

# 8 Views of other parties

8.1. We invited views from travellers cheque issuers and agents, payment organizations, trade and consumer associations, and other interested parties. This chapter summarizes the evidence we received.

## Travellers cheque issuers

### American Express Europe Limited

8.2. Amex said that it believed competition in the travellers cheques segment of the UK travel payment market was intense and would remain so.

8.3. Amex said that in its view the role of travellers cheques could not be analysed or considered in isolation from the broader travel payments market. Travellers cheques were sold in the UK, unlike the USA, almost exclusively to travellers for use abroad. They competed with cash, credit cards, debit cards, charge cards, cash cards and eurocheques for this market. Amex's experience suggested that with the growth in the number of establishments accepting cards of various kinds and the increasing use of cash cards, usage of travellers cheques had declined. Amex said that it believed this was a long-term trend, that while travellers cheques would still be used, other forms of payment would continue to increase in popularity, at the expense of travellers cheques.

8.4. Amex added that although there were only a limited number of issuers of travellers cheques in the UK (Amex and its various joint ventures, Cook, Visa issuers (ISL, NatWest and Bank of Scotland) and Citicorp), the way in which cheques were distributed and sold led to competition at the retail level between a great many outlets and classes of outlets.

8.5. Amex pointed out that issuers of travellers cheques competed with each other for the distribution services of outlets such as banks, building societies and travel agents. In order to have their products accepted by these outlets the issuers offered incentives based on sales volumes and on other factors. The retail outlets in question held travellers cheque stock on trust for issuers for whom they acted as agents. Thus the financing of the product was carried exclusively by the issuers who were also responsible for the arrangements necessary to secure the redemption of the cheques through a large number of outlets and banks. As a result there was a need for a significant degree of 'back office administration' and computer input.

8.6. Amex said that it only asked its agents to notify it of the customer names and numbers of the travellers cheques issued. This information was sufficient to enable it to provide the customers with its full range of back-up services, if required.

8.7. The financial return to the issuers depended critically on the 'cheque life', ie the average time elapsed between the sale of the cheque and its use and on prevailing interest rates. To this extent, the travellers cheque business was a high-volume/low-margin business and with the current prevailing low interest rates the returns which could be earned were also low. Although it was possible for banks and financial institutions to enter the travellers cheque market if they so wished, present profitability would not attract new entrants. Amex believed that Barclays' decision to dispose of ISL reflected the difficulties affecting all suppliers of travellers cheques in the present economic climate. Amex added that its own world-wide travellers cheque business was profitable. Amex said that it was difficult to break down its profitability by country but it thought its UK travellers cheque operation was a profitable one.

8.8. Amex explained that retailers of travellers cheques were free to charge (or not to charge) their customers commission. Where the travellers cheque was denominated in a foreign currency, there was also the possibility

of an extra margin on the currency conversion spread. Retailers generally paid their suppliers in the currency of denomination of travellers cheques so that, for example, an *American Express* travellers cheque denominated in dollars would be paid for in dollars by the outlet selling it. However, that outlet was free to charge its own exchange rates to its customers. Thus, a product of the same travellers cheque issuer might, in effect, be sold at different prices by different retail outlets. Amex itself had only some 40 retail travel agency outlets in the UK while Cook had in the region of 400 together with a number of bureaux situated in stations, airports and like locations. To this extent, Cook had a significantly higher degree of vertical integration as compared with Amex. Cook's travel outlets were believed to account for over 20 per cent of retail sales of travellers cheques.

8.9. However, Amex said that, were the merger to proceed, it expected no material reduction in the level of competition between it and the other UK travellers cheques issuers (Cook, ISL and Citicorp) in obtaining distribution of products through UK-based sellers including banks, building societies and independent travel agents.

## **Citicorp International Plc**

8.10. Citicorp estimated that it had a 12 per cent share of the world-wide travellers cheque market. However, its travellers cheque business represented only a small part of its world-wide banking activities. Citicorp added that though its share of the UK travellers cheque market was less than 1 per cent it was responsive to approaches to supply additional agents.

8.11. Citicorp confirmed that its world-wide travellers cheque operations were profitable. However, it pointed out that as it was dependent on a float the amount of profit was largely dictated by current interest rates. Interest rates had been low for some time but were now starting to rise again.

8.12. Citicorp said that it sold its own brand of travellers cheques through its own branches world-wide. It also issued travellers cheques under the *VISA* brand. *VISA* travellers cheques represented about 40 per cent of its total travellers cheque sales. Individual sales agents decided whether to accept *Citicorp* or *VISA* brands.

8.13. Citicorp stated that it competed with other major suppliers, Amex, Cook and ISL, to attract new agents. Citicorp's own brand was competitive in terms of its acceptability, refundability and encashability. Agents were offered various incentives, eg differing commission rates and market support, with each agreement being separately negotiated.

8.14. Citicorp pointed out that though its sales of travellers cheques were rising world-wide that growth reflected increased demand in newly developed countries. Substitution of other payment methods was a significant threat in developed markets, particularly the move to greater use of plastic cards. Consumers there were more sensitive to the different prices charged for the use of various payment products available.

8.15. Citicorp thought the proposed merger was unlikely to have a radical impact on the travellers cheque market, particularly as Cook was proposing to run its *VISA* and *MasterCard* brands independently. Viewed in the wide context of the payments products industry the merger did not raise any concerns, though current uncertainty about the market might cause some slight shifting of agents between different brands. Citicorp added that preceding the merger it had been involved in joint venture discussions separately with ISL and Cook but in each case these had foundered.

## **Lloyds Bank plc**

8.16. Lloyds Bank plc (Lloyds) said that until 1981 it had issued its own sterling travellers cheques. The provision of travellers cheques was clearly a service which the majority of its customers required alongside its other retail banking services. However, the product had not been a major contributor to the Retail Bank's overall profitability. In 1981 Lloyds, recognizing that its sterling travellers cheques needed a world-wide brand if they were to continue to be accepted, negotiated to provide Amex sterling travellers cheques. Lloyds said that it had had a strong historical connection with Amex and recognized *American Express* as one of the leading world-wide brands of travellers cheque. Lloyds said that in 1981 it had formed a joint company, Travellers Cheques Associates Limited (TCA), with Amex and Royal Bank of Scotland to issue sterling travellers cheques both for their own use and to supply other providers. TCA managed the issue of travellers cheques for the shareholder but central processing was subcontracted to Amex at its American operations centre. Lloyds argued out that it was now impractical for individual UK banks to contemplate issuing their own travellers cheques without the backing of an international brand name such as *American Express*, *VISA* or *MasterCard*.

8.17. Lloyds said that the travellers cheque market had remained static in recent years. Growth in the travel payment market had been largely taken up by an increasing use of plastic cards. Lloyds thought travellers cheques would still continue to be used as customers recognized that they were relatively risk free and could be quickly and easily replaced if lost or stolen. The change in the mix between travellers cheques, foreign currency and plastic cards was likely to continue with growth in the use of plastic as the technology improved and customer confidence of international usage increased.

8.18. As to competition amongst issuers, Lloyds said that issuers competed amongst themselves to attract sales agents by offering varying commission and incentive arrangements. Similarly, sales agents competed amongst themselves for customers by charging differing fees and commission rates. Lloyds added that a few years ago it had increased charges to customers but sales had declined and Lloyds had decided to bring its rates back in line with the market.

8.19. Lloyds thought that the merger would not affect the market significantly. It said that it saw the merger more in the context of an outsourcing arrangement with Cook and a sharing of an infrastructure rather than the issue of differing brand names. The merger was more likely to effect Barclays' own internal provision of travellers cheques than the market as a whole.

## **National Westminster Bank plc**

8.20. NatWest said that it had been issuing travellers cheques, in sterling denominations only, under its own name for a long time. In 1992 it had changed to issuing *VISA*-branded travellers cheques, but again only in sterling. NatWest sold *American Express* travellers cheques in US dollars and Canadian dollars, Swiss francs and Japanese yen denominations and Cook's *MasterCard* travellers cheques in Australian dollar and Spanish peseta denominations.

8.21. NatWest pointed out that travellers cheques had particular advantages that continued to be valued by travellers, eg their safety, refundability and travel budgeting features. For these reasons, NatWest saw other forms of international payments available to travellers as complementary rather than as generally acceptable substitutes for travellers cheques.

8.22. NatWest added that issuers competed through advertising, commission rates and on their customer service record. NatWest said that any new entrant seeking to set up a travellers cheque issuing business could now only do so through an agreement with one of the three major brand owners (Amex, MasterCard or Visa) which gave the new entrant access to a readily recognized brand name and an established refund network.

8.23. NatWest said that it did not see the proposed merger as being against the public interest. On the contrary, the *VISA* brand of travellers cheque could expect to be strengthened by a link to Cook's established refund service.

## **International payment organizations**

## Visa International Service Association

8.24. Visa, like MasterCard, an international payment organization to which many of the world's banks belong, said that its role was to provide its members with the key elements of a world payment system, ie a world-wide recognized trade mark and format and operating regulations. These provided an infrastructure for members to conduct business with each other (eg to accept a Visa bank's travellers cheques presented by the public) without the need for bilateral arrangements. Another vital element of Visa's travellers cheque programme was its Global Refund Service which arranged for the refund of lost or stolen *VISA* travellers cheques.

8.25. Visa told us that its travellers cheque programme was started in 1979 following requests from various Visa members to include the *VISA* marque on their proprietary travellers cheques to ensure greater global acceptability. Visa itself did not issue travellers cheques, nor did it sign up sales agents. The Visa travellers cheque issuers themselves administered their businesses, retaining full responsibility for their own profitability. Visa told us that prior to the merger Barclays did not formally guarantee the liabilities of ISL, its subsidiary, but instead it issued a letter of comfort to Visa irrevocably undertaking to ensure, at all times whilst ISL remained a subsidiary of Barclays, that ISL would be able to meet all its liabilities to Visa arising out of its membership of Visa or its *VISA* travellers cheque business.

8.26. Visa pointed out that consumers could obtain means of international payment in many different ways including travellers cheques, payment cards (credit, debit and charge), ATM cards, eurocheques, cash, and bank transfers. Visa thought there was a great deal of competition both within and between the different methods of payment, eg the issuers of *VISA* travellers cheques competed against each other as well as against the issuers of other brands. Visa believed the next ten years would continue to see an increase in the range of consumer payment methods which were available.

8.27. Visa said that there was competition in travellers cheques at three levels: first, they competed with other consumer payment methods; secondly, there was significant interbrand competition between the three main brands (*VISA*, *American Express* and *MasterCard*); and thirdly, there was competition between the different issuers for sales agents.

8.28. Visa explained that it had studied all possible options in an attempt to ensure the continuance of ISL's travellers cheque business. First, Visa had persuaded Barclays to defer the implementation of the closure of ISL to afford Visa the opportunity to find a solution. Visa had held discussions with each of Cook and Citicorp to explore the possibility of either company acquiring ISL. Visa said that it had also considered the possibility of itself acquiring ISL and subcontracting processing to Cook, or acquiring ISL to allow time to find a purchaser at a later date. Visa emphasized that the possibility of Visa acquiring ISL was a very radical option for Visa as it had no experience in the travellers cheque business.

8.29. Visa pointed out that although it was not a party to the acquisition of ISL by Cook, Visa and its members were directly affected by the outcome of the reference. ISL was Visa's principal issuer of travellers cheques and the supplier of *VISA* travellers cheques to Visa members on a global basis. If the MMC concluded that the transaction was not contrary to the public interest this would ensure the maintenance of the *VISA* travellers cheque programme for the benefit of Visa issuers, sales agents and the consumer and more generally for the overall benefit of all Visa members. If the transaction was found contrary to the public interest and Cook was required to divest ISL, there was no realistic purchaser for ISL and the likelihood of a new entrant was remote. Cook might therefore have to close ISL, but this would almost certainly force Visa to terminate its travellers cheque programme.

8.30. Visa believed that Cook's acquisition of ISL was not contrary to the public interest for the following reasons:

- (a) The transaction would ensure the maintenance of the *VISA* travellers cheque programme.
- (b) The *VISA* travellers cheque programme was open to new issuers in contrast to *American Express* or *MasterCard*.
- (c) There would be no reduction of competition at brand level-Cook had negotiated with MasterCard to allow it to issue both *MasterCard* and *VISA* travellers cheques and vigorous competition would continue between the *American Express*, *MasterCard* and *VISA* brands.

- (d) Following the acquisition the level of competition between all issuers would remain intense. Visa understood that Cook was maintaining separate sales forces for the *VISA* and *MasterCard* travellers cheques.
- (e) Sales agents would have access to three different brands all offering slightly different services and, through the remaining issuers, different levels of services and incentives.
- (f) Consumers would continue to enjoy their existing choice of travellers cheques. Barclays would as before sell *VISA*-branded travellers cheques world-wide and consumers would continue to benefit from the competition between brands, issuers and sales agents.

Visa concluded by saying that it believed the acquisition of ISL by Cook was pro-competitive and was in the public interest, for the reasons described above.

## **MasterCard International**

8.31. MasterCard said that it thought Cook's acquisition of ISL was good for the travellers cheque industry, for sales agents and for consumers.

## **Travellers cheque sales agents**

### **Building societies**

#### ***Woolwich Building Society***

8.32. The Woolwich Building Society (Woolwich) said that it first sold travellers cheques in 1982, as part of a wider range of services offered to its customers. Initially it provided only sterling travellers cheques. It now offered travellers cheques in a number of currencies and also foreign currency.

8.33. Woolwich told us that it had opted to sell *American Express* travellers cheques. At the time it had felt that it had a choice of three suppliers: Cook, Amex and Citicorp. Its final choice had been principally influenced by the strength of the *American Express* brand and the fact that *Amex* appeared to be the most appropriate fit with Woolwich's positioning and customer profile. The only details forwarded to Amex were the cheque numbers and customer names. Woolwich periodically reviewed its choice of suppliers. It had not considered ISL as a supplier or been approached by ISL. ISL had not been actively seeking business and it appeared to be losing business in recent years.

8.34. Woolwich thought travellers cheque suppliers competed with each other on the financial terms offered, on their distribution network and on advertising. Woolwich benefited from joint marketing arrangements with Amex. Woolwich's own promotions were usually limited to promotional leaflets and counter displays.

8.35. Woolwich pointed out that the travellers cheque market had remained relatively static in recent years, mainly because of the recession. Future sales of travellers cheques were likely to be affected by more people relying on plastic cards to obtain money abroad. The rate of growth in the use of plastic cards was, however, difficult to predict. Woolwich added that the travellers cheque market was not particularly price sensitive. Commission rates varied and customers were used to paying a minimum amount. Charges were clearly displayed on the leaflets available or were fully explained to customers. Customers appeared to be unconcerned at the number of brands of travellers cheque available.

8.36. Woolwich said that the market was unlikely to be adversely affected by the proposed merger.

### ***Halifax Building Society***

8.37. Halifax Building Society (Halifax) said that it offered travellers cheques and foreign currency for sale through its branch network. At present these services were provided through an arrangement with Amex. Halifax had no plans to launch its own brand of travellers cheques or to make arrangements to supply foreign currency from stock but expected to continue to offer such services by arrangement with one of the major suppliers.

8.38. Halifax pointed out that there were three major travellers cheque issuers in the market: Amex, Cook and ISL. The merger had reduced this number to two. Nevertheless, Halifax argued that as long as two major issuers remained in the market it would continue to have a real choice of supplier. Realistically, Halifax said that it had always seen its choice as being between Amex and Cook, with the ISL name not being powerful enough.

8.39. Halifax considered that the merger could bring positive benefits by strengthening Cook's position in the UK and as a world-wide supplier of travellers cheques. Also, if the merger went ahead Halifax expected that the ISL name would be maintained and the VISA marque would still have a presence in the travellers cheque market. The result of this might well be a strengthening of the ISL name and this could benefit retailers of travel money such as Halifax. UK sellers would continue to have a choice of three major brands (albeit from only two suppliers) with the weakest of the three perhaps becoming stronger. Halifax added, however, that it recognized the possibility that, in due course, Cook might abandon the *MasterCard* brand and issue ISL travellers cheques showing the VISA marque, which would effectively reduce the number of suppliers available back to two.

8.40. Halifax concluded by saying that it had no objection to the merger. It would not have any detrimental impact on the choice of suppliers that Halifax had as a seller of travellers cheques and foreign currency.

### ***Nationwide Building Society***

8.41. Nationwide Building Society (Nationwide) said that it fully supported the need for vigorous competition and the need for customer choice in the travellers cheque market. Nationwide, as a provider of travellers cheques, also wished to have a choice of suppliers to ensure that its ability to obtain a competitively-priced service was maintained. As long as Cook and Amex continued to provide travellers cheques in the UK, Nationwide believed that that choice was available. Nationwide pointed out that from the general public's point of view there were many retailers of travellers cheque services, including most banks and building societies, and differing product offerings. Nationwide thought the proposed merger would therefore not adversely affect the public interest.

### ***National and Provincial Building Society***

8.42. National & Provincial Building Society (N&P) said that it had no objections to the proposed merger. N&P considered that the customer could choose from any number of retailers offering travellers cheques. The retailer, not the supplier, set the price both in terms of commission rate and the ability to vary the exchange rate. N&P added that whilst the merger would obviously reduce the potential number of suppliers it would be looking for a supplier who would provide operational and marketing support. The VISA travellers cheque brand had not been promoted for some time in the UK and N&P was unlikely to consider supplying VISA cheques.

### ***Northern Rock Building Society***

8.43. Northern Rock Building Society (Northern Rock), currently a sales agent for Cook's *MasterCard* travellers cheques, said that it was not opposed to the merger. Northern Rock did not believe the merger was against the public interest given that there would still continue to be a number of prime issuers of travellers cheques world-wide. Northern Rock added that with the growing use of plastic cards and the increasing accessibility of ATM systems throughout Europe and North America, it expected that the utilization of travellers cheques would contract during the next five to ten years and that a rationalization of prime travellers cheque issuers would take place.

## ***Coventry Building Society***

8.44. Coventry Building Society said that generally it would not oppose the merger given that there was another strong player in the UK travellers cheque market, namely Amex. The presence of two strong players would ensure that competition would continue in the market.

## **Banks**

### ***Bank of Scotland***

8.45. Bank of Scotland, which offers both ISL/VISA and *American Express* travellers cheques, said that it had no concerns about the proposed merger.

### ***Clydesdale Bank PLC***

8.46. Clydesdale Bank PLC (Clydesdale) said that in recent years it had moved from a position of selling travellers cheques from both Cook and Amex to a sole supply agreement with Cook. Clydesdale said that it believed the travellers cheque to be a declining product and this would result in overcapacity in the market relatively soon. As a result costs would increase and these would have to be passed on to sales agents and customers alike. In these circumstances, Clydesdale said that it would have no objection to seeing the number of suppliers reduced to two as it believed this would add to their efficiency and would still give a measure of comfort to sales agents.

### ***Midland Bank plc***

8.47. Midland Bank said that it was the largest supplier of Cook's *MasterCard* travellers cheques in the UK.

8.48. Midland Bank stated that although the proposed merger would represent a reduction in choice, it was important that there was a strong competitor to Amex in the travellers cheque market. Without strong competition, one issuer could emerge as the only supplier of travellers cheques which would not be satisfactory for the consumer.

### ***Yorkshire Bank PLC***

8.49. Yorkshire Bank, a sales agent for Cook's *MasterCard* travellers cheques, said that it had no concerns regarding the proposed merger.

## **Bureaux de change**

### ***Travelex UK PLC***

8.50. Travelex UK PLC (Travelex) said that it had major concerns about the proposed merger which it believed was not in its own or the public's interest. Travelex pointed out that the sale of travellers cheques formed an important and distinct market for its activities. The proposed acquisition would have an adverse effect upon the already limited degree of competition amongst issuing companies. This would be to the significant disadvantage of the travellers cheque market, bureau de change operators and customers in the UK, the EC and world-wide.

8.51. Travelex explained that until the merger, the effective choice of issuer had been between only three major companies, Cook (*MasterCard*), ISL (*VISA*), and Amex. A further significant, if less important, issuer was Citicorp, which held around 12 per cent of the market world-wide. However, it had been widely reported and rumoured that Cook had been involved in talks with Citicorp which could result in Cook also acquiring this business. Unless Cook's purchase of ISL was reversed this position could only worsen and, given the

overwhelming market shares held by Cook, Amex and ISL, the choice of supplier would effectively be reduced to two.

8.52. The only alternative issuing company to Cook would thus be Amex. The opportunity for fair negotiation with Amex in these circumstances would be extremely limited. Any consequent increase in charges would be likely to be passed on to the public.

8.53. Travelex added that it also had reason to fear the proposed acquisition because of its experience with Cook in other areas of its business. The Cook group world-wide already had considerable power in the travel, bureau de change and travellers cheque markets. On several occasions in recent years it had had cause to suspect that this combination of influence might have been used against it to ensure an unfair competitive advantage. If Cook's acquisition was allowed then its potential to exert undue pressure would become even greater.

### ***Chequepoint UK Limited***

8.54. Chequepoint UK Limited (Chequepoint) also had grave concerns about the implications of the merger. Chequepoint pointed out that Cook was its main competitor. Cook had within the last few years taken a decision to enter the bureau de change market in an aggressive manner and had massive resources at its disposal for this purpose. Chequepoint complained that several incidents since then had illustrated that it could not expect Cook to exercise a dominant market position in a particularly sensitive manner.

8.55. Chequepoint said that its main concern was the effect of the merger on the provision of foreign currency and travellers cheques to independent travel agents. Small travel agents without adequate infrastructure were not able to run their own 'in-house' bureau de change and bought in this service. Many independent travel agents were obliged to use Cook (or to a lesser degree Amex) for their currency and travellers cheque requirements as the local banks did not generally offer this service. Such agents therefore did not go to Cook, one of their main competitors, out of choice. To compete in this market bureau de change had to be able to offer a comprehensive service to independent travel agents which also included the provision of travellers cheques.

8.56. Chequepoint said that it feared that if Cook's acquisition of ISL was allowed to stand it would be frozen out of the market by both Cook and Amex who would then dominate the market between them. This situation was exacerbated by the fact that Amex refused to supply competing bureaux de change with its own travellers cheques. In such a scenario it was not only the bureaux de change which would suffer but also the independent travel agents who would be forced to buy travellers cheques from Cook or Amex, their competitors in the travel business on any terms that Cook or Amex chose to dictate.

8.57. Chequepoint concluded by saying that if Cook was allowed to enlarge its share of the travellers cheques market it would exercise a stranglehold on a vital service whose supply was essential to the independent travel agents and, not least, to bureau de change operators.

### **Travel agents**

#### ***A T Mays Ltd***

8.58. A T Mays, currently a sales agent for ISL's VISA travellers cheques and until 1991 a sales agent for Cook's *MasterCard* travellers cheques, was concerned that the merger would adversely affect competition by reducing the number of of travellers cheque suppliers to just two. A T Mays was particularly concerned that the referral to the MMC would affect ISL's current trading position as the operation had already been run down in preparation for its sale to Cook. However, it had recently renewed its supply agreement with ISL, as now supported by Cook.

## ***The Travel Company Limited***

8.59. The Travel Company pointed out that if the proposed merger went ahead it would leave only two key suppliers in the market, Cook and Amex. Inherently, the opportunities for price fixing in such a market would be far greater. The Travel Company added that it believed key travellers cheque suppliers cross-subsidized their profits arising in this area against losses in other parts of their business, including business travel.

8.60. The Travel Company was concerned that independent suppliers of travellers cheques would be charged a fee for ordering travellers cheques, which would ultimately have to be passed on to the consumer. The market situation might also mean that independent suppliers of travellers cheques and currency could be squeezed out of the market through unfair pricing. Again, the consumer would suffer as a result.

### ***Other travel agents***

8.61. A travel agent chain said that it opposed the merger for the following reasons:

- (a) The merger would restrict the maintenance and promotion of competition in the UK travellers cheque issuing market. A duopoly position where two companies of almost equal strength dominated almost 96 per cent of the market was unhealthy. An industry structured in this way would probably lead the two participating companies to conclude that their most profitable strategy would be to maintain the status quo, with neither company attempting to win business from the other. This would allow the companies to cut costs by reducing service levels, cutting investment in marketing and technology, while introducing and dictating new business terms and operating procedures to their selling agents. The duopoly would be protected against competition from new entrants by the present high barriers to entry.
- (b) The proposed merger would damage the interest of consumers. Customer choice would be restricted to travellers cheques issued by only two companies. A likely reduction in competition amongst the two companies would reduce service levels which could result in delays, loss of co-operation and inefficiency in reissuing lost or stolen travellers cheques and, in the extreme, could even result in the reduced availability of travellers cheques to potential customers. A duopoly of suppliers could dictate new business terms to selling agents which might result in increased commission charges to customers. Similarly, a reduction in investment in technology could lead to a reduction in efficiency amongst suppliers, which might also adversely affect commission rates.
- (c) The proposed merger would reduce the development of new products and services in the market. Cook and Amex could reduce their input into research and development once competition was reduced.
- (d) The acquisition would seriously jeopardize the structure of the travellers cheque distribution network which would be against the interest of the consumer. Travel agents would be unwilling to sell a competitor's (Cook's) products and would therefore have only one alternative for supply, Amex. Amex might make unreasonable demands or restrict its distribution amongst travel agents. (A motive could be to allow Cook to dominate the travel agency distribution sector in return for Amex's own dominance in the building society sector and other distribution sectors.)

8.62. This travel agent concluded by saying that the public interest would be better served if Barclays sold its shareholding in ISL to any company other than Cook or Amex and it recommended that the proposed merger should not be allowed.

### ***Other sales agents***

8.63. Another agent said that it had no major concerns about the merger and did not believe it was against the public interest. However, it added that since there were currently only three main suppliers of travellers cheques in the UK the merger would reduce the market choice for retailers. It could lead also to less competitive margins for sales agents in the future.

## Trade unions

### Banking Insurance and Finance Union

8.64. The Banking Insurance and Finance Union (BIFU) said that from the start of talks about a possible merger Barclays and Cook had agreed to conduct negotiations with BIFU and other relevant unions on the basis that the Transfer of Undertakings (Protection of Employment) Act 1981 was applicable to the sale of the business. This meant that Cook had inherited all the rights and obligations of Barclays towards the staff, and in particular, the company was obliged to maintain jobs and terms and conditions of employment. BIFU pointed out that the interests of 140 employees were directly affected by the sale of the business. Cook's decision to relocate ISL's operations from Poole to Peterborough had meant even more uncertainty and disruption for individual members of staff and their families.

8.65. BIFU said that more than 60 staff had been redeployed to other local jobs by Barclays, and of the 82 ex-Barclays employees remaining, a further 40 or more were still seeking redeployment through this route. Although this option would remain open for several more months BIFU said that it was concerned about the future prospects of employees still applying for redeployment because some parts of ISL were relocating earlier than others.

8.66. BIFU added that in its dealings with Cook, Cook had used its best endeavours to respect the interests of staff, and this was encouraging for its future relationship with those persons who had chosen to remain with ISL.

H H LIESNER (*Chairman*)

C M BLIGHT

P BRENNAN

R HALSTEAD

J S METCALFE

A J NIEDUSZYNSKI (*Secretary*)

16 February 1995