segments, given (i) the common competitor sets across the different segments, (ii) that BTL mortgages may fall within more than one segment,⁴⁴ and (iii) the absence of barriers to entry between the different segments.⁴⁵
46. While some mortgages may be categorised in more than one BTL segment (eg first time landlord on a new build property), the CMA considers that demand-side substitution between segments is unlikely for BTL mortgages because customers will fall into particular segments based on the context of their property purchase.

³⁶ FMN, paragraphs 13.8 and 13.17.

³⁷ FMN, paragraph 12.9(ii).

³⁸ FMN, paragraph 15.45.

³⁹ For instance, Nationwide notes results for residential (or owner-occupied) and BTL mortgages separately in [X], for example FMN, Attachment H.43 [X] page 8; Nationwide notes owner-occupied and BTL separately in [X], for example FMN, Attachment H.320. [X].

⁴⁰ Virgin Money's documents reviewed by the CMA do not monitor owner-occupied and BTL mortgages separately, for example FMN, Attachment I.30. Commercial LT Full Pack - September 23 v0.1_Redacted.pdf, page 71.

⁴¹ Response to the CMA questionnaire from third parties, June 2024.

⁴² Owner-occupied mortgages are regulated by the FCA whereas most BTL mortgages are not (source: responses to the CMA questionnaire from third parties, June 2024).

⁴³ Response to the CMA questionnaire from third parties, June 2024.

⁴⁴ For example, a portfolio landlord might take out a mortgage on a home in multiple occupation, which may also be a newbuild.

⁴⁵ FMN, paragraph 13.9.

47. Although the boundaries of the relevant product market are generally determined by reference to demand-side substitution, the CMA may widen the scope of the market where firms routinely use their assets to supply a range of different products and conditions of competition are the same.⁴⁶
48. Third-party evidence suggests that there may be some differences in the competitive dynamics between BTL mortgage types, for example in relation to:
 - (a) Portfolio landlords:⁴⁷ which is subject to different FCA regulation and is typically served by specialist lenders, who are better placed to handle the higher complexity and costs.⁴⁸
 - (b) Limited company landlords: which is a growing segment of BTL mortgages, with higher operational complexity and perceived risk. There are also more specialist lenders in this segment.⁴⁹
49. The CMA also found that the shares of supply and competitor set differ between segments for first-time landlords, portfolio landlords, new-build properties and limited company landlords, as discussed in the Competitive Assessment.
50. On a cautious basis, the CMA has therefore considered the impact of the Merger on the supply of BTL mortgages in aggregate and for BTL mortgages to first-time landlords, portfolio landlords, new-build properties and [X] separately.

5.2.1.3 *Credit cards*

51. The Parties submitted that the OFT and CMA have previously considered a market for the supply of credit card services to consumers, as well as narrower segments corresponding to the following five types of credit cards:⁵⁰ (i) balance transfer cards, (ii) purchase cards,⁵¹ (iii) dual cards, (iv) low APR cards,⁵² and (v) reward cards.⁵³
52. Third-party feedback noted that the distinction between dual cards and balance transfer cards was not clear,⁵⁴ and there are no significant barriers for providers to enter or expand into these segments from other segments.⁵⁵

⁴⁶ [CMA129](#), paragraph 9.8.

⁴⁷ Being a landlord with four or more mortgaged properties.

⁴⁸ Response to the CMA questionnaire from third parties, June 2024.

⁴⁹ Response to the CMA questionnaire from third parties, June 2024.

⁵⁰ FMN, paragraph 13.31.

⁵¹ Purchase cards are defined in the FMN, paragraph 13.31(ii) as credit cards offering a long interest-free period for new purchases made with the credit card.

⁵² Low APR cards are defined in the FMN, paragraph 13.31(iv) as annual percentage rate credit cards which charge a low interest rate annually on outstanding credit card balances.

⁵³ Rewards cards are defined in the FMN, paragraph 13.31(v) as credit cards which offer either cashback or another type of 'reward' for new purchases made with the credit card.

⁵⁴ Note of a call with a third party, May 2024.

⁵⁵ Response to the CMA questionnaire from third parties, June 2024.

53. On a cautious basis, the CMA has considered the impact of the Merger on the supply of dual cards and balance transfer cards separately, as well as the supply of dual cards and balance transfer cards in aggregate.

5.2.2 Geographic market

54. For owner-occupied mortgages, the Parties submitted that on a conservative basis, they considered the markets for GB and NI separately. Share of supply data suggests that the competitor sets in GB and NI are different, which was confirmed by third parties.⁵⁶ On a cautious basis that the CMA has therefore assessed the impact of the Merger on the markets for GB and NI separately.
55. In BTL mortgages, the Parties considered the relevant market (for all segments) to be GB, as the Parties are not active in NI. As the CMA has not found any evidence to suggest a different geographic market is appropriate, the CMA has assessed the impact of the Merger in GB.
56. For credit cards, the Parties submitted that the appropriate geographic market definition is a UK-wide market. The CMA found no evidence to suggest that a different geographic market was appropriate and has therefore assessed the impact of the Merger on this basis.

5.2.3 Conclusion on market definition

57. The CMA has assessed the impact of the Merger on:
- (a) The supply of owner-occupied mortgages in GB and NI;
 - (b) The supply of BTL mortgages (in aggregate) and BTL mortgages to first-time landlords, portfolio landlords, [X] and for new builds (separately) in GB; and
 - (c) The supply of dual cards and balance transfer cards (in aggregate and separately) in the UK.

5.3 Theories of harm

58. The CMA assesses the potential competitive effects of mergers by reference to theories of harm. Theories of harm provide a framework for assessing the effects of a merger and whether or not it could lead to an SLC relative to the counterfactual.⁵⁷ In its investigation of this Merger, the CMA has considered

⁵⁶ One third party suggested that in addition to the main lenders in GB, there are NI-specific lenders. Response to the CMA questionnaire from a third party, June 2024. Another third party submitted that some GB lenders do not offer owner-occupied mortgages in NI because of the smaller market size and need for separate documentation. Note of a call with a third party, May 2024.

⁵⁷ [CMA129](#), paragraph 2.11.

horizontal unilateral effects theories of harm for each of the markets identified in paragraph 57.

59. Horizontal unilateral effects may arise when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged entity profitably to raise prices or to degrade quality on its own and without needing to coordinate with its rivals.⁵⁸ Horizontal unilateral effects are more likely when the parties to a merger are close competitors.⁵⁹
60. For each theory of harm, the CMA considered (i) the Parties submissions; (ii) shares of supply; (iii) internal documents; and (iv) third-party evidence.

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

5.3.1.1 Parties' submissions

61. The Parties submitted that competition concerns do not arise in owner-occupied mortgages in either GB or NI, in particular because:⁶⁰
- (a) Their combined shares of supply are not significant in either GB or NI.
 - (b) The Parties are not close competitors, demonstrated for example by the fact that many competitors offer rates that are closer to the rates offered by Nationwide than the rates offered by Virgin Money.
 - (c) The market leaders (Lloyds, Barclays, NatWest, HSBC and Santander in GB; Ulster Bank in NI) as well as over a hundred smaller competitors would constrain the Merged Entity.
 - (d) Barriers to entry and expansion are not significant and at least four providers have entered since 2020.⁶¹

5.3.1.2 CMA assessment

62. The CMA has assessed the Parties' and their competitors' shares of supply in owner-occupied mortgages.

Table 1: Owner-occupied mortgages in GB, Parties' shares of supply estimates based on new business (2023)

<i>Provider</i>	<i>Volume (%)</i>	<i>Value (%)</i>
Nationwide	[10-20]%	[5-10]%

⁵⁸ [CMA129](#) paragraph 4.1.

⁵⁹ [CMA129](#), paragraph 4.8.

⁶⁰ FMN, paragraph 15.22.

⁶¹ April Mortgages (launched in 2024), Perenna (launched in 2023), Generation Home (launched in 2020, backed by insurer L&G), and Danske Bank (already a player in the NI mortgages market, entering the GB market during 2022).

Virgin Money	[0-5]%	[0-5]%
Combined	[10-20]%	[10-20]%
Lloyds	[10-20]%	[10-20]%
NatWest	[10-20]%	[10-20]%
Santander	[10-20]%	[10-20]%
Barclays	[5-10]%	[5-10]%
HSBC	[5-10]%	[5-10]%
Others	[20-30]%	[20-30]%
Total	100%	100%

Source: Parties' estimates using data from (i) the Parties; (ii) UK Finance; (iii) CACI.

Table 2: Owner-occupied mortgages in NI, Parties' shares of supply estimates based on new business (2023)

<i>Provider</i>	<i>Volume (%)</i>	<i>Value (%)</i>
Nationwide	[10-20]%	[10-20]%
Virgin Money	[0-5]%	[0-5]%
Combined	[10-20]%	[10-20]%
Ulster Bank	[20-30]%	[20-30]%
Allied Irish Bank	[5-10]%	[5-10]%
Danske Bank	[0-5]%	[0-5]%
Bank of Ireland	[5-10]%	[5-10]%
Others	[40-50]%	[40-50]%
Total Market Size	100%	100%

Source: Parties' estimates using data from (i) the Parties; (ii) UK Finance; (iii) CACI.

63. Table 1 and Table 2 above show the Parties' shares of supply estimates based on the value and volume of new business in GB and NI.⁶² The Parties' estimates are broadly consistent with third-party evidence gathered by the CMA.⁶³ These estimates indicate that:

- (a) The Parties' combined share of supply is less than [10-20]% in both Great Britain and Northern Ireland (by value and by volume).
- (b) There is at least one provider in each of Great Britain and Northern Ireland that has a greater share of supply than the Parties' combined share.
- (c) A number of other competitors are comparable in size to the Parties' combined share.

⁶² The CMA considers that an assessment of both value and volume is relevant in identifying whether specific providers are relatively stronger in providing lower value loans (ie if the volume share is significantly greater than the value share) or higher value loans (ie if the value share is greater than the volume share). The CMA has also considered shares of supply based on the total stock of business using data from the Parties and third parties. It found that the Parties' combined shares of supply based on the total stock of business are similar to the shares of supply based on new business. Lloyds is the largest provider based on the total stock of business. Many other providers (including NatWest, Barclays, Santander and HSBC) have shares of supply similar to the Parties' combined shares.

⁶³ CMA estimates of competitors' shares of supply using 2023 volume and value data collected from third parties were no more than [0-10] percentage points higher or lower than those estimated by the Parties.

64. On the basis of the Parties' internal documents and evidence from third parties, the CMA found that the Parties are not close competitors and will be constrained by a number of other competitors. For example:
- (a) Internal documents indicate that each Party typically monitors the other Party's performance alongside several other competitors, but no more so than any other competitor.^{64,65}
 - (b) Third-party evidence consistently recognised Nationwide as one of a number of stronger providers, and Virgin Money as a weaker provider. In particular:⁶⁶
 - (i) All competitors identified Nationwide as one of the strongest providers in owner-occupied mortgages. They also consistently stated that Lloyds, NatWest, HSBC and Barclays and Santander are other strong providers.
 - (ii) Nearly all competitors viewed Virgin Money as a relatively weaker provider, along with Coventry Building Society, Yorkshire Building Society and TSB Bank.
 - (iii) Competitors recognised that while both Nationwide and Virgin Money offer a wide range of owner-occupied mortgage products, Virgin Money operates at a smaller scale than Nationwide.

5.3.1.3 Conclusion on theory of harm 1

65. The evidence above shows that the Parties' combined share of supply is below [10-20]% when considering either new mortgages or total stocks, in both GB and NI. In addition, the evidence shows that other providers compete more closely with Nationwide than Virgin Money does, and that the Merged Entity would face sufficient constraints from other competitors.
66. For these reasons, the CMA has found that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in the supply of owner-occupied mortgages in GB or NI.

⁶⁴ For example, in Nationwide's [§<], Nationwide routinely monitors a range of competitors, for example in FMN, Attachment H.320. [§<], slide 16 references [§<].

⁶⁵ For example, Virgin Money monitors competitors in its [§<]. These routinely monitor a range of competitors, which vary from month to month and often do not distinguish between owner-occupied and BTL mortgages. [§<]. For example, FMN, Attachment I.30. [§<].

⁶⁶ Responses to the CMA questionnaire from third parties, June 2024.

5.3.2 Theory of Harm 2: Horizontal unilateral effects in buy-to-let mortgages

5.3.2.1 Parties' submissions

67. The Parties submitted that competition concerns do not arise in BTL mortgages in GB, in particular because:⁶⁷
- (a) Their combined share of supply is not significant.
 - (b) Many strong competitors (including Lloyds, NatWest, Santander, One Savings Bank, Coventry Building Society) as well as over a hundred smaller competitors would continue to constrain the Merged Entity.
 - (c) The Parties are not close competitors as (i) there are differences in the Parties' lending criteria, meaning that there are groups of landlords for which only one of the Parties is a viable option; and (ii) many competitors offer rates that are closer to the rates offered by Nationwide than the rates offered by Virgin Money.
 - (d) Barriers to entry and expansion are not significant as evidenced by examples of new providers (particularly those already offering owner-occupied mortgages) entering the market and quickly proving successful.⁶⁸
68. The Parties also submitted that for the same reasons as above competition concerns do not arise in the following segments: (i) BTL mortgages to portfolio landlords; (ii) BTL mortgages to first-time landlords; (iii) BTL mortgages on new-build properties; and (iv) [§<].^{69,70}

5.3.2.2 CMA assessment

69. The CMA has assessed the Parties' and their competitors' shares of supply in BTL mortgages in aggregate and by segment.

Table 3: BTL mortgages in GB, Parties' shares of supply estimates based on new business (2023)

<i>Provider</i>	<i>Volume (%)</i>	<i>Value (%)</i>
Nationwide	[10-20]%	[10-20]%
Virgin Money	[0-5]%	[5-10]%
Combined	[20-30]%	[10-20]%
Lloyds	[10-20]%	[10-20]%

⁶⁷ FMN, paragraph 15.4.

⁶⁸ According to the Parties' submissions, examples of new entrants include United Trust Bank (entered in 2022), Beverly Building Society (entered in 2023), LendInvest (re-entered in 2023); and Chetwood Financial (to be launched soon). As examples of new entrants proving successful, the Parties submitted that Foundation Home Loans (which entered the market in 2015) and Fleet Mortgages (which entered the market in 2014) were both ranked amongst the top 20 largest mortgage lenders in 2022. FMN, paragraph 15.4(iv).

⁶⁹ FMN, paragraphs 15.13, 15.16 and 15.19.

⁷⁰ Parties' response to the CMA's RFI 3, 31 May 2024.

NatWest	[5-10]%	[10-20]%
One Savings Bank	[5-10]%	[5-10]%
Santander	[0-5]%	[5-10]%
Coventry Building Society	[0-5]%	[0-5]%
Others	[40-50]%	[40-50]%
Total	100%	100%

Source: Parties' estimates using data from (i) the Parties; (ii) UK Finance; (iii) CACI.

70. Table 3 above sets out the Parties' share of supply estimates based on the value and volume of new business for BTL mortgages in aggregate. The Parties' estimates are broadly consistent with third-party evidence gathered by the CMA.⁷¹ These indicate that:
- (a) The Parties' combined share of supply is [20-30]% by volume and [10-20]% by value with Virgin Money holding a share of approximately [5-10]% pre-Merger, making it the sixth largest supplier.
 - (b) Many competitors have a significant share of supply, including Lloyds and NatWest, and there are other competitors that together have a large share of supply.
71. While the Parties' combined shares of supply based on stocks of BTL mortgages are broadly consistent with the shares of supply based on new business,⁷² some competitors' shares are higher.⁷³ This suggests that the shares of supply presented above in Table 3 may underestimate the strength of some competitors.
72. Table 4 below sets out estimates of the Parties' shares of supply by BTL mortgage type. These show that:
- (a) The Parties' combined share in mortgages (i) to first-time landlords and (ii) on new-build properties are lower than the Parties' combined share in BTL mortgages in aggregate, at less than [10-20]% by volume or value; and
 - (b) The Parties' combined share in mortgages to (i) portfolio landlords and (ii) [X] are higher, at around [20-30]% by volume and [10-20]% by value. For [X], this may understate the Parties' competitive position under the counterfactual in which Virgin Money would enter this segment.

Table 4: BTL mortgages by segment in GB, shares of supply based on new business (2023)

<i>Portfolio landlords</i>	<i>First-time landlords</i>	<i>New build properties</i>	<i>[X]</i>
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⁷¹ CMA estimates of competitors' shares of supply using 2023 volume and value data collected from third parties were no more than [0-10] percentage points higher or lower than those estimated by the Parties.

⁷² Based on the total stock of business, using data from the Parties and third parties, the Parties have the highest combined value and volume of business. Lloyds is similar to the Parties combined share in size and other competitors (including NatWest, Barclays, Santander, One Savings Bank and Coventry Building Society) are relatively smaller but still significant in size.

⁷³ For two significant competitors, the total stock share is approximately twice as large as their share based on new business.

	Vol (%)	Val (%)	Vol (%)	Val (%)	Vol (%)	Val (%)	Vol (%)	Val (%)
Nationwide	[20-30]%	[10-20]%	[5-10]%	[5-10]%	[5-10]%	[5-10]%	[<]	[<]
Virgin Money	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[<]	[<]
Combined	[20-30]%	[10-20]%	[10-20]%	[10-20]%	[5-10]%	[5-10]%	[<]	[<]

Source: Parties' estimates using data from (i) the Parties; (ii) UK Finance; (iii) CACI.

73. Evidence on competitors' shares of supply shows that the Merged Entity would face sufficient competitive constraints in each segment, including those in which the Parties' have a combined share above 20%:

- (a) In portfolio landlords, One Savings Bank has a share of supply similar to the Parties' combined share. Lloyds, NatWest, Barclays, Santander and Coventry Building Society each have a share of up to 5%.⁷⁴
- (b) [~~]~~⁷⁵ [~~]~~.⁷⁶ [~~]~~.^{77,78}
- (c) Specialist mortgage providers (eg Paragon Bank, Aldermore), which the CMA does not have share of supply data for, are also strong in the supply of mortgages to portfolio landlords and limited company landlords.⁷⁹
- (d) Many smaller providers in these segments together account for a significant share of supply.⁸⁰

74. Internal documents indicate that each Party typically monitors the other Party's performance alongside several other competitors, but no more so than any other competitor. For example:

- (a) Nationwide's internal documents from 2023 [~~]~~. [~~]~~.⁸¹ [~~]~~.⁸²
- (b) Virgin Money consistently monitors Nationwide, alongside a wide range of competitors.⁸³

⁷⁴ When looking at total stocks of mortgages supplied to portfolio landlords, Lloyds is larger than the Parties, and One Savings Bank is a similar size to the Parties combined.

⁷⁵ [~~]~~.

⁷⁶ [~~]~~.

⁷⁷ [~~]~~.

⁷⁸ Responses to the CMA questionnaire from third parties, June 2024.

⁷⁹ Response to the CMA questionnaire from third parties, June 2024. This is consistent with the evidence from the Parties' internal documents discussed at paragraph 74 and previous decisions by the CMA which found that smaller lenders are able to compete for customers against larger lenders because of the distribution of products through intermediaries (see [Anticipated acquisition by OneSavings Bank plc of Charter Court Financial Services Group plc](#), paragraph 5).

⁸⁰ These smaller providers, including for example Yorkshire Building Society, TSB Bank, and Topaz Finance, collectively account for a significant share of supply in each segment.

⁸¹ [~~]~~.

⁸² [~~]~~.

⁸³ As explained in footnote 65, Virgin Money monitors competitors in its [~~]~~. These routinely monitor a range of competitors, which vary from month to month and often do not distinguish between owner-occupied and BTL mortgages. For example, in FMN, Attachment I.30. [~~]~~.

75. Third-party evidence consistently recognised Nationwide as one of many stronger providers, and Virgin Money a relatively weaker provider. In particular:⁸⁴
- (a) All competitors identified Nationwide as one of the strongest providers in BTL mortgages, alongside Lloyds.⁸⁵
 - (b) Many competitors identified NatWest, Santander, Barclays, One Savings Bank, Paragon Bank and Coventry Building Society as stronger providers than Virgin Money.
 - (c) Competitors recognised that the range of products offered by Virgin Money and the scale at which it operates is smaller compared to Nationwide.

5.3.2.3 Conclusion on theory of harm 2

76. The evidence shows that the Parties' combined share of supply is below [20-30]% by volume and below 20% by value (both in BTL mortgages as a whole and in the segments considered) in GB. In addition, the evidence shows that other providers compete more closely with Nationwide than Virgin Money does and that other competitors would exert a sufficient constraint on the Merged Entity. This applies when considering BTL mortgages in aggregate and by segment (including [X], where Virgin Money may have entered absent the Merger).
77. For these reasons, the CMA has found that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in the supply of BTL mortgages in GB.

5.3.3 Theory of Harm 3: Horizontal unilateral effects in credit cards

5.3.3.1 Parties' submissions

78. The Parties submitted that competition concerns do not arise in the supply of dual cards in the UK, in particular because:⁸⁶
- (a) Their market shares are small with a minimal increment.⁸⁷
 - (b) Major providers (including Lloyds, Barclays and HSBC) as well as many other smaller providers will continue to constrain the Merged Entity.⁸⁸

⁸⁴ Responses to the CMA questionnaire from third parties, June 2024.

⁸⁵ Lloyds provides BTL mortgages through several brands including Halifax, Bank of Scotland, BM Solutions and Lloyds Bank.

⁸⁶ As set out at footnote 32, the Parties submitted that Nationwide only offers dual cards.

⁸⁷ The Parties submitted shares of supply based on (i) new accounts, (ii) total accounts, (iii) active accounts, (iv) outstanding balances, (v) total credit card spend for each of GB and NI. The Parties estimated that their combined shares did not exceed [10-20]% on any of the metrics considered, with increments between [0% and 5%]. FMN, paragraph 15.27(i).

⁸⁸ FMN, paragraph 15.27(ii).

- (c) The Parties are not close competitors as Nationwide only offers credit cards to its existing customers.⁸⁹

5.3.3.2 *CMA assessment*

79. On a cautious basis, the CMA has assessed shares of supply for the Parties and their competitors in (i) dual cards; (ii) balance transfer cards; and (iii) dual and balance transfer cards in aggregate.

⁸⁹ FMN, paragraph 15.27(iii).

Table 5: Shares of supply estimates (UK, 2023) in (i) balance transfer cards; (ii) dual cards and (iii) balance transfer and dual cards in aggregate

	<i>Balance transfer cards</i>				<i>Dual cards</i>				<i>Balance transfer and dual cards</i>			
	New volume	Total volume	Total value	Total spend	New volume	Total volume	Total value	Total spend	New volume	Total volume	Total value	Total spend
Nationwide	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[10-20]%	[5-10]%	[0-5]%	[0-5]%	[5-10]%	[0-5]%	[0-5]%
Virgin Money	[20-30]%	[20-30]%	[20-30]%	[20-30]%	[10-20]%	[5-10]%	[5-10]%	[0-5]%	[10-20]%	[10-20]%	[10-20]%	[10-20]%
Combined	[20-30]%	[20-30]%	[30-40]%	[30-40]%	[10-20]%	[10-20]%	[10-20]%	[10-20]%	[10-20]%	[10-20]%	[10-20]%	[10-20]%
Lloyds	[10-20]%	[20-30]%	[20-30]%	[20-30]%	[30-40]%	[10-20]%	[10-20]%	[10-20]%	[20-30]%	[10-20]%	[20-30]%	[10-20]%
NatWest	[10-20]%	[5-10]%	[5-10]%	[0-5]%	[10-20]%	[0-5]%	[0-5]%	[0-5]%	[10-20]%	[0-5]%	[5-10]%	[0-5]%
Barclays	[10-20]%	[0-5]%	[0-5]%	[0-5]%	[10-20]%	[30-40]%	[30-40]%	[40-50]%	[10-20]%	[20-30]%	[20-30]%	[20-30]%
HSBC	[5-10]%	[5-10]%	[5-10]%	[5-10]%	[10-20]%	[10-20]%	[10-20]%	[10-20]%	[10-20]%	[10-20]%	[5-10]%	[10-20]%
Santander	[5-10]%	[10-20]%	[5-10]%	[10-20]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[5-10]%	[5-10]%	[0-5]%	[5-10]%
Tesco Bank	[10-20]%	[5-10]%	[5-10]%	[5-10]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[5-10]%	[0-5]%	[0-5]%	[0-5]%
Other	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: CMA estimates using data from the Parties and the Parties' competitors.

Notes: (1) Nationwide was only able to provide a split of cards into balance transfer and dual cards for those cards still in offer period (on the basis that it does not consider cards for which the balance transfer or interest free purchase period has expired to be balance transfer cards or dual cards any longer). The CMA assumed that the split between Nationwide's balance transfer and dual cards for cards no longer in offer period is the same as the split provided by Nationwide for cards still in offer period. (2) 'Others' include competitors for which data was not available (eg Sainsbury's Bank, TSB Bank, Co-op Bank, Capital One, etc). On a conservative basis, the CMA assumed that these competitors account for 10% of the market. (3) Only one provider submitted significant volumes for purchase cards. As these purchase cards also included balance transfer windows, the CMA has allocated this third-party data for purchase cards to dual cards.

80. Table 5 above sets out the shares of supply estimated by the CMA using data from the Parties and their competitors.⁹⁰ These indicate:
- (a) In balance transfer cards, Virgin Money has a share ranging between [20-30]% and [20-30]% (depending on the measure used), Nationwide is small (up to [0-5]% share), and the Parties' combined share is between [20-30]% and [30-40]%. Lloyds is a similar scale to Virgin Money, and other providers (including NatWest, Barclays, HSBC and Santander) together have a large share of supply.
 - (b) In dual cards, the Parties are similar in size and their combined shares range between [5-10]% and [10-20]%. Lloyds and Barclays are larger than the Parties (combined) by most measures, and other providers together have a large share of supply.
 - (c) In balance transfer and dual cards together, the Parties' combined shares range between [10-20]% and [20-30]%. Lloyds and Barclays have similar shares to the Parties' combined shares, and other providers together have a large share of supply.
81. In relation to closeness of competition, the Parties' internal documents indicate that Virgin Money and Nationwide are not close competitors. In particular, [REDACTED],⁹¹ [REDACTED].⁹²
82. Third-party evidence consistently recognised Virgin Money as one of many stronger providers of credit cards, and Nationwide as a weaker provider. In particular:⁹³
- (a) Nearly all competitors identified Lloyds or Barclays as the strongest competitors. They also identified Virgin Money as a strong competitor, alongside NatWest, HSBC and Santander.

⁹⁰ The CMA found that the Parties' estimates of competitors' volumes, balances and total spend were significantly different from the data received by the CMA from third parties (eg differences of around 10% or more in some cases). The CMA has therefore relied on shares of supply estimated using actual data from third parties, where available.

⁹¹ The CMA reviewed all Virgin Money internal documents provided for the [REDACTED] between July 2022 and March 2024 (for example, FMN, Attachment I.30. [REDACTED], page 71) and found no reference to Nationwide [REDACTED]. Virgin Money monitors a wide range of competitors including [REDACTED].

⁹² For example, see Attachment H.320. 'Pricing Committee - 18 December 2023 v2.pdf'.

⁹³ Responses to the CMA questionnaire from third parties, June 2024.

- (b) Almost all competitors identified Nationwide as a much weaker competitor, consistently noting that it only offered cards to its existing customers.⁹⁴
- (c) A price comparison website (which as noted at paragraph 37 above is an important acquisition channel for credit cards) told the CMA that it does not offer Nationwide on its website.⁹⁵

83. Third-party evidence also indicates that there are no significant barriers to providers not currently active in balance transfer or dual cards to enter or expand into these respective products.⁹⁶ In particular, third parties noted that entry could be facilitated by access to customers through price comparison websites and existing providers could expand easily depending on their risk appetite and/or commercial objectives.⁹⁷

5.3.3.3 *Conclusion on theory of harm 3*

- 84. The evidence shows that Virgin Money is one of a number of stronger providers in balance transfer and dual cards and Nationwide is a much smaller competitor. Evidence also shows that the Parties are not close competitors, and a sufficient number of alternative providers will remain to constrain the Parties post-Merger. This applies when considering balance transfer and dual cards separately or in aggregate.
- 85. For these reasons, the CMA has found that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in the supply of dual cards or balance transfer cards (either in aggregate or separately) in the UK.

5.4 **Third-party views**

- 86. In response to its invitation to comment the CMA received a range of concerns from individuals, including concerns about consolidation in the market. The CMA has thoroughly considered the impact of the Merger on competition in the Competitive Assessment above.
- 87. The majority of concerns from individuals related to Nationwide not giving its members a vote regarding its decision to enter into the Merger. 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, those concerns did not fall within the scope of this investigation and

⁹⁴ Some competitors also noted that Nationwide is uncompetitive on price, and one competitor noted its pricing is relatively competitive. Responses to the CMA questionnaire from third parties, June 2024.

⁹⁵ Note of a call with a third party, May 2024.

⁹⁶ Responses to the CMA questionnaire from third parties, June 2024.

⁹⁷ Responses to the CMA questionnaire from third parties, June 2024.

did not therefore form part of the considerations the CMA took into account to reach this decision.

6. ENTRY AND EXPANSION

88. As the CMA has concluded that the merger does not give rise to competition concerns, it has not been necessary to consider whether countervailing entry or expansion might prevent an SLC in this decision.

DECISION

89. 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.
90. The Merger will therefore not be referred under section 33(1) of the Act.

Jenny Sugiarto
Director, Mergers
Competition and Markets Authority
19 July 2024ⁱ

ⁱ Following clarification from the Parties, Paragraph 55 should read 'In BTL mortgages, the Parties considered the relevant market (for all segments) to be GB, as Nationwide is not active in NI.'