



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM172Nov16

In the matter between:

BIDVEST BANK LIMITED

Primary Acquiring Firm

and

FULCRUM GROUP PROPRIETARY LIMITED

Primary Target Firm

Panel	: Norman Manoim (Presiding Member)
	: Andreas Wessels (Tribunal Member)
	: Medi Mokuena (Tribunal Member)
Heard on	: 21 December 2016
Order Issued on	: 21 December 2016
Reasons Issued on	: 11 January 2017

Reasons for Decision

Approval

- [1] On 21 December 2016, the Competition Tribunal ("Tribunal") approved the proposed transaction between Bidvest Bank Limited and Fulcrum Group Proprietary Limited.
- [2] The reasons for approving the proposed transaction follow.

Parties to proposed transaction

Primary acquiring firm

- [3] The primary acquiring firm is Bidvest Bank Limited ("Bidvest Bank"), a firm incorporated in accordance with the company laws of the Republic of South Africa.

- [4] Bidvest Bank is controlled by Bidvest Group Limited ("Bidvest") – a public company listed on the JSE and is not controlled by any single firm. Bidvest Bank controls a number of firms such as: Viamax (Pty) Ltd, McCarthy Retail Finance (Pty) Ltd, Viamax Fleet Solutions (Pty) Ltd and Compendium Insurance Brokers (Pty) Ltd ("Compendium").
- [5] Bidvest and all its subsidiaries, including Bidvest Bank will be referred to as the Bidvest Group.
- [6] The Bidvest Group is involved in a number of industries, but relevant to the transaction are the activities of the Bidvest Insurance Group which falls under the Bidvest Financial Services division. The Bidvest Insurance Group comprises of Bidvest Insurance, Bidvest Life, Bidvest Insurance Brokers and Compendium. This division holds both a short-term insurance license and a life license; Compendium sells short-term insurance to corporate customers and individuals.

Primary target firm

- [7] The primary target firm is Fulcrum Group Proprietary Limited ("Fulcrum"), a company incorporated in accordance with the laws of the Republic of South Africa.
- [8] Fulcrum controls Fulcrum Treasury (Pty) Ltd, Fulcrum Collections (Pty) Ltd, Fulcrum Integrated Solutions (Pty) Ltd and Fulcrum Shared Services (Pty) Ltd. Fulcrum and its subsidiaries will be referred to as the Target Group.
- [9] Fulcrum provides premium handling services, including debit order collections and premium disbursements. Additionally, Fulcrum finances annual insurance premiums and provides broker acquisition financing. Their range of services are aimed at short-term finance intermediaries and participants within the South African insurance industry looking for niche financial solutions to suit their needs.

Proposed transaction and rationale

Primary acquiring firm

- [10] Bidvest Bank seeks to expand its service offerings and establish themselves in the market for insurance premium handling services. Currently Bidvest Bank is not active

in the market for insurance premium handling services and sees this transaction as an opportunity to grow revenue streams going forward and diversify the Bidvest Bank business.

Primary target firm

- [11] Fulcrum requires an increased balance sheet to grow its business; the transaction enables Fulcrum to gain access to capital through Bidvest, in order to achieve this.
- [12] In terms of the proposed transaction, Bidvest Bank intends to acquire 71.43% of the issued share capital in Fulcrum.

Impact on competition

- [13] The Commission considered the activities of the merging parties and found that there is a potential horizontal overlap in the provision of financial services to the insurance industry. Further, the Commission found that the proposed transaction gives rise to a vertical overlap as the Target Group provides premium handling services to the short-term insurance industry.

Horizontal overlap

- [14] The Commission considered an overlap in the broader market for the provision of financial assistance and found that the post-merger market share will be less than 10%. Further, there are notable players in this market such as Standard Bank Limited, Nedbank Group Limited, First Rand Limited and others.
- [15] The Commission contacted some of the customers of Fulcrum such as Risk Trans Insurance Brokers and Garrun Group. The customers indicated that there are various other players in the market for specialised lending and that they did not have concerns with the proposed transaction. The Commission concluded that the proposed transaction is unlikely to result in the substantial prevention or lessening of competition in any relevant market.¹

¹ Commission's Recommendation page 15 at par [39].

Vertical overlap

- [16] The Bidvest Group is active in the provision of short-term insurance through subsidiaries, Bidvest Group Insurance and Compendium, while the Target Group provides premium handling services to the short-term insurance industry. Further, Compendium, utilises the services of the Target Group.
- [17] The Commission found that the Bidvest Group's premium handling services are done in-house and that the Bidvest Group does not handle premium services on behalf of third parties, thus there are no third parties that will be foreclosed.
- [18] Compendium accounts for less than 5% of the market and only utilises the Flexibroker software of the Target Group to administer the books of its clients. Thus, there are no foreclosure concerns and the transaction is unlikely to substantially prevent or lessen competition.
- [19] Given the above, the Commission concluded that the proposed transaction is unlikely to substantially prevent or lessen competition in any market in South Africa.


Public interest

- [20] The merging parties submit that the proposed transaction will have no negative effect on employment and that employment opportunities will be secure. Further, Fulcrum will continue to operate independently post-transaction.²
- [21] Further, the Commission is of the view that the proposed transaction is unlikely to raise concerns on any other public interest grounds.

Conclusion

- [22] In light of the above, we conclude that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market.
- [23] In addition, no public interest issues arise from the proposed transaction. Accordingly, we approve the proposed transaction unconditionally.

² *Inter alia* Commission's Recommendation page 17.



Mr Norman Manoim

11 January 2017
DATE

Mr AW Wessels and Ms Medi Mokuena concurring

Case Manager: Kameel Pancham

For the merging parties: Ahmore Burger-Smidt of Werksmans Attorneys

For the Commission: Zintle Siyo