

IN THE COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 122/LM/Nov07

In the matter between:

METROPOLITAN HOLDINGS LIMITED
Firm

Acquiring

and

DIRECTFIN SOLUTIONS (PTY) LTD

Target Firm

Panel : D Lewis (Presiding Member); Y Carrim (Tribunal Member);
and M Mokuena (Tribunal Member).

Heard on : 19 December 2007

Decided on : 19 December 2007

Reasons issued on : 19 December 2007

REASONS FOR DECISION

INTRODUCTION

[1] On 19 December 2007, the Tribunal unconditionally approved the merger between Metropolitan Holdings Limited and Directfin Solutions (Pty) Limited.

THE TRANSACTION

[2] The primary acquiring firm is Metropolitan Holdings Limited ("**Metropolitan**").

Metropolitan controls in excess of twenty subsidiaries in Southern Africa, including Metropolitan Life. It is not controlled by any firm in particular. Its main shareholders are: Kagiso Trust Investment (Pty) Ltd (21%); Metropolitan Employee Share Trust (5.4%); Public Investment Corporation (10.6%) and Sanlam (3.45%).

[3] The primary target firm is Directfin Solutions (Pty) Ltd ("**Directfin**"). Directfin is jointly controlled by its shareholders: Mr. David Anthony Lewis (33.3%); Mr. Raymond Leslie Potton (33.3%); and Mr. Joao Rui Figuera (33.3%). It controls, among others, Rapitrade 32 (Pty) Ltd (which operates a call centre in Bellville, Cape Town); and Directfin Trading Solutions (Proprietary) Ltd (Which provides training to employees of Directfin), both of which are part of this transaction.

[4] In terms of the Sale of Share Agreement Metropolitan is acquiring 70% shareholding in Directfin. As a result of the transaction Metropolitan will acquire control of Directfin.

RATIONALE FOR THE TRANSACTION

[5] Metropolitan, instead of establishing a new call centre which would take a long time before it becomes operational, has decided to acquire shareholding in Directfin which will make its business operate more efficiently and effectively. The sellers of the shares in Directfin are former employees of Metropolitan who had established the business, to a certain extent, with the assistance of Metropolitan. The sellers are essentially selling to Metropolitan a business that was previously outsourced to them.

THE PARTIES' ACTIVITIES

[6] Metropolitan is a financial services Group offering a range of long term insurance products.

[7] Directfin is involved in the marketing and telemarketing of short term and long term insurance products offered by various financial services institutions. Directfin currently

markets three of Metropolitan's long term insurance products.

COMPETITION ANALYSIS

[8] This transaction does not give rise to any horizontal effects, as there is no overlap in the activities of the parties.

[9] The transaction give rise to a vertical integration as Directfin markets Metropolitan products. However, the Commission submitted that such vertical integration is unlikely to result in any foreclosure as both parties have insignificant market shares in the markets in which they compete and that Directfin offered its services almost exclusively to Metropolitan, deriving 90% of its revenue from services rendered to Metropolitan. The parties also submitted that it is intended that Directfin will be permitted to continue marketing other insurers' products and that Metropolitan plans to increase Directfin's capacity in mid-2008.

[10] Given the above, we are of the view that the transaction is unlikely to lead to a substantial prevention or lessening of competition in the relevant markets.

CONCLUSION

[11] We find that the transaction does not raise any significant public interest issues and accordingly approve the merger without conditions.

D Lewis

19 December 2007
Date

Y Carrim and M Mokuena concurring.

Tribunal Researcher : P S Munyai

For the merging parties : Deney's Reitz Inc

For the competition commission : M Mohlala and Thaba Mavhase
(Mergers & Acquisitions)