

Beat: Business

## European Commission approves acquisition of TSB by Sabadell

### A spin-off of Lloyds Banking Group

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**USPA NEWS** - The European Commission has approved under the EU Merger Regulation the acquisition of TSB Banking Group plc, a British retail and commercial banking services provider, by Banco de Sabadell, S.A. of Spain. TSB is a spin-off of Lloyds Banking Group (Lloyds).

With the complete divestment of TSB, Lloyds has fulfilled a key measure under its restructuring plan to limit distortions of competition created by the public aid Lloyds received during the financial crisis. Having the backing of a larger banking group like Sabadell will enhance TSB's ability to compete as a challenger bank and stimulate competition in the British retail banking markets, to the benefit of UK consumers.

EU Commissioner in charge of competition policy Margrethe Vestager said that "Lloyds' recent progress, including the sale of its stake in TSB approved today, shows the effectiveness of EU state aid rules. Lloyds was able return to normality following the state support received. The Commission worked together with UK authorities to design a restructuring plan that ensured Lloyds' long-term viability and limited distortions to competition created by the aid."

TSB mainly provides retail banking services to individuals/households and commercial banking services to small and medium-sized enterprises in the UK. Sabadell provides banking and insurance services, mainly in Spain and is a new entrant in the UK markets. The Commission concluded that the proposed acquisition would raise no competition concerns because of the companies' moderate combined market shares and limited overlap on the markets concerned. The transaction was assessed under the simplified merger review procedure.

In 2009, the Commission approved state aid granted to Lloyds by the UK, on the basis of a restructuring plan for the bank. The UK state provided £17 billion in public support to Lloyds in 2008 during the financial crisis, which provided the necessary capital following the acquisition of HBOS. In the restructuring plan, Lloyds and the UK authorities committed to carve out and divest part of Lloyds' UK retail banking operations, branded TSB. This measure to offset the distortive effect of the state aid received, as required under EU rules on state aid for the restructuring of banks during the crisis, also had the purpose of stimulating competition in the British retail banking markets by introducing a new challenger bank.

Since June 2014, Lloyds has already sold a significant part of its stake in TSB through an initial public offering and subsequent disposals on the London Stock Exchange. Once the transaction with Sabadell is completed, Lloyds will no longer hold an ownership stake in TSB and will have fulfilled a key remaining requirement under its restructuring plan.

Lloyds Banking Group is one of Europe's largest financial services groups. It is the entity resulting from the acquisition of HBOS by Lloyds TSB. During the financial crisis, in late 2008, the UK Government facilitated the takeover of HBOS, which was close to bankruptcy, by Lloyds TSB. In the course of this process, Lloyds received high amounts of state aid, including a recapitalisation of £17 billion from the UK State against the issuance of ordinary and B Shares.

In May 2014, the Commission approved proposals by the UK authorities to amend conditions for the divestment of Lloyds' UK retail business, in the context of Lloyds's restructuring plan, as in line with EU state aid rules. This included a prolongation of the deadline for the disposal of TSB from 30 November 2013 to 31 December 2015. Lloyds had initially tried to divest TSB by proposing to transfer its customers, branches, assets and liabilities to a trade buyer with existing banking operations in the UK. However, no trade buyer could be found. The Commission also approved a reduction of the perimeter of the divestment as compared to the commitment in the original restructuring plan.

The Commission assessed the aid measures granted to Lloyds under the EU rules on state aid for the restructuring of banks during the crisis. These rules are aimed at restoring the long-term viability of banks, ensuring that the aid is limited to the minimum necessary to achieve this result without a waste of taxpayers' money and limiting the distortions of competition brought about by the subsidies, which give aided banks an advantage over their competitors who received no such state aid. Please also see the Commission's Policy

Brief "State aid to European banks: returning to viability" on the application of EU state aid rules in the banking sector.

**Article online:**

<https://www.uspa24.com/bericht-4135/european-commission-approves-acquisition-of-tsb-by-sabadell.html>

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