



Decision

Proposed acquisition of Hamilton Fraser (HFIS Limited) by GRP Retail Holdco Limited (C-039)

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Jersey Competition Regulatory Authority
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1 Summary

- 1.1 GRP Retail Holdco Limited (**GRP**) propose to acquire of 80% of the entire issued share capital of HFIS Limited, the trading name for **Hamilton Fraser**, from its shareholders (**Sellers**). The proposed transaction has been notified to the Jersey Competition Regulatory Authority (**the Authority**) for approval pursuant to Article 21 of the Competition (Jersey) Law 2005 (the 2005 Law).
- 1.2 The Authority has determined that the proposed transaction will not lead to a substantial lessening of competition in any relevant market in Jersey and hereby approves the notified transaction.

2 The notified transaction

- 2.1 On 6 April 2022, the Authority received a joint application from GRP and the Sellers for the proposed transaction. The Authority registered the application on its website with a deadline for comments of 22 April 2022. No submissions were received.

3 The parties

GRP

- 3.2 GRP is one of the largest independent insurance intermediaries in the United Kingdom, with almost half a million personal and commercial clients across the spectrum of industry, sector and specialist insurance and risk management.¹ It is a private company incorporated in the United Kingdom under the Companies Act 2006 with company number 09452808.
- 3.1 GRP is active in the United Kingdom and the Republic of Ireland only. It does not conduct any activities in Jersey.
- 3.2 For GRP, the rationale for the transaction is that Hamilton Fraser is a high class-brokerage with a strong commitment to digital innovation and customer centricity, built on a deep understanding of the specialist markets in which they operate.² Following completion of the proposed acquisition Hamilton Fraser will continue to trade under its existing brands and will sit within GRP's digital division.

Hamilton Fraser

- 3.3 Hamilton Fraser is an insurance-broker and risk management business focussed on the Private Rented sector, in particular deposit protection. It also specialises in the Cosmetic insurance industry. It is a private company incorporated in the United Kingdom under the Companies Act 2006 with company number 03252806.

¹ For more information about GRP, see: <https://www.grpgroup.co.uk/>

² See GRP's media release for further details: <https://www.grpgroup.co.uk/news/grp-to-acquire-digital-broker-hamilton-fraser/>

- 3.4 In Jersey, Hamilton Fraser is the sole provider of tenancy deposit protection services through Mydeposits Jersey. This is a Government of Jersey approved tenancy deposit protection scheme to which all landlords are mandated to transfer rental deposits received from their tenants to, such that the deposit is protected in the event the landlord becomes insolvent or the bank holding the deposit fails amongst other scenarios. It was established as a consequence of the Residential Tenancy (Jersey) Law 2011 and after a tender process the contract to deliver the service was awarded to Tenancy Deposit (Jersey) Ltd (t/a mydeposits Jersey). This is a Jersey company, with company number 119137, and is a wholly owned subsidiary of Hamilton Fraser.
- 3.5 Hamilton Fraser's only activity in Jersey is Mydeposits Jersey.

The Sellers

- 3.6 The Sellers are natural persons and together own Hamilton Fraser.
- 3.7 The Sellers are the founders of Hamilton Fraser (together with their families) and the sale allows the majority of the Sellers to fully realise and exit their stake in the business, with the remaining Seller partially realising his investment and continuing with a minority stake (20%) stake post-completion of the proposed acquisition.

4 Requirement for Authority approval

- 4.1 Under Article 2(1)(b) of the 2005 Law, a merger or acquisition (**merger**) occurs where a person who controls an undertaking acquires direct or indirect control of the whole or part of another undertaking. With the establishment of the joint venture, the parties will acquire joint control of the same and the transaction therefore constitutes a merger as defined in the 2005 Law.
- 4.2 According to Article 20(1) of the 2005 Law, a person must not execute certain mergers or acquisitions except and in accordance with the approval of the Authority. In particular, in relation to this transaction, Article 4 of the Order provides that where one or more of the parties to the proposed merger has an existing share of 40% or more of the supply or purchase of goods or services of any description supplied to or purchased from persons in Jersey, and if neither of the two exceptions apply³, then the merger must be notified to the Authority for approval under Article 20(1) of the 2005 Law.
- 4.3 According to information provided by the parties:
- Hamilton Fraser has a share of supply of tenancy deposit protection services of 100% through Mydeposits Jersey; and
 - neither of the exemptions to the requirement for Authority consent applies to the Transaction.

³ The two exemptions are:

(a) the undertaking or undertakings being acquired has or have no existing share of the supply or purchase of goods or services of any description supplied to or purchased by persons in Jersey and otherwise owns or controls no tangible or intangible assets located in Jersey; or

(b) as regards the seller only, the 40% share of supply or purchase is not subject to the proposed merger or acquisition and provided that any non-competition, non-solicitation or confidentiality clauses included therein do not exceed a period of three years and are strictly limited to the products and services supplied by the undertaking being acquired.

4.4 Therefore, the proposed acquisition requires the approval of the Authority prior to its execution.

5 Market definition

Approach

5.1 Under Article 22(4) of the 2005 Law, the Authority must determine if the merger would substantially lessen competition in Jersey or in any part of Jersey. As an initial step, the Authority will identify the markets which are likely to be affected by the merger since market definition provides a framework within which the competitive effects of a merger can be assessed.

5.2 When defining a market, the Authority may take note of its own previous decision-making practice and/or market definitions applied by other competition authorities. These previous decisions are not precedents and are not binding, either on the merging parties or on the Authority. Competition conditions may change over time, changing the market definition, and market definition will always depend on the prevailing facts.⁴

Views of the parties

5.3 With respect to the product market, the parties identify the narrowest possible market as the provision of tenancy deposit protection services on Jersey. More broadly, the parties note the economic market could also be considered to be the provision of insurance services.

5.4 The parties consider the provision of tenancy deposit protection services is a distinct economic market for the purposes of assessing the competitive effects of the proposed transaction. This is because Mydeposits Jersey is not interchangeable with any other form of insurance. Further, the Authority has previously determined that the provision of certain insurance products can be a distinct market, separate from other insurance products.⁵

5.5 With respect to the geographic market, the parties consider it can be limited to Jersey on the basis that Mydeposits Jersey is for the benefit of Jersey customers alone i.e. it only applies to tenancies on Jersey.

5.6 Notwithstanding the analysis above, the Parties do not believe it is necessary to define the product or geographic market on the basis that the proposed acquisition will not, in the opinion of the Parties, impact competition in Jersey.

⁴ This approach is consistent with that taken under EU law – see, for example, Joined Cases T-125/97 and T-127/97 [2000] ECR II-01733, paragraphs 81-82. Article 60 of the 2005 Law requires the Authority to attempt to ensure that so far as possible questions arising in relation to competition are dealt with in a manner that is consistent with the treatment of corresponding questions arising under European Union law in relation to competition within the European Union.

⁵ For example in [Case C-010](#) the Authority distinguished between the General Insurance Business Market and the Private Medical Insurance Market.

Authority consideration

- 5.7 The relevant product market is defined primarily by reference to the likely response of consumers and competitors.⁶ It will comprise products and/or services which are regarded as interchangeable or substitutable by the consumer, by reason of the product's characteristics, prices and intended use. An undertaking cannot have a significant impact on the prevailing conditions of a market if customers can easily switch to other service providers.
- 5.8 The Authority considers the precise market definition can be left open. This is because, as outlined below, the proposed transaction would not result in a substantial lessening of competition in Jersey on any reasonable basis.

6 Effect on competition

Approach

- 6.1 After defining the relevant market, the Authority considers the respective market shares of the competitors in that market, both before and after the proposed transaction. These shares can be used as an indication of the overall level of market concentration which will be brought about as a result of the merger.
- 6.2 The analysis will consider whether the merger creates or enhances the ability or incentive to exercise market power, either unilaterally or in co-ordination with competitors, and whether other market forces (such as the entry of new competitors or countervailing power of customers) will eliminate this risk. The assessment will also consider any pro-competitive effects or efficiencies that may result from the merger.
- 6.3 For horizontal mergers, the Authority can assess two potential types of anti-competitive effects – unilateral effects (i.e. the ability of the merged entity to raise prices unilaterally) and co-ordinated effects (i.e. the ability of the merged entity to raise prices with either the implicit or explicit co-operation of other competitors). For vertical or conglomerate mergers, the Authority's focus will be on assessing whether the merged entity would have the ability or incentive to foreclose the market to competitors, either by denying access to important inputs upstream, or by denying access to 'routes to market' downstream. Another concern with conglomerate mergers is the ability to condition sales in a way that links products in separate markets together (through tying or bundling).
- 6.4 When assessing mergers, the Authority will have regard to the guidelines produced by the European Commission. It may also consider the substantive merger guidelines applied by the Competition and Markets Authority in the UK, as well as those of other competition authorities.

Views of the parties

- 6.5 The parties note in Jersey the relevant Minister's powers to appoint a tenancy deposit protection service administrator is limited to appointing a sole person. Therefore the proposed transaction will effectively substitute the Sellers for GRP with Hamilton Fraser continuing

⁶ JCRA Guideline 7 – Market Definition.

business as usual. Moreover, on the basis that Hamilton Fraser is the sole person appointed by the relevant Minister for the purposes of running the tenancy deposit protection service, the Parties maintain that there is no competitive market presently to distort.

Authority consideration

- 6.6 GRP does not operate in Jersey, therefore there are no horizontal or vertical overlaps between the activities of GRP and Hamilton Fraser. There is also no concern around the ability to condition sales in a way that links products in separate markets together (through tying or bundling), given the standalone nature of tenancy deposit protection services.
- 6.7 Further, GRP is not active in the provision of tenancy deposit protection services. Therefore there is no evidence to suggest that GRP is a potential competitor to Hamilton Fraser in the provision of tenancy deposit protection services in Jersey, for example in future tenders for the services.
- 6.8 Therefore, the proposed transaction will not give rise to a substantial lessening of competition on any reasonable basis.

7 Decision

- 7.1 On this basis, the Authority concludes that the proposed transaction will not substantially lessen competition in Jersey or any part of Jersey; and the transaction is therefore approved under Article 22(1) of the 2005 Law.

10 May 2022

By Order of the Jersey Competition Regulatory Authority