**INTRODUCTION TO COMPETITION POLICY**

**EXTRACT 1: CMA report on UK banking industry is weak and disappointing**

Latest in string of investigations into sector is unlikely to trouble big four, which have had stranglehold on market since late 90s

Investigations into the structure of banking in Britain have become rather a cottage industry. There have been 11 separate inquiries into the sector in the past 17 years. Thousands of hours have been spent taking testimony from expert witnesses. Millions of words have been written. And nothing much has changed.

As in 1999, the big four of HSBC, Barclays, Royal Bank of Scotland and Lloyds Banking Group have a stranglehold on the market. Between them, they hold 77% of personal accounts and 85% of business accounts. Attempts to inject more competition into the industry have proved difficult.

It seems highly unlikely that the latest investigation, carried out by the Competition and Markets Authority (CMA), will unduly concern the big four. They were certainly a lot more worried when the investigation was launched two years ago, because at the time, the Conservative-Liberal Democrat coalition government felt the need to respond to Ed Miliband’s suggestion that the oligopoly should be broken up.

In the end, the fruit of the past two years seems to amount to little more than a new mobile app to help customers save money by switching bank accounts. The idea is that people will be keener on moving from one bank to another if there is more transparency about charges and interest rates.

The charitable response to the CMA’s report is that it is proportionate to the scale of the problem. Given that only 3% of customers switch banks in any given year, it could be argued that the public is generally happy with the service being provided. Or, perhaps, not unhappy enough to up sticks and move somewhere else. From this perspective, breaking up the big four would be to use a sledgehammer to crack a walnut.

But hang on a second. Harnessing new technology is all very well and there will no doubt be bank customers willing to trawl around for the best deal. On past form, though, they will tend to be well heeled customers with accounts in credit.

The people who really need help from the CMA are the less well off; those who struggle to make ends meet and slide into the red. Banks charge penal rates for unauthorised overdrafts, which can be more expensive than payday loans.

It was perhaps unrealistic, given Miliband’s defeat at the 2015 general election, to imagine that the CMA would break up the banks. But it was not unrealistic to expect that it might put strict caps on the overdraft charges banks can levy. This, unfortunately, is a weak and disappointing report from a toothless watchdog.

***By Larry Elliott in the Guardian – August 2016***

**EXTRACT 2: CMA fines estate agents cartel £370,000 for rate fixing**

The six agents in Burnham-on-Sea, Somerset, were fined for breaking competition law by fixing minimum commission rates at 1.5%

Burnham-on-Sea high street. This group of estate agents who secretly conspired to keep their fees high to make “as much profit as possible” have been fined £370,000 for operating an illegal cartel.

The Competition and Markets Authority (CMA) said this was the second time in two-and-a-half years that it had taken enforcement action against estate agents, and this latest case raised concerns that the sector “does not properly understand the seriousness of anti-competitive conduct and the consequences of breaking competition law”.

The six estate agents, all based in the Burnham-on-Sea area of Somerset, had a meeting and agreed to fix their minimum commission rates at 1.5%, thereby denying local homeowners the chance of getting a better deal when selling their homes. Between them the agents dominated the local area: their market share was said to be potentially as high as 95%.

The CMA said it was publishing full details of the case to remind other agents to comply with the law and avoid being fined.

Penalties totalling £370,084 were imposed on five firms: Abbott and Frost Estate Agents Limited, Gary Berryman Estate Agents Ltd (and its ultimate parent company Warne Investments Limited), Greenslade Taylor Hunt, Saxons PS Limited, and West Coast Property Services (UK) Limited.

The sixth, Annagram Estates Limited, trading as CJ Hole, has not been fined as it was the first to confess its involvement in the arrangement and cooperated with the investigation.

The price-fixing cartel was formed in early 2014 when the estate agents met with each other to “have a chat about fees”.

Email evidence showed that the agents’ rationale was “With a bit of talking and cooperation between us, we all win!”. The correspondence also explained how “the aim of the meeting … will be to drive the fee level up to 1.5%” and “… it’s really important we all give it the priority it deserves (making as much as profit as possible!)”.

The estate agents took steps to ensure the minimum fee agreement was kept to by emailing each other when a specific issue arose, such as accusations of “cheating” on their agreement. Each business also took it in turn to “police” the cartel to make sure everyone was sticking to the agreement.

However, in December 2015 the CMA carried out searches of the estate agent offices and seized documents and digital material. Stephen Blake, senior director of cartel enforcement, said: “Cartels are a form of cheating. They are typically carried out in secret to make you think you are getting a fair deal, even though the businesses involved are conspiring to keep prices high.”

He added: “We have taken action against estate agents before and remain committed to tackling competition law issues in the sector.”

In May 2015 the CMA ruled that three members of an association of estate and letting agents, the association itself, and a newspaper publisher infringed competition law. That case involved the advertising of fees in the area around Fleet in Hampshire, and resulted in penalties totalling more than £735,000 being imposed.

***By Rupert Jones in the Guardian (Sep 2017)***

**QUESTIONS TO ANSWER AT THE END**

1. What is the conclusion of both these articles?
2. To what extent do you think the CMA is a toothless organization? Note down arguments on both sides and see if you can reach a conclusion?