



**Jersey Competition Regulatory Authority ('JCRA')**

**Decision M 192/08**

**Proposed Merger**

**OF**

**Nigel Harris & Partners**

**AND**

**Galsworthy and Stones**

### **The Notified Transaction**

1. On Wednesday 26 March 2008, the JCRA received an application (the ‘Application’) for approval under Articles 20 and 21 of the Competition (Jersey) Law 2005 (the ‘Law’) concerning the merger of Nigel Harris & Partners (‘NHP’) and Galsworthy and Stones (‘GS’). NHP and GS propose to contribute all assets of their respective partnerships as the capital in specie for fully paid up shares in the share capital of Galsworthy Harris Limited (the ‘Company’), subject to the JCRA’s approval.
2. The JCRA published a notice of its receipt of the Application in the Jersey Gazette and on its website on 29 March, inviting comments on the proposed merger by 11 April 2008. No comments were received. In addition to public consultation, the JCRA conducted its own market enquiries concerning the proposed merger.

### **The Parties**

*(a) GS*

3. GS is a Jersey-registered partnership practising English law in and from within Jersey and carrying on trust business. In Jersey, GS is the owner of the Quadrangle Trust Company (CI) Limited (‘Quadrangle’). According to the Application, GS is a partnership at will, with individuals as partners. It does not have a parent entity nor is it part of a bigger group.

*(b) NHP*

4. NHP is a Jersey-registered partnership practising English law in and from within Jersey. According to the Application, NHP is a partnership at will, with individuals as partners. It does not have a parent entity nor is it part of a bigger group.

(c) *The Company*

5. According to the Application, the Company was incorporated in Jersey as a limited liability par value company on 18 January 2008 to act as the corporate vehicle in which the assets of NHP and GS will be consolidated.

**The Requirement for JCRA Approval**

6. The Parties applied for JCRA approval under Article 1(2) of the Competition (Mergers and Acquisitions) (Jersey) Order 2005 (the ‘Order’), on the basis that the Parties have a share of supply of 25% or more in the practice of English law in and from within Jersey. On this basis, pursuant to the Order, the JCRA’s approval is required under Article 20(1) of the Law before the proposed merger is executed.

**Assessment**

7. Under Article 22(4) of the Law, the JCRA must determine if the proposed merger would substantially lessen competition in Jersey or any part thereof, pursuant to the procedures set forth in the JCRA Merger Guideline (the ‘Guideline’).<sup>1</sup> As detailed below, the JCRA concludes that this would not be the case.

**Defining the affected relevant market(s)**

(i) The Relevant Product Market(s)

8. ‘A relevant product market comprises all those products and/or services which are regarded as interchangeable or substitutable by the consumer, by reason of the products’ characteristics, their prices and their intended use.’<sup>2</sup>
9. From the Application and other information, it is clear that Parties consider the relevant product market to be (a) the English law advice and related legal services and (b) the provision of trust services. Based on the number of staff involved with

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<sup>1</sup> JCRA Guideline, *Mergers and Acquisitions* at 6.

<sup>2</sup> *European Commission Notice on the definition of the relevant product market for the purposes of Community competition law*, O.J. C 372 at 2 (09.12.97).

- Quadrangle, and taking into account the nature of the proposed merger and the market information available to the JCRA from previous Decisions<sup>3</sup> in this sector, the JCRA concludes that there is no effect on competition regarding the trust sector and the JCRA can limit its competition assessment to the English law advice and related legal services. This conclusion is supported by the fact that the aggregation in the share of supply in trust services would not, in and of itself, satisfy the 25% share of supply threshold set out in Article 1(2) of the Order.
10. For a customer requiring legal advice on English law, advice based on laws from other jurisdictions is not a substitute. Hence the product market will not be wider than English law. It is not necessary to determine whether the relevant product market should be narrower, for there are no indications that distinguishing separate relevant markets based on - for example - the size of the law practice (supplier) would affect the competition assessment.<sup>4</sup> Furthermore, there are no indications that the Parties specialise in any particular area of English law, as opposed to providing general legal advice.
11. Therefore, the JCRA will for the purpose of this decision assume that the relevant products market is English law advice and related legal services.
- (ii) The Relevant Geographic Market
12. The geographical market is the area over which substitution takes place. It comprises the area in which the undertakings concerned are involved in the supply and demand of the products or services, in which the conditions are sufficiently homogeneous and which can be distinguished from neighbouring

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<sup>3</sup> Decision M145/07 Capita Fiduciary Group Ltd/Eagle Management Services Ltd, Decision M007/06 Halifax Corporate Trustees Ltd/Mourant ECS Trustees (Jersey) Ltd and Decision M001/06 AIB Fund Administrators Ltd/Mourant & Co Ltd.

<sup>4</sup> Whereas private individuals may be more prone to seek legal advice that is available in close geographical proximity, undertakings may have different considerations, if only because of the possibility to deduct travel expenses from their taxes.

areas because the conditions of competition are appreciably different in those areas.<sup>5</sup>

13. According to the Application [25-50]<sup>6</sup>% of NHP's fee income and [50-75]<sup>7</sup>% of GS's fee income was derived from clients outside Jersey. This indicates that at least for these clients suppliers based outside of Jersey would appear to be substitutes.
14. The JCRA has contacted several suppliers of English law advice and related legal services that are based in the UK. Some of these have confirmed that they have Jersey based clients. This indicates that suppliers based in other jurisdictions, in particular the UK, do appear to be in competition with Jersey based suppliers for the provision of English legal advice.
15. In conclusion, for the purpose of this decision, the JCRA concludes that the relevant geographical market is wider than Jersey and includes at least the UK.

### **Effect on Competition**

16. As a result of the relevant market incorporating jurisdictions other than Jersey, including at least the UK, there appears to be no noticeable effect on competition as a result of the proposed merger. The Parties and public sources indicate that there are thousands of law firms in the UK offering similar services.<sup>8</sup> Whereas, according to the Application, it is not possible for the Parties to assess the market share that the Parties have in the provision of English law advice and related legal services, the market share held by the Parties appears to be less than 1% on any suitable measure.

### **Conclusion**

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<sup>5</sup> See footnote 1.

<sup>6</sup> [REDACTED]

<sup>7</sup> [REDACTED]

<sup>8</sup> According to the application, there are 10,115 Law firms.

17. In light of the analysis set forth above, the JCRA concludes that the proposed merger is not likely to lessen competition in Jersey or in any part of Jersey. Because of this conclusion, it is not necessary for the JCRA to consider other factors such as barriers to entry or pro-competitive effects or efficiencies.
18. Given this conclusion, the JCRA hereby approves the proposed merger under Article 22(1) of the Law

**21 April 2008**

**By Order of the JCRA Board**