

FinTech firms face scrutiny from the UK's Competition Regulatory Authority

November was an eventful month for FinTech companies in the UK. Two mergers between two market giants and their start-up counterparts have been referred for investigation to the UK's competition regulator.

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PayPal / iZettle

On 26 November 2018, the UK's Competition and Markets Authority ("CMA") found a number of potential competition concerns with Paypal's acquisition of iZettle, a Swedish payments start-up that was set to be the biggest FinTech company in Europe to list.

The regulator determined that the £2.2bn transaction between the UK's two largest suppliers of mobile point of sale devices could lead to a decline in innovation, higher prices or a reduction in the range of services for customers (namely small and medium-sized businesses).

Under the Enterprise Act 2002, the regulator may decide to accept undertakings in lieu of a reference to a Phase 2 investigation. The parties have until 03 December 2018 to offer undertakings to address the CMA's concerns. Should the merger move to a Phase 2 investigation, the CMA will invite written submissions from interested parties to the transaction.

Experian / ClearScore merger prohibition

Following a Phase 2 investigation, on 28 November 2018 the CMA released its provisional findings in the merger between the UK's two largest free credit rating agencies.

Experian purchased the three year old fintech group for £275m in March 2018, however despite ClearScore's start-up status, the regulator identified that the transaction could result in a substantial lessening of competition and may prohibit the merger. The regulator is yet to finalise its decision, however it has provisionally determined that the only effective remedy is to prohibit the merger.

The two cases illustrate the CMA's increased intervention in the FinTech space and the approach it has adopted towards

acquisitions by mainstream financial services providers of their start-up rivals. In the event that you or any parties with whom you are working want to find out more about the regulator's capacity in this sector, please contact Angus McLean or Satyen Dhana.

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