MEDIA RELEASE

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ACCC denies authorisation for ANZ to acquire Suncorp Bank

The ACCC has decided not to grant merger authorisation for ANZ Banking Group (ASX:ANZ) to acquire Suncorp Group's (ASX:SUN) banking arm.

Under the statutory test, the ACCC must not grant authorisation unless it is satisfied in all the circumstances that the proposed acquisition would not be likely to substantially lessen competition, or that the likely public benefits would outweigh the likely public detriments.

"We are not satisfied that the acquisition is not likely to substantially lessen competition in the supply of home loans nationally, small to medium enterprise banking in Queensland, and agribusiness banking in Queensland," ACCC Deputy Chair Mick Keogh said.

"These banking markets are critical for many homeowners and for Queensland businesses and farmers in particular. Competition being lessened in these markets will lead to customers getting a worse deal."

"Second-tier banks such as Suncorp Bank are important competitors against the major banks, especially because barriers to new entry at scale into banking are very high. Evidence we obtained strongly indicates that the major banks consider the second-tier banks to be a competitive threat," Mr Keogh said.

"The proposed acquisition of Suncorp Bank by ANZ would further entrench an oligopoly market structure that is concentrated, with the four major banks dominating. It also limits the options for second-tier banks to combine and strengthen in a way that would create a greater competitive threat to the major banks."

The ACCC today released its determination and an executive summary of its reasons. The full reasons will be released Monday following confidentiality checks with relevant parties.

Increased likelihood of coordination in Australian home loans market

"We are not satisfied that the acquisition is not likely to substantially lessen competition in the supply of home loans to Australian consumers," Mr Keogh said.

"We consider there is an increased likelihood of coordination between the four major banks in the supply of home loans should Suncorp Bank become part of ANZ. Coordinated market outcomes mean competition is muted at best, to the detriment of customers."

"A substantial lessening of competition in home loans would have major flow-on impacts to Australians with a mortgage. More than a third of Australian households have a mortgage, with loans totalling around two trillion dollars, illustrating how critical it is that competition in this market is not substantially lessened," Mr Keogh said.

“The proposed acquisition increases the likelihood that the major banks adopt a ‘live and let live’ approach to each other, aimed at maintaining or protecting their existing market shares. This is instead of competing strongly on price, innovation and the quality of their service and products to win customers.”

The ACCC considers the Australian home loans market is already at risk of coordination between the major banks for a number of reasons, including banks’ ability to price signal, the similarities of the major banks in terms of size and structure, the stability of the existing market structure and high barriers to entry.

“While there is evidence of increased competition in the home loans market recently, including in the form of cash-back offers to consumers, we are not persuaded that this level of competition will continue,” Mr Keogh said.

“We note recent commentary by bank chief executives that they are stepping back from aggressive promotions. If this market was truly competitive, we would not expect to see banks publicly flagging plans to reduce the competitiveness of their offerings."

The acquisition of Suncorp Bank would boost ANZ’s market share in home loans to be above NAB, and closer to the Commonwealth Bank and Westpac. Increased symmetry between competitors can increase the likelihood of coordination, as there is less incentive to upset the status quo and try to win market share by aggressively competing for customers.

“If ANZ doesn’t acquire Suncorp Bank it will remain the smallest of the major banks, giving it a stronger incentive to disrupt any coordination in the market,” Mr Keogh said.

“The acquisition by ANZ would also remove the potential for a Bendigo and Adelaide Bank deal with Suncorp Bank. That potential combination would likely strengthen and diversify the competitive power of second-tier banks, reducing the likelihood of coordination.”

Small and medium business banking in Queensland

“Our assessment found that the supply of small to medium enterprise banking services in Queensland is already concentrated. The acquisition would significantly increase ANZ’s market share,” Mr Keogh said.

“We are not satisfied there would not be a likely substantial lessening of competition in small to medium-sized business banking in Queensland.”

“Suncorp Bank is an important competitor for business customers in Queensland. It offers a differentiated product with a strong focus on customer relationships and smaller businesses. That differentiated offer, and the competitive benefits it brings for Queensland businesses, will not be available if ANZ acquires Suncorp Bank,” Mr Keogh said.

Agribusiness banking in Queensland

“We found agribusiness banking to have a strong local focus, with bankers typically visiting farmers and developing a detailed understanding of their requirements. We found agribusiness customers value specialised banking services with local knowledge and industry expertise,” Mr Keogh said.

“Suncorp Bank is a vigorous agribusiness banking competitor in many local areas of Queensland, and in particular competes strongly and directly against ANZ in areas such as Ayr, Bundaberg, Cairns, Dalby, Emerald, Mackay, Rockhampton, Roma, Goondiwindi, Townsville, and Toowoomba.”

“Agribusiness banking services in Queensland are already concentrated. Removing Suncorp Bank’s independent presence will likely lead to worse offerings being made to Queensland farmers,” Mr Keogh said.

The ACCC is not satisfied there would not be a likely substantial lessening of competition in agribusiness banking in Queensland.

The potential of Suncorp Bank combining with Bendigo and Adelaide Bank

In order to assess the competitive impact of a proposed acquisition, the ACCC considers the likely future state of competition with and without the proposed acquisition.

“In considering the likely outcomes if ANZ does not acquire Suncorp Bank, the ACCC considers there are two commercially realistic potential scenarios; that Suncorp Bank largely continues as it is now or that it merges with or is acquired by a second-tier bank, specifically Bendigo and Adelaide Bank,” Mr Keogh said.

“Suncorp Group’s own documents show that these were the two options that it considered as alternatives to the proposed sale of its banking arm to ANZ.”

Whether or not Suncorp Bank would combine with Bendigo and Adelaide Bank if the ANZ transaction does not go ahead was keenly contested by a range of stakeholders during the ACCC’s assessment.

The ACCC assessed the issue of a potential Suncorp Bank deal with Bendigo and Adelaide Bank very closely, and considered many witness statements, expert reports and internal emails and documents and questioned bank executives under oath.

“After undertaking this intensive assessment, the ACCC considers that there is a realistic prospect of a Suncorp Bank transaction with Bendigo and Adelaide Bank. We know Suncorp has extensively considered the option of a transaction with Bendigo and Adelaide in particular,” Mr Keogh said.

“While we are not saying such a merger between Suncorp Bank and Bendigo and Adelaide Bank will definitely occur if the ANZ deal does not proceed, we consider it is sufficiently likely that it is necessary to consider this scenario as part of the ACCC’s assessment.”

Public benefits

The ACCC accepts that ANZ would benefit from cost savings from the proposed acquisition and that Suncorp Group would benefit from being able to focus on its insurance business. There may also be prudential benefits from the transaction.

However the ACCC considers that those benefits do not outweigh the likely detriments, particularly competitive detriments likely to result from the proposed acquisition.

ANZ has also claimed benefits to Queensland’s economy through establishing a Brisbane tech hub and through increased lending to businesses in Queensland, including lending to support renewable energy targets and new energy projects.

“Based on a recent determination from the Australian Competition Tribunal, it may not be appropriate for us to take the claimed Queensland benefits into account. However, even when taken into account they are insufficient to offset the competitive harm,” Mr Keogh said.

“After taking into account all of the claimed benefits we are not satisfied they are enough to outweigh the likely significant detriments to competition in banking markets that have the potential to impact many Australian households and businesses."

Notes to editors

Under the Competition and Consumer Act, the legal test the ACCC must apply in an application for merger authorisation is different to the informal merger review process, which is the most common avenue merger parties use to seek the ACCC’s views on a proposed acquisition.

Under the statutory test for authorisation, the ACCC must not grant authorisation unless it is satisfied in all the circumstances that the proposed acquisition would not be likely to substantially lessen competition, or that the likely public benefits would outweigh the likely public detriments.

More information on the different legal tests can be found in the ACCC’s Merger guidelines.

Details on the process for a merger authorisation assessment can be found here: Merger authorisation guidelines.

Authorisation decisions by the ACCC can be appealed to the Australian Competition Tribunal.

Background

On 2 December 2022, the ACCC received an application for merger authorisation from ANZ in relation to its proposal to acquire Suncorp Bank.

The ACCC issued a statement of preliminary views on 4 April 2023.

The proposed acquisition involves ANZ acquiring the banking arm of Suncorp Group. Suncorp Group also owns and operates insurance businesses in Australia and New Zealand. Those insurance businesses do not form part of the proposed acquisition and will continue to be operated by Suncorp Group.

The ACCC sought the views of a range of interested parties including providers of banking and financial services, consumer organisations, and brokers and aggregators.

Submissions and expert reports are available on the ACCC’s public register, except if information has been excluded for confidentiality or other reasons.

In addition to the ACCC’s review, the proposed acquisition is subject to Federal Treasurer approval under the Financial Sector (Shareholdings) Act and Queensland legislative amendments.

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