

Anticipated acquisition by Visa International Service Association of Plaid Inc.

Decision on relevant merger situation and substantial lessening of competition

ME/6886/20

The CMA's decision on reference under section 33(1) of the Enterprise Act 2002 was given on 24 August 2020. Full text of the decision published on 5 October 2020.

Please note that [X] indicates figures or text which have been deleted or replaced in ranges at the request of the parties or third parties for reasons of commercial confidentiality.

SUMMARY

1. On 12 January 2020, Visa International Service Association, a wholly-owned subsidiary of Visa Inc. (**Visa**) agreed to acquire Plaid Inc. (**Plaid**) (the **Merger**). Visa and Plaid are together referred to as the **Parties** and, for statements referring to the market position if the Merger were to be completed, the **Merged Entity**.
2. Visa is a global supplier of a variety of electronic payment technologies, historically providing core solutions for consumer-to-business (**C2B**) payments.
3. Plaid is a US-based technology platform provider that focuses on enabling third party software applications and services (eg fintech developers) to connect with users' payment accounts through a suite of Application Programming Interfaces (**APIs**). In the UK, Plaid is authorised by the UK Financial Conduct Authority (**FCA**) to provide account information services (**AIS**) and payment initiation services (**PIS**):
 - (a) AIS provide a payment service user (typically a consumer) with aggregated online information in relation to different payment accounts held with the same or different payment service providers. This is intended to enable the

- payment service user to have an immediate overall view of its financial situation at any given moment.
- (b) PIS enable a payment initiation service provider to reliably signal to a payee that a payment has been initiated, thereby giving the payee comfort to complete a transaction (eg to release the goods or to deliver the service) without undue delay. Such services therefore enable consumers (ie end-users) to pay merchants (ie businesses, such as retailers and fintech developers) directly from a bank account, without using a debit or credit card. This is a low-cost solution for merchants and consumers, and provides consumers with the ability to shop online without a payment card.
4. For the purposes of the jurisdictional assessment of the Merger, the Competition and Markets Authority (**CMA**) believes that it is or may be the case that each of Visa and Plaid is an enterprise and that these enterprises will cease to be distinct as a result of the Merger.
 5. The CMA believes that the share of supply test is or may be met on the basis that the Parties overlap in the supply of services enabling C2B payments (including card-based payments and account-to-account (**A2A**) payments but excluding cash and cheques) in the UK. Visa provides these services primarily through its global card payment processing network (VisaNet). Plaid provides such services through its PIS offering. On this basis, the Parties have a combined share of supply of [60-70%], with an increment of [0-5]% brought about by the Merger, based on the number of transactions by UK card- and account-holders and successful payment requests made by UK customers using Plaid's PIS offering.
 6. The CMA therefore believes that it is or may be the case that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
 7. The CMA's assessment involves a comparison of the prospects for competition with the merger against the competitive situation without the merger. In this case, the CMA assessed the Merger against the prevailing conditions of competition but, in light of the dynamic nature of the sector, carefully considered the Parties' respective commercial strategies absent the Merger (including Plaid's expected growth in the UK) within its competitive assessment.

C2B payments

8. The Parties' activities overlap in the supply of services enabling C2B payments in the UK through:

- (a) VisaNet, an end-to-end solution for the processing of credit and debit card payments (**card-based payments**) historically focused on core C2B payments; and
 - (b) Plaid's PIS offering, which enables the initiation of real-time A2A payments without a user having to leave the third party application or website interface (**PIS-enabled payments**). In the UK, PIS-enabled payments are processed on the low-cost Faster Payments Service (**FPS**) network.
9. The CMA has assessed the impact of the Merger on the supply of services enabling C2B payments (including card-based payments and PIS-enabled payments but excluding cash and cheques) in the UK. The available evidence indicates that there is already some demand-side substitution between card-based payments and PIS-enabled payments, and that this is likely to increase in future. The CMA also found that there is a degree of segmentation within the supply of services enabling C2B payments in the UK, and therefore sought to reflect the differences between card-based payments and PIS-enabled payments (as well as the possible interactions between these two segments) within its competitive assessment.
10. PIS-enabled payments remain at a relatively nascent stage of development within the UK but are increasingly gaining traction, in large part as a result of open banking regulations. The evidence available to the CMA indicates that the PIS-enabled payments segment is dynamic and rapidly evolving; the number of PIS providers active in the UK continues to grow, with a significant number of fintech developers and traditional payment providers (such as Visa, Mastercard, PayPal and American Express) entering the space in an attempt to capture new revenue opportunities. The CMA also found that consumers and merchants increasingly perceive PIS-enabled payments to be a viable alternative to card-based payments for C2B payments, and that the penetration of PIS-enabled payments is likely to continue in the future.

Loss of dynamic competition for the supply of services enabling C2B payments

11. The CMA assessed whether, and to what extent, the Merger could eliminate competition between Plaid's PIS-enabled C2B payments and Visa's card-based C2B payments. The concern under this theory of harm is that the removal of Plaid as an emerging competitor to Visa could allow the Merged Entity to increase prices, lower quality, reduce the range of its services and/or reduce innovation.
12. While Plaid is currently a relatively small player in C2B payments in the UK, the CMA found that there is already a material degree of competitive

interaction between the Parties within the supply of services enabling C2B payments, evidenced by the extent to which Plaid targets its account funding business at merchants currently using Visa's card-based payments. The CMA also found that the available evidence indicates that PIS-enabled payments will compete more closely with card-based payments in future, and that Plaid is well-placed to become an important PIS provider in the UK because of the capabilities it possesses, such as its existing international reach.

13. The CMA also found, however, that Plaid is one of a large number of PIS providers already active in the UK and that several of these providers, such as TrueLayer, Tink AB (**Tink**), Token.io and Yapily, possess similar (or stronger) competitive capabilities, and potential to develop further, to Plaid. The CMA also found that new PIS providers continue to enter the market and that existing PIS providers seek to expand in a variety of ways, including through partnerships with traditional payment providers. On this basis, the CMA considers that several PIS providers will continue to compete with the Merged Entity in the supply of services enabling C2B payments post-Merger. The CMA notes, in this regard, that the open banking regime in the UK, which standardises PIS APIs, is generally liable to facilitate the entry and expansion of PIS providers within the UK market (albeit while not eliminating competitive differentiation between providers or removing barriers to entry and expansion completely).
14. Finally, the CMA believes that other card operators, self-supply (eg by banks and merchant acquirers building their own PIS solutions), and payment applications are well-placed to constrain the Merged Entity's C2B payment offering, at least to some extent.
15. Taking the aggregate impact of these constraints in the round, the CMA believes that the Merger does not give rise to a realistic prospect of a substantial lessening of competition (**SLC**) in the supply of services enabling C2B payments as a result of the elimination of the competitive constraint imposed by Plaid on Visa.

Foreclosure of rival PIS providers

16. The CMA also assessed whether the Merged Entity could leverage Visa's position in card-based payments to foreclose rival PIS providers by tying or bundling the Merged Entity's card services with its PIS offering. The concern under this theory of harm is that the Merged Entity could foreclose rival PIS providers, allowing the Merged Entity to increase prices, lower quality, reduce the range of its services and/or reduce innovation in the supply of services enabling C2B payments, in particular in the PIS-enabled payments segment.

17. The available evidence indicates that Visa holds a significant degree of market power in the supply of services enabling C2B payments, with a particularly strong position in the processing of debit card payments. The CMA also found evidence that the ability of the Merged Entity to pursue a foreclosure strategy would, however, be limited by the fact that merchant acquirers and merchants often source payment options from multiple suppliers. The CMA also found that large merchants may seek to offer PIS-enabled payments to their customers by partnering directly with PIS providers, rather than via merchant acquirers (and that the incentive to purchase PIS-enabled payments and card-based payments is limited).
18. The CMA also further believes that there are effective and timely counterstrategies that rival providers of PIS could deploy in order to avoid foreclosure, including entering merger or partnership arrangements with acquirers or other significant payment providers with existing connections with merchants to facilitate customer acquisition. The CMA also notes that Visa's main competitor, Mastercard, could also produce a competing bundle (and has already taken some steps to do so).
19. On this basis, the CMA found that the Merged Entity would not have the ability to foreclose rival PIS providers.
20. As the CMA found that the Merged Entity would lack the ability to foreclose rival PIS providers, it has not been required to consider whether the Merged Entity would have the incentive to pursue such a strategy. For completeness, the CMA notes, however, that the pursuit of this kind of leveraging strategy in the UK does not form part of the rationale for the Merger, as set out in the deal rationale documents, and that there is no indication elsewhere in Visa's internal documents that Visa could pursue such a foreclosure strategy.
21. Therefore, the CMA believes that the Merger does not give rise to a realistic prospect of an SLC in the supply of services enabling C2B payments as a result of the foreclosure of rival PIS providers by the Merged Entity.

Decision

22. As a result, the CMA does not believe that it is or may be the case that the Merger may be expected to result in an SLC in the supply of services enabling C2B payments in the UK.
23. The Merger will therefore **not be referred** under section 33(1) of the Enterprise Act 2002 (the **Act**).

ASSESSMENT

Parties

Visa

24. Visa is a global payment technology company, historically providing core electronic payment solutions for C2B payments.¹ Visa had a worldwide turnover of approximately £18.69 billion in financial year 2019, [X] of which was generated in the UK.² Visa is listed on the London Stock Exchange.ⁱ
25. In the UK, Visa offers a large suite of payment-related products and services, including:
- (a) **VisaNet**, a global card payment processing network which enables the authentication and processing (ie clearing and settlement) of credit and debit card C2B payments;³
 - (b) **Visa Direct**, a real-time 'push' payments solution that allows member banks to enable primarily businesses and payment service providers to push funds (eg disbursements and international remittances) from an originator's account to a receiving account via the account card credentials;⁴ and
 - (c) **Earthport**,⁵ a software platform that enables cross-border A2A payments. Earthport is licensed in the UK and the European Union (**EU**) to provide connectivity between banks, corporates and Automated Clearing Houses (**ACH**).⁶ Visa acquired Earthport in May 2019 and is currently integrating the business into its Visa Direct offering to enable cross-border A2A payment processing.⁷ This will expand Visa Direct's use cases to include, *inter alia*, payroll, international person-to-person (also referred to as peer-to-peer (**P2P**)) payments, and business-to-consumer (**B2C**) disbursement and remittances.
26. Card-based payments typically involve the following parties in what is called a four-party model: (i) merchant acquirer; (ii) payment processor; (iii) payment

¹ Final Merger Notice submitted by the Parties on 23 June 2020 (**Final Merger Notice**), paragraphs 14–16, 47, 363–367.

² Final Merger Notice, paragraph 210.

³ Final Merger Notice, paragraphs 47 and 51–52.

⁴ Final Merger Notice, paragraphs 50–54.

⁵ Since its acquisition by Visa, Earthport has been renamed Visa Payments Limited. For the sake of clarity, the CMA refers to it as 'Earthport'.

⁶ Final Merger Notice, paragraphs 48 and 55–58.

⁷ Final Merger Notice, paragraphs 59–63

gateway; and (iv) issuer. In this model, the split of fees between these parties varies significantly depending on the payment type, the parties involved, the acquirer model and whether it is domestic or cross-border.⁸

27. While Visa's main focus area has historically been in card-based payment solutions, Visa's internal documents demonstrate that, with the recent acquisition of Earthport and now the agreement to acquire Plaid, Visa is progressively moving away from a purely card-based offering to also support A2A payments (including PIS-enabled payments). Visa's ambition to become a [REDACTED] means that, irrespective of the type of payment (ie A2A, card-to-card or a hybrid), Visa will be able to offer technology (ie VisaNet, Visa Direct, Earthport, Plaid) to move money, whether through Visa branded rails⁹ or non-Visa rails, [REDACTED]. Visa refers to this as its 'network of networks money movement strategy' or 'network of networks strategy'.^{10,11}

Plaid

28. Plaid is a US-based technology platform provider that focuses on enabling third party software applications and services (eg fintech developers) to connect with users' payment accounts.¹² Plaid had a worldwide turnover of approximately [REDACTED] in financial year 2019, approximately [REDACTED] of which was generated in the UK.¹³
29. Plaid operates in the UK through Plaid Financial Limited (**Plaid UK**). Plaid UK, a wholly-owned subsidiary of Plaid, is an Authorised Payment Institution (**Authorised PI**), first registered in October 2018 and now licensed by the FCA to provide AIS and PIS.^{14,15}
30. On 13 January 2018, AIS and PIS became regulated payment services. In the UK, businesses that do not intend to provide any payment services other than AIS may apply to be registered account information service providers (**RAISPs**). RAISPs are able to provide AIS in other European Economic Area (**EEA**) member states through a passport granted by the FCA. Businesses

⁸ Final Merger Notice, paragraph 180.

⁹ This refers to payment rails which are defined as a payment platform or a payment network that ensures the flow of funds from a payer (eg a consumer) to a payee (eg a merchant).

¹⁰ Final Merger Notice, paragraphs 40, 148, 159 and 349. [REDACTED]; [REDACTED]; [REDACTED]; [REDACTED].

¹¹ One Visa internal document, for example, notes that through its network of networks strategy Visa will '[REDACTED]', '[REDACTED]' and that '[REDACTED]' ([REDACTED]). The CMA notes that B2B refers to business-to-business.

¹² Final Merger Notice, paragraphs 17–18 and 78–79.

¹³ Final Merger Notice, paragraph 211.

¹⁴ Plaid publicly launched its first UK offering (AIS APIs) in May 2019 and its PIS offering at the end of April 2020.

¹⁵ Final Merger Notice, paragraph 97 and Plaid's FCA registration webpage, available at: <https://register.fca.org.uk/s/firm?id=0010X000049JuDPQA0> (accessed on 24 August 2020).

that intend to provide PIS only or PIS as well as other payment services must apply to be authorised as payment institutions by the FCA.¹⁶

31. Plaid UK has 11 current agents;¹⁷ Plaid registers certain of its fintech customers as agents when those customers want to provide AIS but are not authorised or registered in their own name. From a liability perspective, Plaid is responsible for anything done or omitted by its agents in the provision of payment services (eg AIS).¹⁸
32. Through its passport, Plaid UK is authorised to provide AIS in Denmark, Finland, Germany, Italy, Norway, Poland and Sweden; and can offer both AIS and PIS in France, Ireland, Netherlands and Spain.¹⁹
33. In the UK, Plaid offers the following services:
 - (a) **AIS**: Plaid retrieves account data from financial institutions to share with fintech applications and financial services providers through five AIS API products (Transactions; Auth; Balance; Identity; and Assets) which liaise with the application user's bank account. Use cases include personal finance, business finance, lending, banking applications, or renting. The [X] of Plaid's current customer base in the UK is in AIS;²⁰ and
 - (b) **PIS**: Payment initiation enables the initiation of real-time A2A payments without the user having to leave the third party application interface or website and at low cost. In this Decision, the CMA refers to this particular type of A2A payments as PIS-enabled payments.²¹ Use cases for PIS-enabled payments include: account funding (eg digital wallet), bill and invoice payments, and online payments (eg e-commerce). The evidence available to the CMA indicates that Plaid currently has [X] PIS customers in the UK, [X].²² [X] companies accept payments from consumers.
34. The Parties submitted that a PIS-enabled payment proceeds through several stages:

¹⁶ See FCA's website, available at: <https://www.fca.org.uk/firms/apply-emi-payment-institution> (accessed on 24 August 2020).

¹⁷ Agents are companies that act on behalf of an Authorised PI or RAISP in the provision of regulated payment services. All Authorised PIs and RAISPs may provide payment services through agents provided that they register them with the FCA first.

¹⁸ Final Merger Notice, paragraphs 294–299.

¹⁹ Plaid's FCA registration webpage, available at: <https://register.fca.org.uk/s/firm?id=0010X000049JuDPQA0> (accessed on 24 August 2020).

²⁰ Final Merger Notice, paragraphs 85–93.

²¹ PIS-enabled payments are processed in the UK on FPS rails. FPS is an interbank payment system that allows near real-time payments. FPS is operated by Faster Payments Scheme Limited.

²² Final Merger Notice, paragraphs 106 and 267.

- (a) The application user provides explicit consent to the PIS provider (eg Plaid) to initiate the transaction;
- (b) The PIS provider then accesses the application user's payment account to confirm that the funds are available and creates a payment order;
- (c) Once the payment order is created, the PIS provider confirms that the payment is being initiated;
- (d) On the back-end, the application user's bank processes the payment by using its preferred rail and/or payment processor and moves the funds directly to the merchant's bank.²³

Transaction

- 35. On 12 January 2020, the Parties entered into an agreement to merge Perth Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Visa International Service Association, with and into Plaid for a total purchase consideration of approximately \$5.3 billion.²⁴ Following the Merger, Plaid will be indirectly controlled by Visa.²⁵
- 36. The Parties informed the CMA that the Merger is also subject to review by the US Department of Justice.²⁶

Rationale for the Merger

Parties' submissions on rationale

- 37. The Parties submitted that the Merger will:
 - (a) Open new market opportunities for Visa both in the US and internationally and enable Visa to deliver new services relating to A2A payments to its wide customer base (eg financial institutions, acquirers) by enhancing Plaid's current API products in the UK and integrating various payment functionality and value-added services related to security, identity and dispute resolution;

²³ Final Merger Notice, footnote 109.

²⁴ Final Merger Notice, paragraphs 20–22. All of Plaid's outstanding capital stock, options, restricted stock units and warrants shall be converted into the right to receive the consideration. The consideration includes approximately \$5 billion in cash and a retention equity and deferred equity consideration of approximately \$300 million.

²⁵ Final Merger Notice, paragraph 13.

²⁶ Final Merger Notice, paragraph 41.

- (b) Provide the opportunity to deliver enhanced capabilities and related value-added services to fintech developers through leveraging Visa's longstanding global expertise in fraud prevention, cyber risk management and secure data management; and
- (c) Enable Visa to strengthen its relationships with fintechs by enabling them to enhance the services offered to their customers and work more closely with fintechs through all stages of their development.²⁷

CMA's assessment of internal documents relevant to the rationale for the Merger

- 38. The CMA reviewed a significant volume of internal documents in relation to the rationale for the Merger, including documents on Visa's 'network of networks' strategy (ie Visa's strategy aiming at remaining a preferred network for its customers, and to meet their needs regardless of the type of transaction, including A2A payments).
- 39. Overall, the CMA found Visa's internal documents to be consistent with Visa's submissions that its rationale was driven by this strategy.
- 40. More specifically, the internal documents demonstrate that the Merger is – at least partly – intended [REDACTED] to (i) avoid or mitigate disintermediation risks²⁸ and (ii) [REDACTED].^{29,30} Reports by industry analysts also highlight the defensive nature of the Merger,³¹ and that the Merger is a key pillar of Visa's network of networks strategy.³²

²⁷ Final Merger Notice, paragraphs 3, 38–40 and Parties' response to the CMA's Issues Paper dated 29 July 2020 (the **Issues Paper**), paragraph 9.

²⁸ The CMA understands that disintermediation risks refers to the addition of an intermediary between consumers and their respective banks. This can, for example, result in [REDACTED].

²⁹ Visa's initial analysis of the Merger identified [REDACTED] ([REDACTED]).

³⁰ One Visa internal document estimates [REDACTED] ([REDACTED]). Also, [REDACTED]; [REDACTED] and [REDACTED].

³¹ Atlantic Equities notes 'Our view. This is partly a defensive move as Visa needs to maintain share with faster growth fintech card issuers and is willing to pay a high price for those connections' (VISACMAS109-0000227 'Atlantic Equities - V_ Plaid acquisition strengthens fintech relationships - 1.14.20', page 1). Compass Point believes that the Plaid acquisition is 'an effort by Visa to get in front of potential disruption' and 'is part of a continued push by the card-networks to transition into a post-card world' (VISACMAS109-0000239 'Compass - A Deep Dive on Plaid- Visa Earns its Fintech Stripes - 1.16.20', page 1).

³² Cowen notes 'V estimates that new payment flows in B2B, B2b, B2C, P2P and G2C have expanded its addressable [Total Addressable Market] -beyond the traditional cash and TAM – by 10x to \$185T' (VISACMAS109-0000241 'Cowen - V INVESTOR DAY TAKEAWAYS - SUSTAINABLE GROWTH ENGINE - 2.11.20', page 4). JP Morgan's view is that 'Plaid is Visa's boldest move to support its network of networks strategy' (VISACMAS109-0000250 'JPM - Plaid Acquisition An Important Strategic Step Given Rise of Fintechs and Open Banking - 1.13.20', page 1). Per Moffet Nathanson's report: 'In Plaid, Visa found a rare beast. [...] Plaid will help boost Visa's expansion into new Payment flows by augmenting and creating new use cases for Visa Direct' (VISACMAS109-0000255 'Moffett - Visa + Plaid - A Rare Beast - 1.16.20', page 2). Stephens' Research Brief notes 'Think Plaid deal signals deeper commitment to non-card/account-to-account payments/network of networks (augmenting Earthport acct-to-acct connections, B2B Connect, and PayPal)' (VISACMAS109-0000262 'Stephens - V_ \$5 bil. For Plaid A2A, ID'ing_Data, Fintech, Open Banking; Helps Val Vs. MA - 1.14.20', page 2).

41. Visa submitted that this disintermediation risk refers to the risk that Visa might lose the opportunity to compete for services relating to A2A payments.³³ The CMA found, however, that evidence from Visa’s internal documents suggests that this disintermediation risk would also affect Visa’s card-based payments. In addition, the CMA found that evidence from internal documents indicates that the risk of disintermediation is not limited to a competitive pressure from Plaid (or even just PIS-enabled payments), but more broadly stems from other players active outside PIS (eg [REDACTED]),³⁴ A2A payments (also referred to as pay-by-bank) more generally,³⁵ and account connectivity through open banking as a whole.³⁶
42. Lastly, the CMA found that the rationale for the Merger is primarily US-driven. While active globally, Visa’s core market remains the US, where it still generates nearly half of its consolidated revenues.³⁷ Visa’s internal documents heavily focus on the benefits of the Merger in the US, owing to Plaid’s strong position as a [REDACTED].³⁸ The US focus of the Merger is also reflected in [REDACTED].

CMA’s assessment of Visa’s valuation

43. The Parties submitted that Visa’s valuation methodology, which places a premium on Plaid’s services and growth potential, can be reconciled with past funding rounds under reasonable assumptions.³⁹
44. The CMA regards Visa’s \$5.3 billion valuation of Plaid to be indicative of its high expectations for Plaid’s growth prospects and commercial success and its view that Plaid has a ‘sophisticated, best-in-class FI connectivity [which] provides continuity in the US business and a powerful starting point for entry into new geographies [and] powers a differentiated developer and user experience’.⁴⁰

³³ Parties’ response to the Issues Paper, paragraph 13.

³⁴ For example, [REDACTED]; [REDACTED]; [REDACTED].

³⁵ Visa’s internal documents specifically mention [REDACTED] (For example, [REDACTED]; [REDACTED] or [REDACTED]).

³⁶ One Visa internal document summarises: ‘[REDACTED]’ ([REDACTED]). Also, [REDACTED].

³⁷ In FY19, Visa generated 45% of its revenues in the US only, with US and International net revenues accounting for \$10,279 million and \$12,698 million, respectively. Visa’s Form 10-K for the fiscal year ended 30 September 2019, available at:

<https://www.sec.gov/ix?doc=/Archives/edgar/data/1403161/000140316119000050/v093019form10k.htm> (accessed on 24 August 2020).

³⁸ For example, [REDACTED]; [REDACTED]; [REDACTED]; [REDACTED]; [REDACTED]; [REDACTED]; [REDACTED]; and [REDACTED].

³⁹ Parties’ response to the Issues Paper, paragraphs 15–16; Confidential Annex 1 submitted with the Parties’ response to the Issues Paper, pages 20–22.

⁴⁰ [REDACTED].

45. The available evidence shows that the discounted cashflow valuation model that was used to arrive at the \$5.3 billion valuation features ambitious growth assumptions, particularly:
- (a) [REDACTED] revenue growing from [REDACTED] in 2019 to [REDACTED] in 2024;
 - (b) [REDACTED] revenue growing from [REDACTED] in 2019 to [REDACTED] in 2024; and
 - (c) A perpetual growth rate of [REDACTED]% applied to future growth (outside of the forecast period).⁴¹
46. Finally, the CMA found that a large proportion (over [REDACTED]%) of the valuation stems from Plaid’s existing US connectivity business,⁴² driven by the quality and scale of the connectivity network Plaid has built in the US.⁴³ The CMA understands that the US, in contrast to the UK and the EU, currently lacks open banking regulations that allow connectivity to be achieved through open APIs, and is also characterised by a highly fragmented retail banking landscape. The CMA further understands that this makes connecting to a sizeable number of financial institutions – and therefore operating at scale – a significant technical challenge (and therefore that a strong network of established connections is likely to be considered as an asset of material commercial importance).
47. By contrast, Plaid’s UK business is forecasted to account for only approximately [REDACTED]% of Plaid’s total projected revenues within Visa’s 10-year forecast of revenues and costs associated with the Merger.⁴⁴ While negligible in percentage terms, the CMA notes that in absolute terms Visa estimated that Plaid’s UK business would generate revenues of [REDACTED] in 2024 (as against [REDACTED] in 2019), representing [REDACTED] increase in Plaid’s UK business revenues over the next five years.⁴⁵

Procedure

48. The CMA’s mergers intelligence function identified this transaction as warranting an investigation.⁴⁶

⁴¹ [REDACTED]; [REDACTED]; [REDACTED].

⁴² This broadly equates to Plaid’s AIS offering in the UK.

⁴³ [REDACTED]; [REDACTED]; [REDACTED].

⁴⁴ Final Merger Notice, paragraph 25; [REDACTED]; [REDACTED].

⁴⁵ CMA analysis based on [REDACTED].

⁴⁶ *Mergers: Guidance on the CMA’s jurisdiction and procedure*, January 2014 (CMA2), paragraphs 6.9–6.19 and 6.59–60.

49. The Merger was considered at a Case Review Meeting.⁴⁷

Background

Regulatory environment

50. The [EU Second Payment Services Directive \(PSD2\)](#) came into effect on 13 January 2018.⁴⁸ It enables regulated third party providers, such as Plaid and its competitors, with an account holder's consent, to access the account holder's bank account information and/or request payments using open APIs made available by banks. It aims to attract new providers and technology companies to offer payment services and create more innovative services for consumers, ranging from account data aggregation (through AIS⁴⁹) to low-cost alternative payment solutions (through PIS⁵⁰).
51. The adoption of open, common API standards was mandated for the largest British and Northern Irish banks (the **CMA 9 banks**) by the CMA, following its 2016 Market Investigation into retail banking and the publication in February 2017 of the [Retail Banking Market Investigation Order 2017](#). This, like PSD2, allows consumers to share their bank transaction data with trusted third parties but, unlike PSD2, requires the CMA 9 banks to use common and open standards for APIs (**Open Banking APIs**). These APIs could then be accessed via entities that have been registered or authorised with the FCA, in order to access financial data or initiate a PIS-enabled payment with the account holder's explicit consent.
52. Responsibility for the design and the implementation of these standards was assigned to the Open Banking Implementation Entity (**OBIE**) and the banks began their adoption in January 2018.⁵¹ The standards themselves are publicly available.⁵² In addition to the CMA 9 banks, which were required to adopt Open Banking APIs, the same standards have also been adopted

⁴⁷ CMA2, from paragraph 7.34.

⁴⁸ The rules effectively began to apply on 13 January 2018, the date by which the member states of the EU were required to adopt and publish the measures necessary to comply with PSD2. It was not until September 2019 that the Regulatory Technical Standards for strong customer authentication were implemented, and a transition period was subsequently allowed for its adoption.

⁴⁹ PSD2, recital 28 reads: 'Account information services provide the payment service user with aggregated online information on one or more payment accounts held with one or more other payment service providers and accessed via online interfaces of the account servicing payment service provider. The payment service user is thus able to have an overall view of its financial situation immediately at any given moment.'

⁵⁰ PSD2, recital 29 reads: 'Payment initiation services enable the payment initiation service provider to provide comfort to a payee that the payment has been initiated in order to provide an incentive to the payee to release the goods or to deliver the service without undue delay. Such services offer a low-cost solution for both merchants and consumers and provide consumers with a possibility to shop online even if they do not possess payment cards.'

⁵¹ The incorporated name of the OBIE is Open Banking Limited.

⁵² On the OBIE's website, available at: <https://standards.openbanking.org.uk/> (accessed on 24 August 2020).

voluntarily by smaller banks, with the result that open banking functionality is now available to more than 98% of UK current account-holders.⁵³

53. As of 20 August 2020, there were approximately 175 providers of open banking services in the UK authorised or registered to provide AIS and 78 providers authorised to offer PIS. A number of entities are authorised to provide both AIS and PIS (such as Plaid, TrueLayer, Token.io, Tink, Yapily and also Google Payment and American Express).⁵⁴ The provision of AIS and PIS in the UK is regulated by the [Payment Services Regulations 2017](#).
54. PSD2 connections are being developed throughout the EU, although regulations in other member states of the EU are not necessarily as advanced as in the UK. The UK regime is fairly unique in that the CMA 9 banks are required to use standardised APIs (ie Open Banking APIs), which is not the case in other member states. This means that while the customer experience is relatively consistent in all member states, the developer journey to connect and retrieve data from a consumer's bank account may not be as seamless as it is in the UK and may necessitate the development and use of proprietary connections by AIS/PIS providers – a level of complexity that in turn increases the need for third party providers to provide the 'pipes' (ie the infrastructure technology to connect to APIs) to fintech developers.⁵⁵
55. Card-based payments are also regulated at national level, for example through the monitoring and enforcement of the [Interchange Fee Regulations 2015](#) by the Payment Systems Regulator (**PSR**) in the UK.

Market background

*Consumer payments*⁵⁶

56. The UK consumer payments sector is steadily growing. In 2019, UK consumers made 35.3 billion payments for a total value of £1,717 billion, an

⁵³ See Average API availability, available at: <https://www.openbanking.org.uk/providers/account-providers/api-performance/> (accessed on 24 August 2020).

⁵⁴ The full list is made public on the FCA's website, available at: <https://register.fca.org.uk/s/search?predefined=AIPISP> (accessed on 24 August 2020).

⁵⁵ In this regard, one competitor noted that open banking regulations have created some hurdles that make it more difficult for smaller fintechs to enter the financial services market, thereby increasing the need for third party providers to support those smaller firms by allowing them to piggy-back on their AIS/PIS licenses (as an agent) or by providing them the infrastructure to connect to these Open Banking APIs ([§]).

⁵⁶ Consumer payments refers to purchases and transfers made by consumers (by opposition to businesses) but not including those made to acquire cash.

increase of 7.6% in value terms and 1.3% in volume terms by comparison with 2018.⁵⁷

57. In 2019, debit card payments represented 47% of all UK consumer payments by volume, followed by cash (26%), direct debit (12%), credit/charge card (9%) and FPS (3%).⁵⁸
58. Debit cards are used for more than [40-50]% of payments in the retail, travel and entertainment sectors. They are also frequently used for payments to 'other businesses' such as sole traders, builders, schools and charities (used for [40-50]% of payments). They are also used for spontaneous financial payments⁵⁹ and P2P payments (used for [30-40]% and [20-30]% of payments respectively).⁶⁰
59. By contrast, business payments are dominated by Bacs⁶¹ direct credit (43%), followed by FPS (31%), direct debit (9%) and debit card (7%).⁶²

Card-based payments

60. Card-based payments consist of payments either by credit/charge card or debit card. Card-based payments accounted for 57% of all UK consumer payments (77% when cash and cheque payments are excluded) and 66% of spontaneous consumer payments (94% when cash payments are excluded) in 2019. Additionally, card-based payments are the most commonly used form of payment for conducting online C2B payments.
61. Based on data provided by UK Finance, the CMA estimates that Visa has a very strong market position at present, with a share of supply in services enabling C2B payments by volume (excluding payments by cash and cheque) of [60-70]% (see Jurisdiction section below, paragraph 105).
62. According to Verisk Financial's Country Report (research on cards and digital payments) for the UK, in the UK's debit card networks space, Visa has a share of [90-100]% both in terms of cards in issue and billed volume.

⁵⁷ UK Finance, 'UK Payment Markets 2020' report (June 2020), page 11 and 'UK Payments Markets 2019' report (June 2019), page 15.

⁵⁸ UK Finance, 'UK Payment Markets 2020' report (June 2020), page 11.

⁵⁹ For example, transferring money to a savings or ISA account or settling a credit card balance.

⁶⁰ UK Finance, 'UK Payment Markets 2020' report (June 2020), pages 23-24.

⁶¹ Bacs is an interbank payment system that processes payments through two principal electronic payment schemes: Direct Debit, which is used by individuals to pay bills, and Bacs Direct Credits, which are used by businesses to pay employee salaries and wages. Bacs Payment Schemes Limited operates the Bacs payment system.

⁶² UK Finance, 'UK Payment Markets 2020' report (June 2020), page 32.

Mastercard is the only other network in the UK debit card segment and holds a small share of both cards in issue and billed volume.⁶³

PIS-enabled payments

63. While still relatively nascent, the UK PIS sector is dynamic and rapidly evolving.
64. In 2020, approximately 22 new firms have been authorised by the FCA to provide PIS in the UK, including Afterbanks, Chip Financial, Coupay, Google Payment and Naudapay.⁶⁴
65. PIS-enabled payments in the UK are likely to change and improve over time. This is reflected by the OBIE's revised roadmap, which indicates that measures to ensure reverse payments, data privacy and security, and PIS customer protections will be implemented and monitored within the next two years.⁶⁵ Similarly, the PSR is also prioritising consumer protection and effective dispute resolution mechanisms for payments using FPS rails (such as PIS-enabled payments).⁶⁶
66. The Parties submitted that OBIE data estimates that a total of 430,000 PIS API requests were placed in the UK in December 2019. In May 2020, the number of PIS requests per month had nearly doubled over that 5-month period, reaching 824,012. This was accompanied by the increase of UK C2B payments made on FPS rails, the total volume of which grew by 24% between 2018 and 2019.⁶⁷ⁱⁱ
67. Several Visa internal documents highlight Visa's awareness of the trend towards A2A payments (of which PIS-enabled payments is one type), especially in the UK as a result of the open banking initiative.⁶⁸ For example, one presentation, entitled '[REDACTED]', indicates that '[REDACTED]'.⁶⁹ In a further internal

⁶³ Verisk Financial's Country Report for the UK (December 2019) includes in the total UK consumer payments market: cash, credit, cheque, direct debit and credit transfers (Annex 105 'Country Report United Kingdom', page 24).

⁶⁴ CMA analysis based on information available on the FCA's website, available at: <https://register.fca.org.uk/s/search?predefined=AIPISP> (accessed on 24 August 2020).

⁶⁵ See *Notice of approval of changes to the Agreed Timetable and Project Plan, Retail Market Investigation Order 2017*, page 3.

⁶⁶ See 'Consumer protection: Driving innovation and competition in real-time payments' (4 August 2020), available at: <https://www.psr.org.uk/psr-publications/news-announcements/consumer-protection-driving-innovation-and-competition-in-real-time-payments> (accessed on 24 August 2020).

⁶⁷ CMA analysis based on UK Finance, 'UK Payment Markets 2020' report (June 2020), page 10 and 'UK Payments Markets 2019' report (June 2019), page 13.

⁶⁸ [REDACTED]; and [REDACTED].

⁶⁹ [REDACTED].

document, Visa notes that the UK has a '[REDACTED]'.^{70,71} Another Visa internal document notes that '[REDACTED]', adding that, '[REDACTED]'.⁷²

68. The extent of investment in this space, particularly by traditional payment providers pursuing new revenue opportunities, also illustrates the rising interest in PIS-enabled payments and open banking technologies.⁷³ For example:

(a) Mastercard agreed to acquire Fincity in June 2020 (\$825 million) and Nets in August 2019 (\$3.19 billion). Fincity is, similarly to Plaid, a leading North American provider of real-time access to financial data, and the acquisition aims to strengthen Mastercard's existing open banking solutions by enabling expansion in North America and other key geographies. In its press release about the acquisition, the president of Mastercard, Michael Miebach, noted that 'Open Banking is a growing global trend and a strategically important space for us'.⁷⁴ Nets, on the other hand, is a leading European payment technology company; in its press release about the transaction, Mastercard noted that 'the addition of Nets technology strengthens Mastercard's existing A2A capabilities', in line with Mastercard's ambition to advance its 'leadership position as a multi-rail payments company'.⁷⁵ While not directly connected to open banking, this transaction strengthens Mastercard's position to deliver real-time A2A payment capabilities, which are typically rails on which PIS-enabled payments would be processed. Finally, Mastercard had previously invested \$[REDACTED] in Plaid in early 2019; the rationale for the investment was for Mastercard to help inform its strategy for penetrating the North America market.⁷⁶

⁷⁰ [REDACTED].

⁷¹ Real Time Payments (RTP) are also known as immediate or instant A2A payments.

⁷² [REDACTED].

⁷³ This is echoed by a significant number of industry analysts, for example: VISACMAS109-0000247 'Evercore - Visa Investor Day Highlights - Part 1 - 2.11.20'; VISACMAS109-0000227 'Atlantic Equities - V_ Plaid acquisition strengthens fintech relationships - 1.14.20.'; VISACMAS109-0000228 'Autonomous - Visa - They've gone to Plaid! - 1.13.20.'; VISACMAS109-0000241 'Cowen - V INVESTOR DAY TAKEAWAYS - SUSTAINABLE GROWTH ENGINE - 2.11.20). Compass Point's analysis of the Merger notes that this strategy of entering open banking is also an effort by companies like Visa or Mastercard to 'shape the direction of the industry' (VISACMAS109-0000239 'Compass - A Deep Dive on Plaid- Visa Earns its Fintech Stripes - 1.16.20', page 1).

⁷⁴ See 'Mastercard to acquire Fincity to advance Open Banking Strategy' (23 June 2020), available at: <https://investor.mastercard.com/investor-news/investor-news-details/2020/Mastercard-to-Acquire-Fincity-to-Advance-Open-Banking-Strategy/default.aspx> (accessed on 24 August 2020).

⁷⁵ See 'Mastercard advances its leadership position as a multi-rail payments company with the acquisition of Net's account-to-account payment business' (6 August 2019), available at: <https://investor.mastercard.com/investor-news/investor-news-details/2019/Mastercard-Advances-Its-Leadership-Position-as-a-Multi-Rail-Payments-Company-with-the-Acquisition-of-Nets-Account-to-Account-Payment-Business/default.aspx> (accessed on 24 August 2020).

⁷⁶ Note of call with Mastercard dated 5 May 2020.

- (b) PayPal has investments in Plaid⁷⁷ and Tink.⁷⁸ In January 2020, Tink raised an additional €90 million.⁷⁹
- (c) Visa, Tencent and Temasek are all investors in TrueLayer.⁸⁰ Visa acquired a minority shareholding in TrueLayer ([REDACTED]%) as part of the latter's fundraising round in June 2019.
69. The CMA also found evidence of a broader trend of providers of AIS and/or PIS entering into partnerships with larger incumbents in the financial services sector. For example:
- (a) Mastercard selected Token.io to power the connectivity layer of its open banking hub;⁸¹
- (b) Visa concluded partnerships with [REDACTED] and TrueLayer in the course of 2019;⁸²
- (c) PayPal recently expanded its partnership with Tink to include all countries within the EEA;⁸³
- (d) Yapily announced an agreement with American Express to 'assist in delivering its Pay with Bank Transfer payment initiation service across Europe;⁸⁴ and
- (e) Building on its equity investment, HSBC signed a 3-year global partnership with London-based Bud in December 2019, under which the bank will have

⁷⁷ PayPal owns [REDACTED]% of outstanding shares in Plaid. The rationale for PayPal's investment in Plaid was [REDACTED] (Note of call with PayPal dated 11 May 2020 and PayPal's e-mail to the CMA on 12 May 2020 21:59).

⁷⁸ PayPal owns [REDACTED]% of outstanding shares in Tink. PayPal invested in Tink [REDACTED] (Note of call with PayPal dated 11 May 2020; PayPal's e-mail to the CMA on 12 May 2020 21:59).

⁷⁹ See 'Open Banking platform Tink closes €90 million investment round to further support European expansion' (20 January 2020), available at:

https://assets.ctfassets.net/c78bhj3obgck/1J70JySD6no5qGbdCf628n/cff57cd447029ed903570c559a718542/Open_banking_platform_Tink_closes_90_million_investment_round_to_further_support_European_expansion.pdf (accessed on 24 August 2020).

⁸⁰ Final Merger Notice, paragraph 131.

⁸¹ See 'Mastercard selects Token.io as partner for Open Banking Hub' (13 February 2019), available at: <https://news.token.io/2019/02/13/mastercard-selects-token-io-as-a-partner-for-its-new-open-banking-hub> (accessed on 24 August 2020). Mastercard's Open Banking Connect is supported by Token.io. Token.io provides connectivity between Mastercard and banks' APIs (Note of call with Mastercard dated 5 May 2020). Parties' response to the Issues Paper, paragraph 74 and Confidential Annex 4 submitted with the Parties' response to the Issues Paper.

⁸² Final Merger Notice, paragraphs 123–135.

⁸³ See 'PayPal and Tink expand partnership across Europe' (3 June 2020), available at: <https://tink.com/blog/open-banking/paypal-tink-extend-partnership/> (accessed on 24 August 2020). [REDACTED]. PayPal works with Tink in the UK to access AIS (Note of call with PayPal dated 11 May 2020). Also, [REDACTED].

⁸⁴ See 'Yapily announces agreement with American Express to enable open banking payments across Europe' (13 August 2020), available at: <https://www.yapily.com/blog/yapily-announces-agreement-with-american-express-to-enable-open-banking/> (accessed on 24 August 2020).

access to Bud's open banking aggregation, data intelligence and marketplace API services.⁸⁵

70. In addition, several established financial services companies have started developing and offering their own PIS-enabled payment solution, including American Express (Pay with Bank transfer), Mastercard (through its Pay by Bank application and Open Banking Connect), NatWest (PayIt) and HSBC.
71. The CMA's merger investigation shows that early adopters in the UK have been using PIS-enabled payments for charitable donations, and there are some instances of airline companies (eg KLM) having used a PIS-enabled payment method.⁸⁶ The CMA's merger investigation also shows that PIS-enabled payments are expected to penetrate e-commerce payments and be strong alternatives to card-based payments, as further explained in the section on the competitive assessment of the Merger.
72. Based on the available evidence, PIS-enabled payment use cases are expected to continue growing (as the Parties have recognised in their submissions to the CMA throughout this investigation).⁸⁷ For example, in one internal document Plaid suggests exploring [REDACTED].⁸⁸ Another document shows Plaid [REDACTED]⁸⁹ [REDACTED].⁹⁰
73. This is also illustrated by the recent tender launched by HM Revenue & Customs (**HMRC**). This contract, which is valued at £3 million, covers the provision of PIS and AIS 'in order to enable [HMRC's] customers to pay [HMRC] by bank transfer using a secure, simple and efficient process as currently, [the] bank transfer journey is non-automated'.⁹¹

Customer choice/relevant parameters of competition

74. C2B payments are typically two-sided products; for a payment to be completed, both the merchant and consumer must be willing and able to use the chosen payment method. Consumer payments providers therefore compete for both merchants and consumers.

⁸⁵ See 'HSBC inks global deal with Open Banking outfit Bud' (11 December 2019), available at: <https://www.finextra.com/newsarticle/34933/hsbc-inks-global-deal-with-open-banking-outfit-bud> (accessed on 24 August 2020).

⁸⁶ Final Merger Notice, paragraph 310. [REDACTED].

⁸⁷ Final Merger Notice, paragraph 304.

⁸⁸ [REDACTED].

⁸⁹ A neobank is a type of bank that operates exclusively online eg Monzo, N26, Revolut.

⁹⁰ [REDACTED]; [REDACTED]; [REDACTED]; [REDACTED].

⁹¹ See tender notice, available at: <https://www.contractsfinder.service.gov.uk/Notice/789bb56a-b87f-4c48-b97b-17d357dd9bdd?origin=SearchResults&p=1> (accessed on 24 August 2020).

75. When competing for merchants, consumer payments providers compete on the fee paid by the merchant (either directly to the consumer payments provider or through an intermediary such as a merchant acquirer), the speed of payment settlement, the ability to handle refunds and consumers' ease of use (in particular to avoid customers dropping out of the transaction when making online purchases). Fees for PIS-enabled payments are typically on a per-transaction basis,⁹² whereas card-based payment fees are a percentage of the total transaction price.⁹³ This gives PIS-enabled payments a price advantage over card-based payments for larger value transactions.
76. When competing for consumers, consumer payment providers compete on brand recognition and trust, payments security, the ability to handle refunds and the ease of making payments as consumers prefer simple payment solutions that are not time consuming.

Jurisdiction

Relevant framework

77. In the context of an anticipated transaction, a relevant merger situation exists where it is or may be the case that:⁹⁴
- (a) Two or more enterprises will cease to be distinct; and
 - (b) Either
 - (i) The value of the target enterprise's UK turnover exceeded £70 million in its last fiscal year (the **turnover test**); or
 - (ii) The enterprises ceasing to be distinct have a share of supply or acquisition in the UK, or in a substantial part of the UK, of 25% or more in relation to goods or services of any description (the **share of supply test**).

⁹² Plaid currently charges fees [REDACTED]. In general, Plaid applies volume-based pricing for its API products [REDACTED]. [REDACTED] (Final Merger Notice, paragraph 179).

⁹³ The Parties indicated that credit card costs are 2 to 3% of the transaction value depending on the gateway or acquirer, and that the majority of processors charge the same fee for debit cards as they do for credit cards (Final Merger Notice, paragraphs 172–173).

⁹⁴ Section 23 of the Act.

Enterprise ceasing to be distinct

78. Each of Visa and Plaid is an enterprise. As a result of the Merger, Visa will acquire a controlling interest in Plaid. Therefore, as a result of the Merger, these enterprises will cease to be distinct.

The turnover test

79. The UK turnover of Plaid did not exceed £70 million in 2019. Therefore, the turnover test in section 23(1)(b) of the Act is not met.⁹⁵

The share of supply test

80. Section 23(3) of the Act and the Mergers Guidance on the CMA's jurisdiction and procedure (the **J&P Guidance**) set out that the share of supply test is satisfied if the merged enterprises both either supply or acquire goods or services of a particular description, and will, after the merger, supply or acquire 25% or more of those goods or services, in the UK as a whole or in a substantial part of it.⁹⁶
81. The Parties submitted that the CMA does not have jurisdiction over the Merger as the share of supply test is not met.⁹⁷ However, as further explained below, the CMA believes that it is or may be the case that the share of supply test is met.
82. The Act confers on the CMA a broad discretion to describe a specific category of goods or services supplied or procured by the merging parties.⁹⁸ The intention of the Act is for the share of supply test to be a key gateway to providing the CMA with the power to intervene in transactions which, like the present one, are relevant to UK markets or activities and may be expected to raise competition concerns that could impact UK consumers.⁹⁹
83. The J&P Guidance further makes clear that the share of supply test is not an economic assessment of the type used in the CMA's substantive assessment and need not amount to a relevant economic market, but rather provides that

⁹⁵ Final Merger Notice, paragraph 211.

⁹⁶ CMA2, paragraph 4.53.

⁹⁷ Final Merger Notice, paragraphs 142–143.

⁹⁸ Section 23(8) of the Act.

⁹⁹ In the parliamentary debate at the time of proposed amendments of the Act, it was stated: '[t]he purpose of the test is to take out of scope of merger control a larger number of transactions that are of no economic concern and to give business regulatory certainty that they will not fall within merger control. The share of supply test is a more workable test for those purposes. [...] 'The definition in the Bill is simpler, more flexible and the right test in the context. ...' - see Hansard Record: Commons Standing Committee B, 30 April 2002.

the CMA will have regard to any reasonable description of a set of goods or services to determine whether the share of supply test is met.¹⁰⁰

84. The CMA's well-established approach in carrying out its statutory duties in relation to merger control is to consider the commercial realities and results of transactions, focusing on the substance rather than the legal form of arrangements.¹⁰¹ Markets can be characterised by a variety of different business models and the ways in which firms interact (with each other and other market participants) to win business over time can vary significantly. In practice, this means that competitive interactions between firms may not be reduced to overlaps in directly-marketed products or services (as they may in more traditional markets).

Supply of services enabling C2B payments

85. The Parties submitted that there is no overlap in the Parties' respective activities in the UK because PIS APIs alone do not entail front-end, consumer-facing, payment methods nor do they have processing capabilities.¹⁰² Citing the J&P Guidance, the Parties submitted that the share of supply test would not be met as Visa and Plaid are active at different levels of the supply chain.¹⁰³
86. The Parties also submitted that Plaid's PIS transaction volumes do not constitute services enabling C2B payments because the PIS requests made by Plaid's [§] PIS customers were not to enable consumers to make a payment to a third party for any goods, assets, or services; the Parties submitted that such account funding transactions could not constitute a C2B payment.¹⁰⁴
87. The CMA believes that the supply of services enabling C2B payments is a reasonable description of a set of goods or services for the purposes of the Act and that both Visa and Plaid supply such services.
88. As further detailed from paragraph 140 below, there is demand-side substitution between card-based payments and PIS-enabled payments.
89. From a technical standpoint, both PIS-enabled payments (which is a type of A2A payment as detailed below) and card-based payments involve the

¹⁰⁰ CMA2, paragraph 4.56.

¹⁰¹ CMA2, paragraphs 4.7 and 4.21.

¹⁰² Final Merger Notice, paragraphs 144–145; Parties' response to the Issues Paper, paragraph 19.

¹⁰³ Parties' response to the Issues Paper, paragraphs 19–25 and footnote 4.

¹⁰⁴ Parties' response to the Issues Paper, paragraphs 21–22.

execution of two essential steps, irrespective of the actors that perform these steps:

- (a) The authentication of the payment (whether through entering card credentials or bank details) which allows the authorisation of the payment; and
- (b) The processing of the payment (ie actual money movement).¹⁰⁵

90. As described at paragraph 25 above, Visa provides an end-to-end solution for the processing of C2B card-based payments and therefore Visa's network (eg VisaNet) enables both the authentication and processing of credit and debit card payments.¹⁰⁶ Visa also owns Earthport, which enables the processing of A2A payments.¹⁰⁷ Visa supplies its services to UK customers.¹⁰⁸ Therefore the CMA believes that Visa supplies services enabling C2B payments.
91. Plaid is an Authorised PI in the UK and as such can initiate A2A payments through its PIS offering. As detailed at paragraph 34 above and confirmed during the CMA's merger investigation, Plaid is involved in the authentication stage identified in paragraph 89(a) above.¹⁰⁹ Plaid pitches its PIS offering directly to UK customers and has [redacted] contracts in the UK with [redacted], who are using Plaid's PIS offering to receive A2A payments from their application users (ie consumers).¹¹⁰
92. As explained at paragraph 33(b) above, a PIS-enabled payment is one type of A2A payment. Unlike more traditional A2A payments (whether processed on Bacs, CHAPS¹¹¹ or FPS), however, a consumer does not need to leave the application interface or website to initiate a PIS-enabled payment. Plaid's PIS offering allows a consumer to authenticate the payment from the application interface or website directly (ie similarly to what a consumer would do when paying using card credentials) rather than the consumer having to leave the application and log onto their online bank account to initiate the A2A payment (which, for domestic UK transactions, will be processed on FPS).¹¹²
93. The authentication of the payment that Plaid enables through its PIS offering is an essential component of a PIS-enabled payment; it is only owing to the

¹⁰⁵ Final Merger Notice, paragraph 349.

¹⁰⁶ Final Merger Notice, paragraphs 47, 55, 144, 147, 198 and 349.

¹⁰⁷ Final Merger Notice, paragraphs 48 and 349.

¹⁰⁸ Final Merger Notice, paragraph 367. Also, Annex 181 'Visa Contact details'.

¹⁰⁹ Final Merger Notice, footnote 109 and paragraphs 62, 144 and 349. Also, [redacted].

¹¹⁰ The Parties recognised that both customers use Plaid's PIS offering for A2A payments. For example, with [redacted] application, consumers can fund their crypto-wallets with fiat currency through a PIS-enabled payment as an alternative to a card-based payment (see Final Merger Notice, paragraph 106 and footnote 24).

¹¹¹ Clearing House Automated Payment System.

¹¹² Final Merger Notice, paragraphs 107 and 199; Parties' response to the Issues Paper, paragraph 20.

PIS technology component that a PIS-enabled payment can be initiated from a digital application interface or website directly. While Plaid is not responsible for the processing of the payment itself, Plaid is, through its PIS offering, responsible for one of the two key steps necessary for a payment to be made – the authentication of the payment, like Visa. Therefore, the CMA believes that Plaid also supplies services enabling payments, and that, as discussed below, the A2A payments enabled through Plaid’s PIS offering qualify as C2B payments.

94. The CMA understands that account funding primarily refers to the funding of digital wallets or portal accounts where the consumer uses the funded account to purchase goods, assets or services online.¹¹³
95. In respect of Plaid’s PIS transaction volumes in the UK, the Parties confirmed to the CMA that application users make PIS-enabled payments into their [X] portal accounts to, respectively, [X].¹¹⁴ The Parties submitted that in both instances the actual use of the transferred funds is a subsequent transaction that is unrelated to Plaid or PIS and that, if anything, it is the subsequent use of the funding to pay for goods or services that might fall within the scope of a C2B purchase.¹¹⁵
96. The CMA observes, however, that once the PIS-enabled payment into the [X] portal account is made, no further payment is made by the application user.¹¹⁶ The flow of money from the consumer to the business therefore occurs when the portal account is funded. The Parties’ submissions are consistent with this position; they refer to the subsequent transaction as the ‘use of the transferred funds’ but not as a subsequent payment (ie the movement of money).¹¹⁷ In this way, the CMA considers that the subsequent transaction consists of the final use of the transferred funds for the purpose for which they were transferred in the first place, that is for a consumer to purchase goods, assets or services from a business. For completeness, the CMA notes that, despite the subsequent transaction being unrelated to Plaid or its PIS offering, the PIS-enabled payment enabled by Plaid is the step that enables the money to move from a consumer to a business.

¹¹³ Final Merger Notice, paragraphs 304 and 267 and footnote 80.

¹¹⁴ Parties’ response to the Issues Paper, paragraph 22.

¹¹⁵ Parties’ response to the Issues Paper, paragraph 23.

¹¹⁶ [X] explained that when transferring funds through Plaid’s PIS offering, the money is shown in the application user’s portal wallet (on their phone or desktop) and the application user can then see the live pricing against bitcoin. When exchanging (£) currency against bitcoins the application user’s credit balance on [X] platform is debited accordingly ([X]).

¹¹⁷ Parties’ response to the Issues Paper, paragraphs 22–23.

97. Third party responses to the CMA's merger investigation also consistently support the position that account funding is considered to be a C2B payment.^{118,119}
98. The CMA notes that card-based payments are also options for account funding, as further detailed at paragraphs 182 to 184 below.
99. The CMA believes the reasonable description of goods and services should not be broader than C2B payments. In accordance with the provisions of PSD2, the original intended purpose for PIS-enabled payments was to 'provide consumers with a possibility to shop online even if they do not possess payment cards'.¹²⁰ As such, PIS-enabled payments were not intended for payments flows other than C2B payments. The CMA notes that Plaid's PIS offering is solely used by Plaid's [redacted] UK customers for C2B payments.
100. The CMA has excluded cash and cheques from the reasonable description of goods and services on the basis that cash and cheques are typically not practicable means of online payment,¹²¹ in contrast to both card-based payments and PIS-enabled payments.
101. For the reasons set out above, the CMA therefore believes that Visa and Plaid both supply services enabling C2B payments (including card-based payments and A2A payments but excluding cash and cheques), which the CMA believes is a reasonable description of goods or services.¹²²

Share of supply in the UK

102. The Parties submitted that on the total consumer payments segment in the UK, Visa holds a share of supply of approximately [redacted]% (based on consumer spend).¹²³ The Parties further added that, even if the CMA were to include

¹¹⁸ [redacted] confirmed that they see the payment from their customers' current account into the funded account on [redacted] trading platform as a C2B payment ([redacted]).

¹¹⁹ UK Finance classifies account funding (eg funding of a digital wallet through card credentials) as a spontaneous consumer payment for the purposes of their statistical activities (Call with UK Finance dated 21 May 2020).

¹²⁰ PSD2, recital 29.

¹²¹ For example, neither [redacted] nor [redacted] said that cash and cheques were alternative payment methods for their customers to fund their portal wallet ([redacted]).

¹²² The Parties also submitted that in its 2019 decision concerning Visa's acquisition of Earthport, the CMA concluded it did not have jurisdiction over the transaction as Earthport was not active in card-based transactions. The CMA reminds the Parties that 'merger decisions of the CMA do not constitute precedents and it is axiomatic that each case turns on its own facts and that the characteristics of one market may be very different from those of another' (see *Ecolab Inc. v CMA*, [2020] CAT 12, paragraph 93). Furthermore, the Parties' submissions do not accurately reflect the CMA's decision in relation to Visa's acquisition of Earthport.

¹²³ Final Merger Notice, paragraph 194 and Parties' response to the Issues Paper, paragraph 26.

account funding in the definition of a C2B payment, the Parties' share of that market would remain below 25%.¹²⁴

103. The Act gives a wide discretion to the CMA to apply whatever measure, or combination or measures, it considers appropriate to calculate the merging parties' share of supply or procurement and to determine whether the 25% threshold is satisfied. Section 23(5) of the Act provides that the CMA shall apply such criterion as it considers 'appropriate'.
104. Based on available data from the Parties and data provided by UK Finance, the CMA believes that the Parties have a combined share of supply of over 25%, with an increment brought about by the Merger, in the supply of services enabling C2B payments (including card-based payments and A2A payments but excluding cash and cheques) in the UK.
105. In this case, the CMA has used the number of transactions by UK card- and account-holders¹²⁵ in financial year 2019 (including card-based payments and A2A payments but excluding cash and cheques) to assess whether Visa's share of supply test is or may be over 25%. On this basis, Visa's current share of supply is [60-70]%, measured by the number of transactions processed through Visa's network.¹²⁶ (As described in paragraph 90 above, Visa provides an end-to-end solution and therefore enables both the authentication and processing of credit and debit card payments.) The number of successful payment requests made by [redacted] using Plaid's PIS offering constitute a small post-merger increment¹²⁷ to this share of supply.¹²⁸
106. While the Parties submitted that the share of supply test is not met in this case on the basis of Visa's share of total consumer payments, as based on consumer spend, the Parties did not make any submissions to the position that the share of supply test would be met on the basis of the number of transactions by UK card- and account-holders.

¹²⁴ Parties' response to the Issues Paper, paragraph 23.

¹²⁵ The CMA understands that the UK Finance data used in this calculation only includes payments made by UK card- and account-holders in the UK.

¹²⁶ CMA calculations using UK Finance, 'UK Payment Markets 2020' report (June 2020) and 'UK Payment Statistics 2020' report (June 2020). For the avoidance of doubt, the CMA notes that P2P payments were excluded from the share of supply calculations. The CMA also notes that as the Parties overlap in the supply of services enabling C2B payments, calculations account for payments made through direct debit transfers and other A2A payments (eg CHAPS, FPS) insofar as those were used for the purpose of making a C2B payment.

¹²⁷ Where an enterprise already supplies or acquires 25% of any particular goods or services, the share of supply test is satisfied so long as its share is increased as a result of the merger, regardless of the size of the increment. (CMA2, paragraph 4.54).

¹²⁸ [redacted] (Plaid's response to the CMA's Request for Information dated 2 July 2020 (RFI6) and CMA's follow-up questions to RFI6 dated 15 July 2020 (RFI6bis). [redacted] (Parties' email to the CMA on 19 August 2020 12:01).

Conclusion

107. For the reasons set out above, the CMA believes that it is or may be the case that the share of supply test in section 23 of the Act is met in the supply of services enabling C2B payments (including card-based payments and A2A payments but excluding cash and cheques) in the UK.
108. The CMA therefore believes that it is or may be the case that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
109. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 30 June 2020 and the statutory 40 working day deadline for a decision is therefore 24 August 2020.

Counterfactual

110. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (ie the counterfactual). For anticipated mergers, the CMA generally adopts the prevailing conditions of competition as the counterfactual against which to assess the impact of the merger. However, the CMA will assess the merger against an alternative counterfactual where, based on the evidence available to it, it believes that, in the absence of the merger, the prospect of these conditions continuing is not realistic, or there is a realistic prospect of a counterfactual that is more competitive than these conditions.¹²⁹

Parties' submissions

111. The Parties submitted that the appropriate counterfactual should be the prevailing conditions of competition.¹³⁰ However, the Parties also indicated that open banking in the UK is a 'rapidly evolving market already filled with fully developed and highly competitive offerings, and with more expected to launch [and] many of Visa's competitors have already entered the open banking space'.¹³¹
112. The Parties also submitted that absent the Merger:

¹²⁹ [Merger Assessment Guidelines](#) (OFT1254/CC2), September 2010, from paragraph 4.3.5. The [Merger Assessment Guidelines](#) have been adopted by the CMA – see CMA2, Annex D.

¹³⁰ Parties' response to the Issues Paper, paragraph 48 and Final Merger Notice, paragraph 227.

¹³¹ Final Merger Notice, paragraph 229.

- (a) Visa may have either continued investing in new fintech start-ups, submitted a bid to acquire another AIS/PIS provider, partnered with Plaid or a Plaid competitor, or tried developing its own platform in-house.¹³² The Parties further submitted that Visa concluded that [REDACTED] was ultimately considered a viable solution by Visa when compared to the acquisition of Plaid.¹³³
- (b) Subject to additional financing, Plaid would have continued to expand its AIS/PIS offering in terms of the number of countries supported, the number of institutions supported via PSD2 APIs, and the type of data insights Plaid provides to its developer customers and end users.¹³⁴

113. Finally, Plaid submitted that, absent the Merger, Plaid UK would have faced impediments to its growth in the UK owing to:

- (a) The market dynamics of open banking and [REDACTED]. [REDACTED];¹³⁵ and
- (b) Substantial limitation in the functionality of PIS, which would make it unsuitable for C2B use cases in the UK at this time.¹³⁶

CMA's assessment

114. As noted at paragraphs 63 to 73 above, the available evidence indicates that the PIS sector is nascent, dynamic and rapidly evolving, with established acquirers, card networks and banks increasingly investing in PIS functionalities.
115. Against this background, the CMA analysed the Parties' respective commercial strategies absent the Merger.

Visa

116. Visa's internal documents indicate that, [REDACTED].¹³⁷ The Parties confirmed that [REDACTED].¹³⁸ Visa's internal documents do not suggest that [REDACTED].

¹³² Final Merger Notice, paragraphs 228–230 and 329.

¹³³ Final Merger Notice, paragraph 231.

¹³⁴ Final Merger Notice, paragraphs 249–251.

¹³⁵ Parties' response to the Issues Paper, paragraphs 31–36.

¹³⁶ Parties' response to the Issues Paper, paragraphs 37–45.

¹³⁷ For example, [REDACTED]; [REDACTED]; [REDACTED] or [REDACTED].

¹³⁸ Final Merger Notice, paragraphs 227–231 and 328. In this regard, [REDACTED]. [REDACTED] (Final Merger Notice, paragraph 330).

117. In line with the Parties' submissions, Visa's internal documents indicate that [REDACTED].¹³⁹ Visa's internal documents identify a list of potential alternative targets including, for example, [REDACTED].¹⁴⁰ Based on the available evidence, the CMA believes that there is a realistic prospect that Visa would have sought to acquire an alternative AIS/PIS provider absent the Merger. But, based on the available evidence, the CMA does not believe that there is the basis to conclude that such an acquisition would be more competitive than the prevailing conditions of competition.
118. Finally, the CMA believes there is a realistic prospect that, absent the Merger, Visa would have continued pursuing new business opportunities in line with its network of networks strategy, as previously noted in paragraph 27 above.¹⁴¹

Plaid

Plaid's outside options absent the Merger

119. The CMA found evidence in Plaid's internal documents that, prior to receiving an offer from Visa, [REDACTED].¹⁴² In its submissions, Plaid indicated that had it not reached an agreement with Visa in relation to the Merger, [REDACTED].¹⁴³ Plaid also submitted, however, that [REDACTED].¹⁴⁴
120. Based on the available evidence, the CMA believes that there is a realistic prospect that Plaid [REDACTED] absent the Merger. But, based on the available evidence, the CMA does not believe that there is the basis to conclude that [REDACTED] would be more competitive than the prevailing conditions of competition in the UK, in particular because [REDACTED].¹⁴⁵
121. The internal documents provided to the CMA do not suggest that Plaid had given material consideration to any purchaser other than Visa [REDACTED] at the time that the Merger was agreed. Plaid stated in its submissions to the CMA that, absent the Merger, [REDACTED].¹⁴⁶ The CMA believes that the available evidence – including, in particular, the value that [REDACTED] Visa [REDACTED] attached to Plaid and Plaid's successful track-record in obtaining incremental finance – indicates

¹³⁹ Final Merger Notice, paragraphs 233 and 328-329. [REDACTED].

¹⁴⁰ For example, [REDACTED]; [REDACTED]; [REDACTED]; [REDACTED]; [REDACTED]; [REDACTED]; and [REDACTED].

¹⁴¹ In January 2020, Visa updated its investors regarding the acquisition of Plaid and noted that 'by integrating payments with Plaid, we can accelerate Visa's network of networks money movement strategy, which is underpinned by the Visa Direct, Earthport and our B2B initiatives' (Annex 071 'Corrected Transcript - Acquisition of Plaid by Visa, Inc. Call', page 6).

¹⁴² [REDACTED]; [REDACTED]; [REDACTED]; [REDACTED]; [REDACTED]; and [REDACTED].

¹⁴³ Parties' response to the Issues Paper, paragraph 29; Final Merger Notice, paragraph 248.

¹⁴⁴ Parties' response to the Issues Paper, paragraph 29.

¹⁴⁵ Final Merger Notice, paragraphs 229, 238, 241–242, 317. [REDACTED] and [REDACTED].

¹⁴⁶ Final Merger Notice, paragraph 249 and Plaid's presentation on counterfactual to the CMA on 31 July 2020 (**Counterfactual presentation**), page 9.

that Plaid would have been able to obtain additional financial support absent the Merger, most likely through an acquisition by another purchaser, an IPO or a fourth private funding round. The CMA therefore believes that under the prevailing conditions of competition, and absent the Merger, Plaid would have continued its growth trajectory in line with pre-Merger levels, including in the UK.

Plaid's expected growth in the UK

122. The available evidence points to Plaid continuing to invest in and develop both its AIS and PIS offering in the UK absent the Merger.
123. Based on evidence from internal documents, the company has steadily grown since 2015 and is continuing on the same trajectory, with consolidated revenues increasing by [REDACTED]% between FY18 and FY19.¹⁴⁷ This is corroborated by Visa's internal documents, which indicate that the strategic rationale and valuation for the Merger was in part driven by Plaid's strong growth potential.¹⁴⁸ While acknowledging that Plaid's UK business accounts for [REDACTED] of Plaid's overall business, the CMA believes that the overall commercial trajectory of Plaid as a whole, including its success and growth in the US, is relevant evidence in assessing Plaid's prospects in the UK.
124. Based on the available evidence, [REDACTED]:
- (a) **Geographic expansion:** In March 2020, Plaid announced that it was opening an office in the Netherlands.¹⁴⁹ Internal documents also show that [REDACTED].¹⁵⁰
 - (b) **Product enhancements:** As part of its 2020 priorities, Plaid intended to [REDACTED],¹⁵¹ and
 - (c) **Customer acquisition:** [REDACTED].¹⁵² In line with the Parties' submissions, Plaid's internal documents show that [REDACTED].¹⁵³ In its regulatory business plan

¹⁴⁷ [REDACTED]; [REDACTED]; [REDACTED].

¹⁴⁸ [REDACTED]; [REDACTED]; [REDACTED].

¹⁴⁹ Final Merger Notice, footnote 3 and see 'Plaid in the Netherlands' (25 March 2020), available at: <https://blog.plaid.com/plaid-in-the-netherlands/> (accessed on 24 August 2020).

¹⁵⁰ [REDACTED] submitted with Plaid's response to the CMA's RF1 dated 3 August 2020 (RF17); [REDACTED]; [REDACTED]; [REDACTED].

¹⁵¹ [REDACTED] submitted with Plaid's response to RF17; [REDACTED]; [REDACTED]. Final Merger Notice, paragraphs 249–252.

¹⁵² [REDACTED] submitted with Plaid's response to RF17.

¹⁵³ [REDACTED]; [REDACTED] submitted with Plaid's response to RF17 [REDACTED]. Final Merger Notice, paragraphs 308–309.

submitted in support of Plaid UK's June 2019 application to be authorised as an Authorised PI, Plaid noted that it [REDACTED].¹⁵⁴ [REDACTED] ([REDACTED]¹⁵⁵) [REDACTED].¹⁵⁶

125. Plaid submitted to the CMA that it would have faced impediments to its growth in the UK absent the Merger (which would therefore have limited its effectiveness as a competitor). In particular, at the CMA's issues meeting, Plaid's senior management told the CMA that [REDACTED]. Plaid's senior management suggested to the CMA that these factors show that [REDACTED].
126. The CMA believes, however, that this position is not credible in light of the contemporaneous evidence relating to Plaid's (pre-Merger) plans for entry.
127. In particular, Plaid's internal documents, prior to launching its UK business, make clear that Plaid fully expected the UK to be a market that would be difficult to win, [REDACTED]. For example, in an e-mail dated 30 January 2019, Plaid's CEO warned: '[REDACTED]'.¹⁵⁷
128. More recent internal documents indicate that [REDACTED].¹⁵⁸ But, the available evidence does not support the position that its longer-term prospects for growth, absent the Merger, were limited. More specifically:
- (a) It is not uncommon for a new market entrant (particularly in an evolving sector at a relatively early stage of its lifecycle) to sustain losses over a prolonged period. Plaid's internal documents show its commitment to focusing on '[REDACTED]' and that Plaid '[REDACTED]' (whereas Plaid has been active in the UK market for only about one year at present);¹⁵⁹
 - (b) The evidence available to the CMA shows that the [REDACTED];¹⁶⁰
 - (c) While the Parties' submissions within the context of the CMA's merger investigation strongly emphasise the fact that [REDACTED],¹⁶¹ Plaid's internal documents show that those indicators were not considered to be business-critical by Plaid at this stage of its development in the UK. For example,

¹⁵⁴ [REDACTED]; [REDACTED].

¹⁵⁵ A TSP is a business that obtains and processes payment account information in support of an authorised or registered AISP but does not itself provide the information to the user. If the TSP accesses the consumer's account to retrieve data, but does not provide AIS to that consumer, it does not need to be authorised or registered by the FCA. The authorised or registered AISP is responsible for compliance with the Payment System Regulations 2017 where account access is outsourced to a TSP. See FCA's website, available at: <https://www.fca.org.uk/firms/agency-models-under-psd2> (accessed on 24 August 2020).

¹⁵⁶ [REDACTED]; [REDACTED]; [REDACTED] submitted with Plaid's response to RF17 and [REDACTED].

¹⁵⁷ [REDACTED] submitted with Plaid's response to RF17.

¹⁵⁸ [REDACTED]; [REDACTED] submitted with Plaid's response to RF17; [REDACTED].

¹⁵⁹ [REDACTED] submitted with Plaid's response to RF17; [REDACTED].

¹⁶⁰ [REDACTED]; [REDACTED].

¹⁶¹ Parties' response to the Issues Paper, paragraphs 35–36.

one strategy document notes that Plaid is '[REDACTED]'. Another internal document similarly notes that Plaid is focused '[REDACTED]'.¹⁶²

(d) Plaid's contemporaneous internal documents (prior to the Merger) do not contain any indication that Plaid was considering exiting the UK market, [REDACTED].^{163, 164}

129. The CMA notes, in this regard, that it is difficult to reconcile the statements captured in Plaid's internal documents with the views expressed by Plaid's senior management at the issues meeting. In such circumstances, the CMA considers that the positions expressed in a series of contemporaneous business documents should be given more weight over unevidenced assertions made in the course of CMA proceedings.
130. Regarding Plaid's submissions that [REDACTED], the CMA notes it has not received any evidence substantiating Plaid's submissions (and has not otherwise observed any evidence in Plaid's internal documents that substantiates this position). As set out in the CMA's guidance on merger assessments during the Coronavirus (COVID-19) outbreak, the CMA's merger control investigations are forward-looking and evidence-led, and the impacts of Coronavirus can only be factored into the substantive assessment of a merger where appropriately substantiated.¹⁶⁵ The CMA therefore believes it not appropriate to adopt an alternative counterfactual on this basis.
131. Accordingly, for the reasons set out above, the CMA considers that the available evidence, in the round, supports the position that Plaid was expected to grow its presence in the UK absent the Merger.
132. Finally, the Parties' submissions that impediments to PIS make it unsuitable for C2B use cases in the UK,¹⁶⁶ are considered within the CMA's competitive assessment.

Conclusion

133. In light of the evidence set out above, the CMA assessed the Merger against the prevailing conditions of competition but carefully considered the Parties' respective commercial strategies absent the Merger (including Plaid's prospects for growth in the UK) within its competitive assessment. The CMA believes both the Parties (and other market players) would have continued to

¹⁶² [REDACTED] submitted with Plaid's response to RF17, [REDACTED].

¹⁶³ [REDACTED] submitted with Plaid's response to RF17, [REDACTED]; [REDACTED] submitted with Plaid's response to RF17; [REDACTED] submitted with Plaid's response to RF17, [REDACTED].

¹⁶⁴ [REDACTED] submitted with Plaid's response to RF17; [REDACTED] submitted with Plaid's response to RF17, [REDACTED].

¹⁶⁵ *Merger assessments during the Coronavirus (COVID-19) pandemic* (CMA120), 22 April 2020, paragraph 22.

¹⁶⁶ Parties' response to the Issues Paper, paragraphs 37–45.

pursue partnering and/or acquisition strategies and that Plaid would have continued to grow in the UK, *inter alia* through enhancements to its product offering and customer acquisition. The relevant factors and implications for future competitive conditions have been taken into account within the CMA's competitive assessment where appropriate.

Frame of reference

134. Market definition provides a framework for assessing the competitive effects of a merger and involves an element of judgement. The boundaries of the market do not determine the outcome of the analysis of the competitive effects of the merger, as it is recognised that there can be constraints on merging parties from outside the relevant market, segmentation within the relevant market, or other ways in which some constraints are more important than others. The CMA will take these factors into account in its competitive assessment.¹⁶⁷
135. As explained in paragraphs 85 to 101 above, the Parties overlap in the supply of services enabling C2B payments. Visa offers an end-to-end solution to process card-based payments and Plaid enables PIS-enabled payments through its PIS offering.

Product scope

Parties' submissions

136. The Parties submitted that:¹⁶⁸
- (a) The narrowest relevant product frame of reference is the provision of AIS and PIS through Open Banking APIs in the UK. While the CMA has not yet published any decision relating to solutions supporting open access to financial data, the above delineation of the narrowest candidate market is in line with CMA and European Commission precedents;¹⁶⁹
 - (b) There is no frame of reference where the Parties overlap, whether in the UK or on a global level as Visa does not offer either AIS or PIS;

¹⁶⁷ [Merger Assessment Guidelines](#), paragraph 5.2.2.

¹⁶⁸ Final Merger Notice, paragraphs 270–273; Parties' response to the Issues Paper, paragraphs 51–59; Confidential Annex 1 submitted with the Parties' response to the Issues Paper, pages 6–10.

¹⁶⁹ The Parties referred in particular to the OFT's findings in *Link Interchange Network Ltd / Voca Ltd* (2007), the European Commission's Visa and Mastercard interchange fee investigations and its findings in *Worldline/Equens/PaySquare* (2016), the CMA's market delineation in the *Bacs Payment Schemes / Faster Payments Scheme / Cheque & Credit Clearing Company* Merger Inquiry (2017) and *Mastercard / Nets* (2019).

- (c) PIS APIs do not alone constitute services enabling payments. PIS APIs cannot transfer or process funds, but rather only initiate a transaction by sending a payment instruction for a payment processor to initiate a payment. Since PIS APIs only serve as an input for account-based payments processors and lack any consumer-facing components or the ability to reconcile payments, they must be integrated into either consumer or merchant-facing products. This is traditionally carried out by a payment processor which uses A2A rails to process the payment;
- (d) The products are used in different transactions flows and sold to different customer segments, as card networks compete for issuers and merchant acquirers and PIS APIs relate to a connectivity infrastructure and are generally sold to fintech developers;
- (e) Account funding flows, which are the main use case for PIS APIs, relate only to the transfer of funds between a consumer's own accounts, and cannot reasonably be characterised as a C2B segment;
- (f) In its *Mastercard/VocaLink* decision (2017), in the two segments in which the CMA deemed card-based payments could compete with A2A payment schemes (namely recurring payments and customer-to-merchant payments), PIS APIs lack critical functionalities to be used at any meaningful scale, and this is not expected to change in the near future;
- (g) PIS API providers are not potential competitors for the provision of C2B payments because they do not have the capabilities to develop competitive processing capabilities;
- (h) If PIS APIs were deemed to be within the frame of reference due to their use for account funding of e-wallets, then other methods also used to fund e-wallets (including direct debits transfers and non-PIS enabled bank transfers, as well as cash and cheques as alternatives to P2P payments) would also need to be included; and
- (i) The Parties' internal documents and third party comments are consistent with a lack of overlap.¹⁷⁰

137. The Parties did not submit any alternative candidate frame of reference.

¹⁷⁰ Confidential Annex 2 submitted with the Parties' response to the Issues Paper, pages 1–7.

CMA's assessment

138. Consistent with its established practice, the CMA considers the overlapping products of the Parties form the starting point for the product frame of reference.¹⁷¹ The Parties overlap in the supply of services enabling C2B payments, as described in detail at paragraphs 85 to 101 above.
139. The CMA considered the extent to which card-based payments and PIS-enabled payments are separate product frames of reference, or segments within a frame of reference for the supply of services enabling C2B payments. The CMA also considered the extent to which the supply of services enabling C2B payments should be expanded to other payment types. The CMA's assessment is based on considerations of demand-side and supply-side substitutability.
- *Demand-side substitutability*
140. Plaid does not currently offer all the components for the end-to-end supply of a PIS-enabled payment solution but, through its PIS offering, Plaid, like Visa, is responsible for one of the two key steps necessary for a payment to be made, that is the authentication of the payment.¹⁷²
141. Irrespective of which actor will ultimately perform the processing stage of the payment, a PIS-enabled payment cannot be made without the use of PIS APIs, like those supplied by Plaid.
142. The CMA therefore believes that a comparison of the individual technical functionalities of the Parties' offerings is not an appropriate way to determine whether they are substitutes in this case. Rather, the CMA considered the extent to which PIS-enabled payments and card-based payments are two alternative ecosystems that facilitate C2B payments from a demand-side perspective, as further described below.
143. The Parties submitted that PIS APIs lack consumer-facing components and the ability to reconcile payments, and that PIS API providers are not potential competitors for the provision of C2B payments because they do not have the capabilities to develop competitive processing capabilities. The CMA notes, however, that this does not undermine the position that PIS-enabled payments (for which Plaid provides a key functionality) and card-based payments are substitutable for some usages and can compete with each

¹⁷¹ When selecting a candidate market in horizontal mergers the Authorities will include at least the substitute products (narrowly defined) of the merger firms ([Merger Assessment Guidelines](#), paragraph. 5.2.11).

¹⁷² As explained at paragraphs 91 to 93 above.

other.¹⁷³ Therefore, the CMA considers that, in contrast to the Parties' submissions, it is not necessary for the purposes of establishing the frame of reference in this case, to distinguish between the payment method and the underlying 'pipes' behind this payment method.

144. Against this background, the CMA considered evidence from internal documents and third parties on demand-side substitutability.

○ *Internal documents*

145. Based on the available evidence, the CMA believes there is substitutability between PIS-enabled payments and card-based payments in the UK. Visa's internal documents show that direct comparisons can be made between those payment methods and [REDACTED].¹⁷⁴ For example:

(a) One Visa internal document notes that [REDACTED].¹⁷⁵ [REDACTED].¹⁷⁶

(b) Another Visa internal document states that '[REDACTED]'. [REDACTED]:

(i) [REDACTED];

(ii) [REDACTED]; and

(iii) [REDACTED].¹⁷⁷

(c) On a similar note, a document on [REDACTED].¹⁷⁸

146. Plaid's internal documents also indicate that it sees its PIS-enabled payments as an alternative to card-based payments. For example:

(a) A plan for Plaid to develop its PIS business in the UK dated February 2020 stated that [REDACTED]. [REDACTED].¹⁷⁹

(b) A Plaid '[REDACTED]' document dated November 2019 describes [REDACTED]. [REDACTED]. [REDACTED].¹⁸⁰

(c) Another Plaid internal document estimates that [REDACTED].¹⁸¹

¹⁷³ Parties' response to the Issues Paper, paragraphs 51–56; Confidential Annex 1 submitted with the Parties' response to the Issues Paper, pages 9–13 and Confidential Annex 2 submitted with the Parties' response to the Issues Paper, pages 1–7.

¹⁷⁴ [REDACTED].

¹⁷⁵ [REDACTED].

¹⁷⁶ [REDACTED].

¹⁷⁷ [REDACTED].

¹⁷⁸ [REDACTED].

¹⁷⁹ [REDACTED].

¹⁸⁰ [REDACTED].

¹⁸¹ [REDACTED].

147. Visa and Plaid internal documents show that some types of card-based payments, for example offline payments are, in the short term, less likely to be substituted by PIS-enabled payments. However, the proportion of card-based payments that the Parties believe could migrate to PIS-enabled payments appears to be significant, as set out at paragraph 146 above, particularly as PIS-enabled payments evolve (see paragraphs 63 to 73 above). The relative advantages and disadvantages of PIS-enabled payments versus card-based payments are discussed in more detail in the competitive assessment, from paragraph 169 below.

○ *Third parties' views*

148. The CMA's merger investigation indicates that third parties also consider that PIS-enabled payments are, and will increasingly be, an alternative for consumers and merchants in the foreseeable future. Given the nascent nature of the segment, third parties noted different models under which PIS-enabled payments could be used in order to facilitate transactions, for example, via card network providers,¹⁸² directly by PIS providers,¹⁸³ by large e-commerce platforms,¹⁸⁴ to fund e-wallets, or by banks directly.

149. Other third parties told the CMA that PIS-enabled payments may eventually gain scale and become a substitute to card-based payments in future. For example, certain third parties stated that:

(a) 'Given that payment initiation services (for which Plaid is an authorised provider in the UK) allow money/payments to flow from a bank account to another bank account, they have the potential to create an alternative to card payment';¹⁸⁵ and

(b) 'Payment initiation services are expressly intended as an alternative to card-based payments'.¹⁸⁶

150. Evidence from the CMA's merger investigation indicates that PIS-enabled payments are already being used in the UK as a substitute for card-based payments. For example, an early adopter of PIS currently uses a PIS-enabled

¹⁸² [REDACTED] ([REDACTED]). Card network providers may potentially offer PIS-enabled payments through merchant acquirers which appears to be Visa's planned model.

¹⁸³ Such as Plaid, TrueLayer, Tink etc. For example, Plaid's current arrangement with [REDACTED] ([REDACTED]).

¹⁸⁴ This would be a cheaper alternative than card-based payments and large e-commerce platforms can leverage both the trust of their customers and their scale to build or outsource a PIS-enabled payments solution. For example, one third party stated that Amazon was looking into an open banking solution (Note of call with Mastercard dated 5 May 2020).

¹⁸⁵ [REDACTED].

¹⁸⁶ British Retail Consortium's (BRC) written submission to the CMA dated 10 July 2020 (BRC's second submission), page 9.

payment solution offered by American Express to allow its users to make donations and noted that PIS-enabled payments were an alternative to debit cards.¹⁸⁷ One customer said that it had ‘seen clearly’ that PIS-enabled payments were an alternative for card-based payments following a recent spike in PIS-enabled payments during a popular charity campaign, where donations would traditionally have been made via card or SMS-based payments.¹⁸⁸

- *Conclusion on demand-side substitutability*

151. The available evidence indicates that there is already some demand-side substitution between card-based payments and PIS-enabled payments, and that this is likely to increase in future. The CMA also found that there is a degree of segmentation within the supply of services enabling C2B payments in the UK. The CMA therefore sought to reflect the differences between card-based payments and PIS-enabled payments (as well as the possible interactions between these two segments) within its competitive assessment.
152. Further evidence set out in the competitive assessment from paragraph 180 below also supports a frame of reference for C2B payments in the UK in which the Parties, and other providers, compete. That evidence indicates that PIS-enabled payments remain at a relatively nascent stage of development within the UK but are increasingly gaining traction. The CMA also found that consumers and merchants increasingly perceive PIS-enabled payments to be a viable alternative to card-based payments for C2B payments, and that the penetration of PIS-enabled payments is likely to continue in future.

- *Direct debit transfers and A2A payments other than PIS-enabled payments*

153. The Parties submitted that the frame of reference should be widened to include ‘direct debits [sic] transfers and non-PIS enabled bank transfers’.¹⁸⁹
154. As the Parties overlap in the supply of services enabling C2B payments, the CMA considers that it is appropriate to include in the frame of reference payment methods such as direct debit transfers and A2A payments (eg CHAPS, FPS) insofar as those are used for the purpose of making a C2B

¹⁸⁷ One third party noted that consumers who would use open banking are typically debit card users. Consumers typically using credit card schemes (eg American Express) are not going to be inclined to use PIS, as their primary interest is to benefit from related loyalty advantages. This attracts American Express because their credit card business will remain largely unaffected by PIS but it will allow them to encroach on Visa and Mastercard’s traditional debit territory. The third party noted that PIS will displace debit cards, not credit cards. ([~~redacted~~]).

¹⁸⁸ [~~redacted~~] response to CMA customer questionnaire.

¹⁸⁹ Parties’ response to the Issues Paper, paragraph 57.

payment. The CMA did not include direct debit transfers, A2A payments or any other payment type insofar as these are used for purposes other than C2B payments. This is because there is no demand-side substitutability between C2B payments (ie where a consumer needs to pay a business) and other types of payment flows (such as B2C or P2P payments) where demand does not emanate from a consumer.

- *Cash and cheques*

155. Cash and cheques are an alternative means of C2B payments. However, the CMA found that cash and cheques are a very weak substitute for electronic forms of C2B payments including card-based and PIS-enabled payments. Cash is primarily used for certain types of small value transactions and cheques are a legacy form of payment used only in certain specific circumstances. Use of both cash and cheques has declined sharply in recent years.¹⁹⁰
156. The CMA understands that – while card-based payments can be used both online and offline (ie for face-to-face payments) – PIS-enabled payments, at least initially, are expected to be primarily used for online transactions in the foreseeable future. This is supported by internal documents and the CMA’s merger investigation.^{191,192} Plaid is currently marketing its PIS offering in the UK as an online payment solution.¹⁹³ This means that, at least in the foreseeable future, cash and cheques are not a suitable alternative to PIS-enabled payments, because they cannot be used as means of payment for online transactions.
157. The Parties submitted that e-wallets can be used for P2P payments, as can be cash and cheques.¹⁹⁴ However, Plaid’s PIS offering is not currently used for the purposes of enabling P2P payments in the UK, which furthermore are distinct from C2B payments.¹⁹⁵

¹⁹⁰ In 2019, cheque payments represented 0.5% of all UK consumer payments (UK Finance, ‘UK Payment Markets 2020’ report (June 2020), page 11).

¹⁹¹ For example, one Visa internal document [REDACTED] ([REDACTED]).

¹⁹² For example, one third party said that PIS has ‘focused on e-commerce due to less investment required to integrate into e-commerce platforms versus the cost involved to integrate into retail point of sale terminals’ which ‘have higher replacement/development costs and longer lead times to make changes’ ([REDACTED] response to CMA customer questionnaire). Another third party said that ‘e-commerce [as opposed to ‘Consumer present payments’] is the most suited payment type for PIS payments since the consumer is already using a browser or a smartphone which provides the mechanism for them to authenticate the payment’. ([REDACTED] response to CMA customer questionnaire). One merchant said PIS-enabled payments were more feasible for online transactions than in store transactions ([REDACTED] response to CMA merchant questionnaire).

¹⁹³ [REDACTED].

¹⁹⁴ Parties’ response to the Issues Paper, paragraph 57.

¹⁹⁵ For the avoidance of doubt, the CMA notes that P2P payments were excluded from the share of supply calculations to establish jurisdiction.

158. For the reasons set out above, the CMA has not included cash and cheques in the product frame of reference.

- *Supply-side substitutability*

159. While the boundaries of the relevant product market are generally determined by reference to demand substitution alone,¹⁹⁶ the CMA may widen the scope of the market where there is evidence of supply-side substitution.

160. The CMA has not received any evidence indicating that the product frame of reference should be narrowed or widened on the basis of supply-side substitution.

Conclusion on product scope

161. For the reasons set out above, the CMA assessed the impact of the Merger on the supply of services enabling C2B payments (including card-based payments and PIS-enabled payments but excluding cash and cheques).

Geographic scope

Parties' submissions

162. The Parties submitted that the narrowest candidate geographic market they identified is UK.¹⁹⁷

CMA's assessment

163. The environment in which PIS-enabled payments operate is regulated by UK authorities (namely the FCA and the PSR) and therefore has UK-specific characteristics. In particular, PIS-enabled payments operate within an open banking environment which differs from that in other countries, including the member states of the EU, as explained at paragraphs 50 to 55 above. Card-based payments are also regulated at national level, for example through the monitoring and enforcement of the Payment Card Interchange Fee Regulations 2015 by the PSR in the UK.¹⁹⁸ This points to a national frame of reference.

¹⁹⁶ [Merger Assessment Guidelines](#), paragraph 5.2.17.

¹⁹⁷ The Parties added that AIS is provided at a national level, as API providers have to first connect to a given bank's API in order to offer AIS to third party developers (Final Merger Notice, paragraphs 270–273).

¹⁹⁸ [Interchange Fee Regulations 2015](#) (2015 No. 1911).

164. The CMA observes that this is in line with the Parties' internal documents, which generally treat the UK separately to other jurisdictions. For example, one Visa deal-specific document discussing international expansion identifies country-specific characteristics: [REDACTED]. This internal document shows that [REDACTED].¹⁹⁹
165. In addition, internal documents show that the market structure in the UK may differ from that of other European countries. For example, Visa highlights that '[REDACTED]'.²⁰⁰
166. The CMA has not received any evidence to suggest that the geographic frame of reference should be any narrower (or wider) than national. Accordingly, the CMA considered the impact of the Merger within a national geographic frame of reference.
167. For clarity, all the transactions where at least one side of the transaction is based in the UK have been included within the scope of the geographic frame of reference, for example: (i) a UK card- or account-holder transferring or receiving funds outside the UK; or (ii) a foreign card- or account-holder transferring or receiving funds from a merchant in the UK.

Conclusion on frame of reference

168. For the reasons set out above, the CMA assessed the impact of the Merger on the supply of services enabling C2B payments (including card-based payments and PIS-enabled payments but excluding cash and cheques) in the UK.

Competitive assessment

169. As set out in the following sections, the CMA assessed the following theories of harm:²⁰¹

¹⁹⁹ [REDACTED]. In Confidential Annex 2 submitted with the Parties' response to the Issues Paper, the Parties did not challenge the CMA's interpretation of this internal document.

²⁰⁰ [REDACTED], [REDACTED] ([REDACTED]).

²⁰¹ The CMA also considered whether other theories of harm could arise as a result of the Merger, including the possibility that the strategic partnership between Visa and TrueLayer may result in coordination between the Merged Entity and TrueLayer post-Merger. However, based on the available evidence, the CMA believes that the Merger does not give rise to a realistic prospect of an SLC as a result of coordinated effects, primarily due to the lack of internal sustainability of any coordinated outcome. In addition, the CMA considered whether, as a result of the Merger, foreclosure may arise through the termination or non-performance of Visa's duties under current partnerships it has with TrueLayer and [REDACTED]. However, based on the available evidence, the CMA believes that the Merger does not give rise to a realistic prospect of an SLC as a result of foreclosure effects, primarily due to the lack of ability of the Merged Entity to foreclose rival PIS providers. This is further detailed at paragraph 218 below with regard to TrueLayer specifically.

- (a) The loss of dynamic competition for the supply of services enabling C2B payments in the UK; and
 - (b) The foreclosure by the Merged Entity of rival PIS providers in the UK as a result of the leveraging of Visa's strength in card-based payments.
170. Horizontal unilateral effects may arise when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged firm profitably to raise prices or to degrade quality on its own and without needing to coordinate with its rivals.²⁰² Horizontal unilateral effects are more likely when the merging parties are close competitors. The CMA assessed whether it is or may be the case that the Merger has resulted, or may be expected to result, in an SLC in relation to horizontal unilateral effects in the supply of services enabling C2B payments (including card-based payments and PIS-enabled payments but excluding cash and cheques) in the UK.

Loss of dynamic competition for the supply of services enabling C2B payments

171. The CMA assessed whether, and to what extent, as a result of the elimination of the competition imposed by Plaid growing and gaining more customers, the Merged Entity may increase prices, lower quality and stifle innovation. In particular, the CMA assessed whether the Merged Entity could restrict the development of Plaid's PIS-enabled C2B payments in order to minimise the cannibalisation of Visa's card-based C2B payments.
172. While there are material differences between the Parties' respective offerings, the CMA considers that there is a material degree of competitive interaction between the two offerings based on the position that:
- (a) PIS-enabled payments and card-based payments are substitutes for some purposes (as described in paragraphs 140 to 150 above);
 - (b) Plaid provides an important technological component of PIS-enabled payments (as described in paragraph 141 above); and
 - (c) If the cost of Plaid's PIS-enabled payments is lower than Visa's card-based payments and/or there are other features such as quality which make Plaid's PIS-enabled payments attractive to customers, customers will switch from Visa's card-based payments to Plaid's PIS-enabled payments.

²⁰² [Merger Assessment Guidelines](#), from paragraph 5.4.1.

173. In this situation, Plaid constrains Visa, and the Merger would remove this constraint. The CMA therefore considers that it is not necessary (as the Parties have suggested) for Plaid to have an end-to-end offering or have consumer-facing tool for it to be able to exert a constraint on Visa.
174. Visa currently has a strong position in the supply of services enabling C2B payments. As noted in paragraph 105 above, Visa's share of supply is [60-70]% measured by number of transactions by UK card- and account-holders.²⁰³ Given Visa's strong position in the supply of services enabling C2B payments, the CMA has focused its assessment on the loss of Plaid as a constraint.
175. Due to the recent launch of Plaid's PIS offering in the UK and the emergent nature of PIS-enabled payments, the CMA has placed more weight on forward-looking evidence than on the historical performance of Plaid and its competitors.
176. In order to assess whether there is a realistic prospect of the Merger resulting in a loss of dynamic competition in services enabling C2B payments in the UK, the CMA has considered:
- (a) The closeness of competition between the Parties, including how the constraint from Plaid could evolve;
 - (b) The competitive constraints from other PIS providers; and
 - (c) The competitive constraints from other services enabling C2B payments.

Closeness of competition

177. The CMA examined the closeness of competition between the Parties and considered within this assessment:
- (a) The Parties' submissions;
 - (b) Evidence on the closeness of the Parties' service offerings;
 - (c) Third party evidence from the CMA's merger investigation; and
 - (d) Evidence from internal documents.

²⁰³ Including card-based payments and A2A payments but excluding cash and cheques.

Parties' submissions

178. The Parties submitted that Visa and Plaid do not compete on the basis that:
- (a) Card-based payments and A2A payments are distinct;
 - (b) Unlike Visa's card-based payments, Plaid takes no responsibility for the movement of money and only sends a message to initiate the payment;
 - (c) The customers of Visa and Plaid are different, with Plaid primarily targeting fintech companies and Visa's customers being financial institutions;
 - (d) The missing functionalities of PIS limit the scope with which it can be used, with Plaid focusing largely on account funding, for which Visa's payment flows are limited, whereas Visa focuses on C2B transactions.²⁰⁴ The development of these functionalities would take an 'extensive period of time';²⁰⁵ and
 - (e) Plaid lacks a consumer-facing product, as well as payment processing capabilities.²⁰⁶
179. The Parties also submitted that, because Plaid does not provide payment processing or a consumer-facing payment method, the Merger would only be of concern if Plaid was an 'essential' input for some other stakeholder (eg a banking application, fintech or e-wallet) seeking to offer PIS-enabled payments to consumers.²⁰⁷

CMA's assessment

- *Evidence on the closeness of the Parties' services*

180. As explained in paragraphs 140 to 150 above, there is evidence that PIS-enabled payments already compete with card-based payments as they offer an alternative to merchants and consumers and that this tendency is likely to increase in future.
181. Both Parties offer services enabling consumers to pay merchants for goods and services. There are some differences between the Parties' products (eg the Parties use different rails and technology and, unlike Visa, Plaid's solution

²⁰⁴ Final Merger Notice, paragraphs 198–201; Parties' response to the Issues Paper, paragraphs 60–71; Confidential Annex 1 and Confidential Annex 2 submitted with the Parties' response to the Issues Paper.

²⁰⁵ Parties' response to the Issues Paper, paragraph 66.

²⁰⁶ Parties' response to the Issues Paper, paragraph 67.

²⁰⁷ Parties' response to the Issues Paper, paragraph 80.

is not currently consumer-facing), but the fundamental purpose of the product offerings is the same: to enable C2B payments.

182. At present, the Parties compete most closely for account funding. Plaid's current customers are using PIS-enabled payments for account funding. While PIS-enabled payments currently have some weaknesses that make them less suitable for wider C2B payments, such as lack of a refund system, account funding is less affected by these weaknesses. In addition, as discussed in paragraphs 186 to 190 below, the CMA considers that these weaknesses can be resolved in a timely manner.
183. With respect to account funding, the CMA acknowledges that this is currently a small part of Visa's business. However, the CMA believes that, in absolute terms, Visa's presence in account funding is substantial.
- (a) Visa's data does not allow it to precisely estimate the size of account funding transactions processed on its network in the UK. However, as a proxy, in 2019 it processed [REDACTED] pull transactions (worth [REDACTED]) in the UK which were tagged as *Account Funding Transactions*.²⁰⁸ This estimate includes some transactions which are not account funding transactions,²⁰⁹ but excludes card-based account funding, and therefore may be underestimated or overestimated. It does, however, imply that Visa's account funding transactions are non-negligible; and
- (b) Visa's internal documents [REDACTED],²¹⁰ which implies that Visa is concerned about the impact of account funding usage on its card-based payments. [REDACTED].²¹¹
184. In parallel, as described in paragraph 27 above, Visa is pursuing a 'network of networks' strategy which means it is progressively moving away from a purely card-based offering to also support A2A payments generally. The CMA considers that this indicates that Visa's service proposition may become even closer to the PIS-enabled payments that Plaid enables in future.
185. In addition to competing in account funding, the evidence available to the CMA shows that Plaid is actively moving in the direction of enabling other C2B payments, starting with e-commerce transactions.²¹² The potentially

²⁰⁸ Visa does not capture the purpose of card holders' transactions and therefore cannot specifically identify account funding (Parties' response to RF16).

²⁰⁹ It includes P2P payments (ie transfers to another customer's account) which are not account funding transactions (Parties' response to RF16).

²¹⁰ [REDACTED].

²¹¹ [REDACTED].

²¹² Final Merger Notice, paragraph 308 and [REDACTED].

broad appeal of PIS-enabled payments is further evidenced by Plaid [REDACTED],²¹³ as well as, interest in PIS-enabled payments from merchants.^{214,215}

186. The available evidence makes clear that PIS-enabled payments currently have some limitations. However, it is also clear that PIS providers are working to address these issues and the OBIE can help facilitate industry-wide change, for example by including new features on its OBIE roadmap. Therefore, the CMA considers that the available evidence supports the position that PIS-enabled payments will be used for an increasingly wide range of purposes, beyond account funding, and that the constraint that PIS-enabled payments exercise on other C2B payment types will continue to grow in line with the current trend.
187. A significant limitation of PIS-enabled payments at present is a lack of reverse payments (ie refund) capabilities. This currently limits the extent to which PIS-enabled payments are a viable alternative to card-based payments for some transactions. The CMA understands, however, that a reverse payments mechanism is part of the revised OBIE roadmap and is expected to be available within the next two years.²¹⁶ Furthermore, some third parties were confident that a reverse payments mechanism could be delivered in a timely manner. In particular:
- (a) Several respondents expected that the issue around reverse payments will be solved by the OBIE and its resolution will encourage consumers and merchants to adopt PIS.²¹⁷ In particular, one third party stated that the OBIE proposals will ‘provide a suitable resolution to the difficulties PISPs have faced processing refunds’.²¹⁸
 - (b) The CMA also found evidence that some PIS providers are developing their own refund mechanisms, for example by pooling funds and using the AIS process to reverse the payment.²¹⁹

²¹³ Final Merger Notice, paragraphs 307–308; Parties’ response to the Issues Paper, paragraph 43; Parties’ response to RF17.

²¹⁴ Note of call with BRC dated 1 May 2020.

²¹⁵ John Lewis discussed PIS-enabled payments with partner payment providers in 2019. The initiative to implement PIS-enabled payments is [REDACTED] (Note of call with John Lewis dated 13 May 2020). [REDACTED] held discussions with several payment providers in relation to open banking and PIS-enabled payments ([REDACTED] response to CMA merchant questionnaire). [REDACTED] assessed the feasibility of implementing PIS-enabled payments and reviewed potential PIS-providers ([REDACTED] response to CMA merchant questionnaire).

²¹⁶ See [Notice of approval of changes to the Agreed Timetable and Project Plan, Retail Market Investigation Order 2017](#).

²¹⁷ [REDACTED] and [REDACTED] response to CMA customer questionnaire; [REDACTED] and [REDACTED] response to CMA competitor questionnaire; [REDACTED] response to CMA merchant questionnaire.

²¹⁸ [REDACTED] response to CMA customer questionnaire.

²¹⁹ [REDACTED] ([REDACTED]). NatWest will add refunds capability [REDACTED] (Note of call with NatWest dated 12 May 2020). [REDACTED]. [REDACTED] response to CMA merchant questionnaire.

188. According to the Parties, other functionalities that PIS-enabled payments currently lack include:
- (a) Authentication parity: that a user's experience authenticating a payment is the same with PIS-enabled payments as when they authenticate a payment directly with a financial institution;
 - (b) Payment confirmation: the ability to return a confirmation of funds transfer from the receiving bank;
 - (c) Variable recurring payments: giving customers the ability to authorise variable recurring payments via PISPs;
 - (d) Batch payments: allowing customers to make multiple payments from their payment accounts;
 - (e) Trusted beneficiaries: the ability to define a trusted account that is used for frequent payments; and
 - (f) Sweeping: the ability for consumers to set up automatic payments between their accounts to move funds for savings and round-ups.²²⁰
189. The CMA believes there is a realistic prospect that these issues will be resolved in a timely manner, to the extent relevant, in light of progress made to date and, more broadly, the rapidly evolving nature of the sector (see paragraphs 63 to 73 above).
190. For example, current issues around reverse payments will be resolved either through the expected implementation of a reverse payments mechanism as part of the OBIE's roadmap or through PIS providers developing their own refund mechanisms. The CMA understands this is also the case for variable recurring payments, sweeping and authentication parity,²²¹ which are part of the OBIE's roadmap and also expected to be made available in the foreseeable future.^{222,223} Third party feedback does not indicate that payment confirmation and batch payments are as critical for the uptake of PIS-enabled payments or could not be developed through similar mechanisms as those mentioned above. More broadly, the CMA notes that none of the available evidence indicates that any of these issues are insurmountable.

²²⁰ Parties' response to the Issues Paper, paragraph 38.

²²¹ The CMA understands that authentication parity and trusted beneficiaries refer to the same item.

²²² See [Notice of approval of changes to the Agreed Timetable and Project Plan, Retail Market Investigation Order 2017](#).

²²³ [REDACTED], [REDACTED] and [REDACTED] responses to CMA competitor questionnaire.

191. On this basis, the CMA considers that evidence relating to the extent of competition between Visa and Plaid at present, from the Parties' internal documents and third parties, is likely to understate the extent to which the Parties will compete in future.
- *Third parties' views*
192. The CMA believes that evidence provided by third parties during its merger investigation also supports the position that Plaid competes with Visa.
193. With regard to current competition, two customers have already observed significant switching from card-based payments to PIS-enabled payments for charitable donations.²²⁴ One customer listed entities which use card rails to make payments (eg Apple Pay, Google Pay and PayPal) as alternatives to Plaid's PIS offering in the UK.²²⁵
194. From a dynamic perspective, third parties highlighted certain advantages that PIS-enabled payments hold over other types of payment solution and, as noted above, submitted that they expect PIS-enabled payments to overcome their perceived current shortcomings. In particular:
- (a) Some third parties noted that PIS-enabled payments, such as those enabled by Plaid, have a relative price advantage over card-based payments. These third parties consider that this supports the attractiveness of PIS-enabled payments.²²⁶
 - (b) In addition to the relative price advantage, third parties cited several other advantages that PIS-enabled payments have over card-based payments, such as:
 - (i) The security of PIS-enabled payments;²²⁷
 - (ii) The confidence that payments have been received;²²⁸
 - (iii) The speed with which payments can be received and confirmed;²²⁹

²²⁴ [redacted] and [redacted] response to CMA customer questionnaire.

²²⁵ [redacted] response to CMA customer questionnaire.

²²⁶ [redacted], [redacted], [redacted] and [redacted] responses to CMA customer questionnaire; [redacted] response to CMA merchant questionnaire.

²²⁷ [redacted] response to CMA customer questionnaire.

²²⁸ [redacted] response to CMA customer questionnaire.

²²⁹ [redacted] and [redacted] responses to CMA customer questionnaire.

- (iv) The smoothness of the consumer experience when making a payment, particularly on a mobile device;²³⁰ and
- (v) The ability for consumers to see their balance before committing to a transaction.²³¹

195. In this context, some third parties specifically mentioned the growing importance of PIS-enabled payments relative to card-based payments. For example:

- (a) One competitor expected PIS-enabled payments to grow substantially compared to card-based payments over the next five years.²³²
- (b) Another competitor expected an ‘explosion’ of PIS providers in the next 1-2 years, but said that in 3-5 years’ time, there would be consolidation driven by scale advantages and card payment fees falling in line with cheaper PIS-enabled payment fees.²³³
- (c) Some customers told the CMA that they expected PIS-enabled payments to become a ‘compelling alternative to all card-based payments’²³⁴ in future and that PIS-enabled payments would be an established alternative to card-based payments in the next 3-5 years.²³⁵

196. Some third parties said that Visa’s card-based payments are under threat from PIS-enabled payments. For example, one merchant specifically said that companies like Visa may want to have their own PIS capabilities and/or prevent others from developing a full-blown workable solution, ‘in order to mitigate the risk of card payments being cannibalised by bank to bank payments’.²³⁶

197. In addition to a general view that PIS-enabled payments would grow, some third parties said that Plaid, in particular, would grow in the UK in the foreseeable future. In particular:

- (a) One competitor said Plaid’s popularity in the UK was likely to improve because organisations operating in the US and Canada are likely to

²³⁰ [REDACTED].

²³¹ [REDACTED] and John Lewis’s responses to CMA merchant questionnaire.

²³² Salt Edge’s response to CMA competitor questionnaire.

²³³ [REDACTED] response to CMA competitor questionnaire.

²³⁴ [REDACTED] response to CMA customer questionnaire.

²³⁵ [REDACTED] response to CMA customer questionnaire.

²³⁶ [REDACTED] response to CMA merchant questionnaire.

already have connections with Plaid and therefore are likely to use Plaid in the UK/EU for AIS and PIS.²³⁷

(b) Another competitor said that as Plaid is new to Europe, it expected it to be more active as a competitor in the future.²³⁸

(c) One further competitor said that, if Plaid went more heavily into payments it could become one of the leading PIS competitors.²³⁹

198. Third parties identified the following factors that may accelerate Plaid's growth and make it a closer competitor to Visa in the foreseeable future:

(a) Plaid's strength globally, and in the US in particular, was mentioned by third parties as an important factor for choosing Plaid for PIS services.²⁴⁰

(b) Other third parties also cited Plaid's international reach as one of its strengths.²⁴¹ One third party noted that Plaid gives Visa a global reach in PIS services that would be hard for Visa to achieve on its own.²⁴²

199. In light of the anticipated uptake of PIS-enabled payments, and the rapidly evolving positioning of Plaid as an important PIS provider in the UK, some third parties expressed concerns about the Merger. For example:

(a) One customer and one merchant raised concerns about Visa stifling Plaid's innovation.²⁴³

(b) One merchant said that Visa would have the incentive and ability to stifle the development of an alternative to card-based payments either by mothballing the development of Plaid entirely, or by increasing the price or reducing the quality of PIS-enabled payments to ensure that card-based payments remain an attractive option for customers. It also said that acquiring PIS players was a way of mitigating the risk of cannibalisation of card-based payments, stating that, even if Mastercard and Visa did support the development of PIS-enabled payments, they would still stand to benefit from its development.²⁴⁴

²³⁷ [REDACTED] response to CMA competitor questionnaire.

²³⁸ [REDACTED] response to CMA competitor questionnaire.

²³⁹ [REDACTED] response to CMA competitor questionnaire.

²⁴⁰ For example, customers said they had chosen Plaid because it has 'comprehensive coverage of banks in the world', is 'the biggest in the US', is 'available in North American markets' and has 'regional coverage' including the US and Canada ([REDACTED], [REDACTED], [REDACTED] and [REDACTED] responses to CMA customer questionnaire).

²⁴¹ [REDACTED] response to CMA customer questionnaire.

²⁴² [REDACTED].

²⁴³ [REDACTED] response to CMA customer questionnaire; [REDACTED] response to CMA merchant questionnaire.

²⁴⁴ [REDACTED] response to CMA merchant questionnaire.

- (c) Another merchant raised concerns about the removal of a competitor which could have affected Visa's market share.²⁴⁵
- (d) A further merchant raised concerns about removing an alternative to Visa and thus limiting merchant and customer choice.²⁴⁶
200. One complainant about the Merger expressed a concern that the acquisition of Plaid by Visa is 'the paradigm of a killer acquisition' in that Visa is acquiring a successful player that could otherwise create new competitive constraints on the established card schemes (Visa and Mastercard). The complainant considers that this is an anticompetitive merger in a dynamic market and will lead to the loss of an important new competitor in the UK payments market.²⁴⁷ The CMA notes that the concerns expressed by this complainant are addressed throughout the competitive assessment.
201. No third party told the CMA that Plaid's PIS-enabled payments, as opposed to PIS-enabled payments in general, were a strategically significant input for products or services of the type described in paragraph 179 above.
202. Overall, third parties considered that PIS-enabled payments currently compete with Visa's card-based payments and would do so to a greater extent in future. They also considered that Plaid would grow and become a closer competitor to Visa in future.
- *Internal documents*
203. The CMA believes that the Parties' internal documents indicate that PIS-enabled payments are a threat to Visa's business and are consistent with Plaid competing with Visa.
204. First, some Visa internal documents indicate that open banking in general and Plaid specifically (along with other PIS providers) could be disruptive to Visa. For example:
- (a) One Visa internal document shows Visa's general concern about PIS-enabled payments stating that '[redacted]'.²⁴⁸ The same document shows that Visa believed that '[redacted]' and would '[redacted]'.²⁴⁹

²⁴⁵ [redacted] response to CMA merchant questionnaire.

²⁴⁶ [redacted] response to CMA merchant questionnaire.

²⁴⁷ BRC's second submission, page 1.

²⁴⁸ [redacted].

²⁴⁹ [redacted].

- (b) One document describing Visa’s open banking strategy said that ‘[REDACTED]’.²⁵⁰
- (c) One Visa document states that ‘[REDACTED]’. It also says that greater ‘[REDACTED]’ will see ‘[REDACTED]’. It refers to [REDACTED].²⁵¹
- (d) Additional Visa documents note that ‘[REDACTED]’.²⁵²
- (e) Another Visa internal document states that ‘[REDACTED]’. In the same document, Plaid, Tink, Salt Edge, TrueLayer, Token.io are identified as connectivity infrastructure providers.²⁵³
- (f) Some internal documents [REDACTED]. For example:
 - (i) One Visa strategy document compares Visa’s card-based payments with a typical PIS-enabled payment. [REDACTED]. The same document states that ‘[REDACTED]’.²⁵⁴
 - (ii) One Plaid internal document states that [REDACTED].²⁵⁵

205. Second, from a dynamic perspective:

- (a) Plaid’s strategy documents show that Plaid intended to become a major player in PIS-enabled payments. For example:
 - (i) A document entitled ‘[REDACTED]’ from October 2019 shows that Plaid was focusing on [REDACTED].²⁵⁶
 - (ii) Another document from December 2019 said that Plaid’s [REDACTED].²⁵⁷
- (b) Plaid’s internal documents also indicate that Plaid is intending to expand the use cases for PIS-enabled payments beyond account funding. For example:
 - (i) A January 2020 Plaid document entitled ‘[REDACTED]’ shows that Plaid is considering [REDACTED].²⁵⁸

250 [REDACTED].
 251 [REDACTED].
 252 [REDACTED] and [REDACTED].
 253 [REDACTED].
 254 [REDACTED].
 255 [REDACTED].
 256 [REDACTED].
 257 [REDACTED].
 258 [REDACTED].

- (ii) A more recent internal Plaid document (April 2020) shows that Plaid [redacted].²⁵⁹

206. Finally, the strong potential of Plaid and its expected growth, including in the UK, is consistent with Visa's high revenue forecast for Plaid's UK business as discussed at paragraph 47 above.

Conclusion on the closeness of competition between the Parties

207. While Plaid is currently a relatively small player in C2B payments in the UK, the CMA found that there is already material degree of competitive interaction between the Parties within the supply of services enabling C2B payments, evidenced by the extent to which Plaid targets its account funding business at merchants currently using Visa's card-based payments.

208. From a dynamic perspective, based on consistent third party feedback and evidence from both Parties' internal documents, the CMA also found that PIS-enabled payments will compete more closely with card-based payments in future.

Constraints from other PIS providers

209. As discussed in paragraphs 63 to 73 above, open banking in general and PIS-enabled payments in particular, are relatively new. The relative importance of competitors is therefore liable to change over time as providers continue to innovate and develop their offerings. (For example, as discussed in paragraphs 192 to 206 above, Plaid's relative importance is expected to grow in the foreseeable future.) The CMA therefore notes that, as with Plaid, the evidence in relation to current market performance may underestimate the future strength of some PIS providers.

210. In assessing the competitive constraint from other PIS providers, the CMA considered:

(a) The Parties' submissions;

(b) The strength of other PIS providers, based on:

(i) Evidence from third parties;

(ii) Evidence from internal documents;

²⁵⁹ [redacted].

- (c) Plaid's competitive strength relative to other PIS providers, based on:
- (i) Evidence from third parties;
 - (ii) Evidence from internal documents; and
- (d) Open banking in the UK and barriers to entry and expansion.

Parties' submissions

211. The Parties submitted that both Visa and Plaid face numerous competitive constraints. In particular, with respect to Plaid's PIS-enabled payments, the Parties stated that the Merged Entity would be constrained by a large number of other PIS providers. Specifically, the Parties listed nine PIS providers which they considered to be Plaid's leading competitors: TrueLayer, Tink, Token.io, Yolt, Bud, Yapily, Salt Edge, Klarna and MoneyHub.²⁶⁰
212. The Parties also submitted that Plaid's presence in PIS-enabled payments in the UK is [REDACTED].²⁶¹ In this regard, the Parties informed the CMA that Plaid [REDACTED].²⁶²

Strength of other PIS providers

213. In total, there are over 70 firms authorised by the FCA to provide PIS. The CMA does not consider that all these providers, whether at present or in the foreseeable future, would be likely to impose a meaningful constraint on the Merged Entity. The CMA has therefore focused its analysis on the firms that currently are, or appear likely to become, the most prominent PIS providers, and therefore most likely to constrain the Merged Entity.
214. The CMA considers that the available evidence, as set out below at paragraphs 224 to 231, indicates that TrueLayer, Tink, Token.io and Yapily are, or are poised to become, the most prominent PIS providers in the UK (in addition to Plaid). The offering of each of these PIS providers is analysed in turn below.
215. By way of context, the CMA notes that the lack of a significant customer base in the UK at present is not, in itself, determinative of the competitive significance of a PIS provider in the foreseeable future. Instead, the CMA's assessment reflects the nascent state of PIS-enabled payments and the

²⁶⁰ Final Merger Notice, paragraphs 310–312, 317 and 355–356; Parties' response to the Issues Paper, paragraph 74; Confidential Annex 4 submitted with the Parties' response to the Issues Paper.

²⁶¹ Parties' response to the Issues Paper, paragraph 79.

²⁶² Parties' email to the CMA on 19 August 2020 12:01.

relatively low uptake for this payment method to date. The CMA's assessment is therefore based on a range of evidence relevant to the competitive capabilities of each provider, including its product offering, geographic reach, existing or targeted customers, existing partnerships or financial ties and any other relevant factors (eg number of agents).

216. **TrueLayer** is a UK-based Authorised PI (first registered in January 2018), licensed by the FCA to offer AIS and PIS.²⁶³ TrueLayer serves customers both in the UK and Europe,²⁶⁴ [REDACTED].²⁶⁵ Its customers are primarily fintechs, financial institutions, e-commerce providers and other payment companies.²⁶⁶ TrueLayer considers itself to be a direct competitor to Plaid providing similar PIS services;²⁶⁷ both companies target similar customer profiles and 'compete head-to-head [for] opportunities'.²⁶⁸ With thirty-two current agents,²⁶⁹ TrueLayer has a higher number of agents in the UK than any of its direct competitors.²⁷⁰
217. According to the Parties, TrueLayer has 'won some of the UK's most significant lighthouse accounts, including [REDACTED] and [REDACTED], because of its first-movers' advantage.'²⁷¹ [REDACTED].²⁷² Finally, TrueLayer is backed by well-funded investors with significant experience in the financial services and the fintech spaces, namely Tencent and Temasek.²⁷³
218. As noted in paragraph 68(c) above, Visa has a minority investment of [REDACTED]% in TrueLayer. Alongside this, Visa has certain agreements with TrueLayer [REDACTED].²⁷⁴ [REDACTED].²⁷⁵ ([REDACTED]).
219. **Tink** is a Stockholm-based AIS/PIS provider (first registered in Sweden in September 2018) and authorised to offer such capabilities in the UK amongst

²⁶³ See TrueLayer's FCA registration webpage, available at:

<https://register.fca.org.uk/s/firm?id=001b0000042fMZyAAM> (accessed on 24 August 2020).

²⁶⁴ TrueLayer has a passport for the following EEA countries: Austria, Belgium, Denmark, Estonia, Finland, France, Germany, Iceland, Ireland, Italy, Lithuania, Luxembourg, Netherlands, Norway, Poland, Portugal, Spain, and Sweden (See TrueLayer's FCA registration webpage, available at:

<https://register.fca.org.uk/s/firm?id=001b0000042fMZyAAM> (accessed on 24 August 2020)).

²⁶⁵ Note of call with TrueLayer dated 24 April 2020. TrueLayer's response to CMA competitor questionnaire.

²⁶⁶ Note of call with TrueLayer dated 24 April 2020.

²⁶⁷ Note of call with TrueLayer dated 24 April 2020 and TrueLayer's response to CMA competitor questionnaire.

²⁶⁸ Confidential Annex 4 submitted with the Parties' response to the Issues Paper.

²⁶⁹ See TrueLayer's FCA registration webpage, available at:

<https://register.fca.org.uk/s/firm?id=001b0000042fMZyAAM> (accessed on 24 August 2020).

²⁷⁰ Note of call with TrueLayer dated 24 April 2020.

²⁷¹ Parties' response to the Issues Paper, paragraph 74; Confidential Annex 4 submitted with the Parties' response to the Issues Paper.

²⁷² [REDACTED] response to CMA competitor questionnaire.

²⁷³ Final Merger Notice, paragraph 131.

²⁷⁴ [REDACTED] (Final Merger Notice, paragraphs 123–134).

²⁷⁵ Note of call with TrueLayer dated 16 June 2020; TrueLayer's e-mails to the CMA dated 14 May 2020 and 9 June 2020.

other European countries (thirteen in total).²⁷⁶ Tink [REDACTED].²⁷⁷ Tink informed the CMA that [REDACTED].²⁷⁸ The Parties noted that ‘Tink provides PIS to all of the major banks in the UK, and has [REDACTED] and [REDACTED] among its customers’²⁷⁹ (As noted in paragraph 68(b) above, Tink is backed by PayPal.) Tink indicated that [REDACTED].²⁸⁰ In this regard, one competitor noted that Tink ‘is similar to Plaid but with a greater focus on helping banks to do account aggregation through their own [applications]’.²⁸¹

220. **Token.io** is an Authorised PI (first registered in April 2018), licensed by the FCA to offer AIS and PIS. Token.io has eight current agents and a passport to provide both AIS and PIS in thirty EEA countries.²⁸² [REDACTED].²⁸³ [REDACTED].²⁸⁴ As noted in paragraph 69(a) above, Token.io has a partnership with Mastercard. The Parties noted that Token.io supports Mastercard’s Pay-by-Bank functionality and also serves [REDACTED].²⁸⁵ Mastercard has built its Open Banking Connect offering around Token.io in the UK and mainland Europe; Token.io provides to Mastercard the last mile connectivity to banks’ APIs (ie acts as a TSP). Mastercard considers it competes with Token.io.²⁸⁶
221. **Yapily** is an Authorised PI (first registered in August 2019), licensed by the FCA – through SafeConnect Limited – to offer AIS and PIS. Yapily has three current agents and a passport to provide both AIS and PIS in thirty EEA countries.²⁸⁷ Yapily connects banks across multiple European countries to its customers [REDACTED].²⁸⁸ Yapily recently partnered with IBM to deliver a platform and a set of services to easily integrate PSD2 and Open Banking APIs into customers’ processes.²⁸⁹ On 13 August 2020, Yapily announced a partnership with American Express for the provision of PIS, including in the

²⁷⁶ See Tink’s registration webpage, available at: <https://www.fi.se/en/our-registers/company-register/details?id=145258> (accessed on 24 August 2020); <https://docs.tink.com/market-capabilities?market=GB> (accessed on 24 August 2020); <https://docs.tink.com/resources/payments/start-payment-uk> (accessed on 24 August 2020).

²⁷⁷ Note of call with Tink dated 11 May 2020; Note of call with TrueLayer dated 24 April 2020.

²⁷⁸ Note of call with Tink dated 11 May 2020.

²⁷⁹ Parties’ response to the Issues Paper, paragraph 74.

²⁸⁰ Note of call with Tink dated 11 May 2020.

²⁸¹ Note of call with TrueLayer dated 24 April 2020.

²⁸² See Token.io’s FCA registration webpage, available at: <https://register.fca.org.uk/s/firm?id=0010X000044E27IQAC> (accessed on 24 August 2020).

²⁸³ [REDACTED] response to CMA competitor questionnaire.

²⁸⁴ [REDACTED] response to CMA competitor questionnaire.

²⁸⁵ Parties’ response to the Issues Paper, paragraph 74; Confidential Annex 4 submitted with the Parties’ response to the Issues Paper.

²⁸⁶ Note of call with Mastercard dated 5 May 2020.

²⁸⁷ See Yapily’s FCA registration webpage, available at: <https://register.fca.org.uk/s/firm?id=0010X00004J9MH9QAN> (accessed on 24 August 2020);

²⁸⁸ Yapily’s response to CMA competitor questionnaire.

²⁸⁹ Final Merger Notice, paragraph 355. See also <https://www.yapily.com/open-banking-platform/> (accessed on 20 August 2020) and <https://developer.ibm.com/integration/blog/2019/09/17/integrate-app-connect-with-yapily-access-banking-apis/> (accessed on 24 August 2020).

UK.²⁹⁰ Yapily specialises in the TSP model, which means they target large enterprises that are authorised to provide the user experience such as Intuit.²⁹¹ Yapily [X].²⁹²

222. Based on technical capabilities, existing and target customers and financial backing and/or partnerships, the CMA considers that (at least) TrueLayer, Tink, Token.io and Yapily possess similar (or stronger) competitive capabilities to Plaid.

223. In addition to the competitors discussed in paragraphs 216 to 221 above, opening banking (see paragraphs 238 to 241 below) is liable to facilitate the entry and expansion of additional competitors (as well as the expansion of existing providers).

- *Third parties' views on competitive strength of other PIS providers*

224. The CMA asked third parties to rank the five strongest PIS providers in the UK. The “best” average ranking is the one closest to 1 and the “worst” that closest to 5. As can be seen in Table 1 below, Plaid appeared in the top five 20 times, with an average ranking of 2.6. Both Plaid and TrueLayer were mentioned significantly more frequently and were on average ranked more highly than the next most frequently mentioned competitors (including Plaid). The CMA notes that the numbers of mentions and average rankings do not imply that Plaid’s offering is currently perceived to be materially stronger than those offered by its competitors. TrueLayer ranked higher than Plaid, but other PIS providers, such as Token.io, had a ranking broadly similar to Plaid’s.

²⁹⁰ See ‘Yapily announces agreement with American Express to enable open banking payments across Europe’ (13 August 2020), available at: <https://www.yapily.com/blog/yapily-announces-agreement-with-american-express-to-enable-open-banking/> (accessed on 24 August 2020).

²⁹¹ Parties’ response to the Issues Paper, paragraph 74; Confidential Annex 4 submitted with the Parties’ response to the Issues Paper. The CMA understands that Yapily with also be acting as a TSP as part of its partnership with American Express: ‘With Yapily’s API operating invisibly behind the scenes, American Express remains in full control of the user interface and experience - meaning end users are taken through the Pay with Bank Transfer payment journey, with no interruptions or Yapily redirects.’ See ‘Yapily announces agreement with American Express to enable open banking payments across Europe’ (13 August 2020), available at: <https://www.yapily.com/blog/yapily-announces-agreement-with-american-express-to-enable-open-banking/> (accessed on 24 August 2020).

²⁹² Yapily’s response to CMA competitor questionnaire.

Table 1: Top five most frequently mentioned competitors

Competitor	Number of mentions	Average ranking
TrueLayer	22	1.8
Plaid	20	2.6
Tink	11	3.5
Token.io	10	2.9
Yapily	9	3.6

Source: CMA analysis of responses to competitor questionnaires, customer questionnaires and merchant questionnaires²⁹³

- *Internal documents on competitive strength of other PIS providers*

225. Plaid’s internal documents indicate that it monitors a number of competitors within the UK and across Europe. However, the nascent nature of Plaid’s PIS offering means that some of these documents have tended to be more focused on the competitive landscape in AIS rather than on PIS providers.

226. These internal documents also show that Plaid particularly closely monitors [REDACTED] amongst a small number of other competitors. For example:

(a) One Plaid internal document from April 2019 cites [REDACTED].²⁹⁴

(b) Another document from May 2019 defines [REDACTED].²⁹⁵

(c) Some documents show that Plaid [REDACTED].²⁹⁶

(d) Under the heading ‘[REDACTED]’, an August 2019 Plaid document considers that [REDACTED].²⁹⁷

(e) In a document entitled ‘[REDACTED]’, Plaid evaluates the possibility of [REDACTED].²⁹⁸

(f) A forward-looking Plaid document for Q1 2019 [REDACTED].²⁹⁹

227. The CMA considers that Plaid’s documents imply that the PIS providers that Plaid perceives as its [REDACTED] competitors are TrueLayer and Tink. It also

²⁹³ While other PIS providers were mentioned by third parties, a large number of these PIS providers were only mentioned by one third party and have therefore been excluded from this analysis.

²⁹⁴ [REDACTED].

²⁹⁵ [REDACTED]. [REDACTED].

²⁹⁶ For example, [REDACTED]. [REDACTED]. [REDACTED] ([REDACTED]).

²⁹⁷ [REDACTED].

²⁹⁸ [REDACTED].

²⁹⁹ [REDACTED].

monitors other well-known, open banking providers such as Salt Edge and [REDACTED] as competitors in Europe. Salt Edge is an established player in AIS although not yet authorised to provide PIS.³⁰⁰ It plans to apply to the FCA to be authorised as a PIS provider and in the meantime offers technical services to authorised PIS providers (ie acts as a TSP).³⁰¹ [REDACTED] offers a consumer-facing payments product and has a passport to use its [REDACTED] PIS license in the UK, as part of its open banking solution.³⁰²

228. Visa's internal documents show that Visa actively monitors the competitive landscape in the open banking space and competitors' pricing for AIS/PIS, including in the UK. Visa's internal documents frequently refer to Plaid, TrueLayer, Salt Edge and Token.io by comparing their product offerings, depth of coverage, value-added services and PIS capabilities.³⁰³ For example:

(a) One document prepared in [REDACTED].³⁰⁴ [REDACTED].

(b) Several internal documents list [REDACTED].³⁰⁵ [REDACTED].³⁰⁶

(c) In one document relating to the Merger, Visa [REDACTED].³⁰⁷

(d) In an e-mail chain dated [REDACTED].³⁰⁸

229. The CMA believes that Visa's documents imply that, other than Plaid, the providers that Visa perceives as the main PIS providers in the UK are TrueLayer, Salt Edge and Token.io. The CMA notes that Visa also monitors additional PIS providers, albeit to a lesser extent.

230. The CMA notes that the Parties' internal documents appear to suggest that Visa and Plaid have different views on the strength of various PIS providers. Similarly, the CMA found limited mentions within the Parties' internal documents of some of the PIS providers that were more often mentioned by third parties (eg Yapily).

231. The CMA believes that the Parties' internal documents, in conjunction with the third party evidence, indicate, in the round, that TrueLayer, Tink, Token.io and

³⁰⁰ Salt Edge's FCA registration webpage, available at:

<https://register.fca.org.uk/s/firm?id=0010X00004H79yQQAR> (accessed on 24 August 2020).

³⁰¹ Note of call with Salt Edge dated 30 April 2020; Salt Edge's response to the CMA competitor questionnaire.

³⁰² [REDACTED]'s registration webpage, available at: [REDACTED] (accessed on 24 August 2020); [REDACTED] (accessed on 24 August 2020).

³⁰³ [REDACTED]; [REDACTED]; [REDACTED]; [REDACTED].

³⁰⁴ [REDACTED].

³⁰⁵ [REDACTED]; [REDACTED].

³⁰⁶ [REDACTED].

³⁰⁷ [REDACTED].

³⁰⁸ [REDACTED].

Yapily are best placed to compete as PIS providers (in addition to Plaid) in the UK, and are therefore likely to impose a material constraint on the Merged Entity. The CMA also believes that other providers, who currently appear to be less well-placed to compete as PIS providers in future, may also exert some constraint on the Merged Entity (eg Salt Edge and Klarna).

Plaid's competitive strength relative to other PIS providers

232. This section examines Plaid's competitive strength relative to other PIS providers to assess whether it offers a particularly important or differentiated product which would mean that it could be a particularly significant constraint on Visa compared to other PIS providers.

- *Third parties' views on Plaid's competitive strength relative to other PIS providers*

233. Some third parties considered that Plaid had some advantages over its competitors. For example:

(a) Some of Plaid's competitors considered that Plaid's PIS offering was particularly strong due to its:

- (i) Experience in the US and/or the ability to bridge to the US market;³⁰⁹
- (ii) Large financial resources;³¹⁰ and
- (iii) Size and viability.³¹¹

(b) Some of Visa's customers also noted that Plaid's offering has certain strengths compared with the offering of other PIS providers, including:

- (i) Plaid's global reach and leading presence in the global market;³¹²
- (ii) Plaid's considerable presence in the US and experience in open finance (ie Investment API);³¹³ and
- (iii) Plaid's strength as a TSP, with global connectivity to banks. Plaid is potentially the largest global provider with this capability.³¹⁴

³⁰⁹ [REDACTED], [REDACTED], [REDACTED], [REDACTED] and [REDACTED] responses to CMA competitor questionnaire.

³¹⁰ [REDACTED] response to CMA competitor questionnaire.

³¹¹ [REDACTED] response to CMA competitor questionnaire.

³¹² [REDACTED] response to CMA customer questionnaire.

³¹³ [REDACTED] response to CMA customer questionnaire.

³¹⁴ [REDACTED] response to CMA customer questionnaire.

234. However, other third parties did not see a clear distinction between Plaid and other PIS providers. For example:

(a) Some of Plaid's competitors considered that Plaid's PIS offering is not unique (or otherwise materially differentiated) compared to other PIS providers, in particular because:

(i) Plaid does not have any distinctive capabilities;³¹⁵ and

(ii) Like Plaid, many other PIS providers are well-funded.³¹⁶

(b) Some customers noted the similarities between Plaid's PIS offering and that of its competitors, including that:

(i) The technical functionality of PIS providers is generic;³¹⁷

(ii) PIS providers offer the same product since they all use Open Banking APIs;³¹⁸ and

(iii) PIS providers all have infrastructure that allows aggregation and payment initiation.³¹⁹

235. On this basis, the CMA considers that third party evidence in relation to the strength of Plaid's PIS offering compared to that of other PIS providers was mixed. There is some evidence that Plaid has particular strengths relative to other PIS providers, but also evidence that some third parties do not see any meaningful distinction between Plaid and other PIS providers and considered that other PIS providers also have a strong offering.

- *Internal documents on Plaid's competitive strength relative to other PIS providers*

236. The CMA is not aware of any internal documents from either Visa or Plaid which suggest that Plaid's PIS offering is substantially stronger than the offering of other PIS providers.

237. Overall, the CMA believes that the evidence from internal documents and third party feedback does not support the position that Plaid's offering is materially stronger or differentiated in comparison to those of rival PIS providers.

³¹⁵ [REDACTED] and [REDACTED] responses to CMA competitor questionnaire.

³¹⁶ [REDACTED] response to CMA competitor questionnaire.

³¹⁷ [REDACTED] response to CMA customer questionnaire.

³¹⁸ [REDACTED] response to CMA customer questionnaire.

³¹⁹ [REDACTED] response to CMA customer questionnaire.

Open banking in the UK and barriers to entry and expansion

238. The CMA believes that open banking has contributed to lowering some barriers to entry and expansion by standardising some parts of PIS providers' offerings. As described in paragraphs 51 to 54 above, open banking means that there are standardised APIs which connect to more than 98% of UK current account holders, making it easier for developers to develop PIS-enabled payments, without having to develop separate connections with each individual bank. However, it does not preclude the possibility that some providers will continue to be stronger than others. In particular, PIS providers will have the incentive to differentiate themselves to attract and retain customers, for example through their customer service or the wider suite of products they offer. This is consistent with the position put forward by Parties that the Merger is an opportunity to 'deliver a differentiated, competitive, PIS offering.'³²⁰
239. Partnership with other players in the market, particularly customer-facing providers, is one means by which PIS providers could differentiate themselves and attract customers. For example, as noted in paragraphs 216 to 221 above, a number of existing PIS providers are already partnering with and/or have received investment from large payment specialists, such as PayPal, Mastercard and American Express, and there is no indication that this trend will not continue. Indeed, the standardisation provided by open banking may facilitate the development of new and alternative partnerships, as this makes it generally easier for customer-facing entities to enter into arrangements with (and change) the partner who provides the technical capability.
240. Under the open banking regulations, PIS providers are competing to supply a service to merchants or intermediaries such as acquirers or processors (and in this regard, Plaid's PIS offering does not, as noted in paragraph 201 above, appear to be a strategically significant input for any third party). PIS providers are therefore typically not required to build a two-sided platform involving consumers' banks, as well as the merchants or intermediaries, and therefore are not subject to the network effects typical for two-sided platforms.
241. Overall, the CMA believes that, while open banking will not eliminate differentiation between PIS providers or remove all barriers to entry and expansion, this regulatory framework is generally liable to facilitate the entry and expansion of PIS providers within the UK market (as compared to the position in jurisdictions where this kind of regulation does not exist). Moreover, the frequency of partnerships between PIS providers and more traditional

³²⁰ Parties' response to the Issues Paper, paragraph 138.

payment providers could also mean that the most significant future constraints could come from new PIS providers entering or existing ones expanding in partnership with established payments sector players.

Conclusion on the constraint from other PIS providers

242. The CMA found that Plaid is one of a large number of PIS providers already active in the UK and that several of these providers, such as TrueLayer, Tink, Token.io and Yapily, possess similar (or stronger) competitive capabilities to Plaid. Other providers, such as Salt Edge and Klarna, currently appear to be less well-placed to compete as PIS providers in future, but may also exert some constraint on the Merged Entity. The CMA also found that new PIS providers continue to enter the market and that existing PIS providers seek to expand in a variety of ways, including through partnerships with traditional payment providers. The CMA notes, in this regard, that the open banking regime in the UK, which standardises PIS APIs, is generally liable to facilitate the entry and expansion of PIS providers within the UK market (albeit while not eliminating competitive differentiation between suppliers or removing barriers to entry and expansion completely).
243. On this basis, the CMA considers that several PIS providers will continue to compete with the Parties in the supply of services enabling C2B payments post-Merger. The CMA believes that this is consistent with the evidence from internal documents and third party feedback, which does not indicate that Plaid's offering is materially stronger or differentiated compared to those of rival PIS providers.

Constraints from other services enabling C2B payments

244. The CMA has assessed whether, and to what extent, the Merged Entity will face additional competitive constraints from:
- (a) Card-based payment providers;
 - (b) Self-supply by banks, merchant acquirers and other payment specialists;
and
 - (c) Payment applications.
245. In assessing these additional competitive constraints, the CMA considered:
- (a) The Parties' submissions;
 - (b) Evidence from third parties; and

(c) Evidence from internal documents

Constraint from card payment providers

246. The Parties identified several constraints on Visa's card-based business, including Mastercard, American Express and Discover.
247. Visa has significant market power in C2B payments in the UK. The CMA estimates that Visa's debit and credit cards accounted for [60-70]% of all C2B transactions in the UK in 2019.³²¹
248. In the card-based payments segment, Mastercard is the second largest competitor, accounting for 11% of all C2B transactions in the UK in 2019.³²² All other competitors in the card-based payments segment (including American Express) account for 1% of all C2B transactions in the UK in 2019.³²³ Although these competitors provide some constraint on Visa's card payment business and Plaid's PIS-enabled payments in the UK, the CMA considers that Mastercard and American Express compete less directly with Plaid than Visa does. This is because Plaid's PIS-enabled payments tend to compete more closely with debit cards than credit cards³²⁴ and Mastercard has a much lower share of debit card-based payments than Visa, while American Express does not offer debit cards at all.³²⁵
249. American Express has developed its own PIS-enabled payments offering and has recently partnered with Yapily to provide PIS in the UK.³²⁶ Mastercard is partnering with Token.io to provide the connectivity for its PIS-enabled payments. Both American Express and Mastercard were cited as PIS providers by some third parties who responded to the CMA's merger investigation.³²⁷ A Visa internal document [REDACTED].³²⁸
250. The CMA believes that Mastercard and American Express's more limited presence in debit card-based payments provides a material incentive to provide and develop PIS-enabled payments. Given their existing position and

³²¹ CMA calculation based on UK Finance data.

³²² CMA calculation based on UK Finance data.

³²³ CMA calculation based on UK Finance data. The UK finance data set only specifically tracked Visa, Mastercard payments and all other card-based payment providers combined. See paragraph 105 for more detail on the methodology.

³²⁴ A Plaid internal document estimated that '[REDACTED]' ([REDACTED]).

³²⁵ Visa debit card transactions accounted for [90-100]% of all debit card transactions in 2019, with the remaining [0-10]% accounted for by Mastercard (CMA calculation using UK Finance data).

³²⁶ See 'Yapily announces agreement with American Express to enable open banking payments across Europe' (13 August 2020), available at: <https://www.yapily.com/blog/yapily-announces-agreement-with-american-express-to-enable-open-banking/> (accessed on 24 August 2020).

³²⁷ [REDACTED] and [REDACTED] responses to CMA merchant questionnaire. [REDACTED] and [REDACTED] responses to CMA competitor questionnaire. [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED] responses to CMA customer questionnaire.

³²⁸ [REDACTED].

capabilities as PIS providers, the CMA believes that both Mastercard and American Express may also be well-positioned to constrain the Merged Entity to some extent in the UK post-Merger.

Self-supply by banks, merchant acquirers and other payment specialists

251. Some of the bigger UK banks have introduced or are planning to introduce PIS-enabled payments in future.³²⁹ One merchant acquirer, Worldpay, has also recently launched an open banking hub that allows consumers to pay using PIS-enabled payments.³³⁰ Another merchant acquirer has also considered producing an in-house PIS solution and estimates that, subject to available development resources, it would require around nine months to provide one.³³¹
252. Some third parties who responded to the CMA's merger investigation listed merchant acquirers and banks as PIS providers (although they were much less commonly mentioned than other PIS providers).³³²
253. As noted above, banks and merchant acquirers would be well-placed to opt to use the services of a PIS provider, in a partnership model, in order to offer a consumer-facing PIS-enabled payments solution, rather than building the technology infrastructure in-house.
254. The CMA considers that other payments specialists may also develop in-house solutions. For example, TransferWise (a money transfer service) uses one of Plaid's APIs in the US for account funding and to enable ACH transfers, but has built its own PIS connectivity directly to banks in the UK.³³³ The Parties also submitted that Monzo and Emma (a budgeting and financial planning application) have already developed their own PIS capabilities.³³⁴

³²⁹ Eg NatWest PayIt. The Parties submitted that HSBC invested in Bud, a registered PIS provider in the UK (Final Merger Notice, paragraph 356). Barclays have launched PIS payments from its banking application (See 'Barclays becomes the first UK high street bank to enable customers to make payments from current accounts held with other banks in their Barclays app' (11 March 2020), available at: <https://home.barclays/news/press-releases/2020/03/barclays-becomes-the-first-uk-high-street-bank-to-enable-customer/> (accessed 24 August 2020). [X] said that it has plans to introduce a PIS offering ([X] response to CMA customer questionnaire).

³³⁰ See 'Worldpay rolls out Open Banking Hub for account-to-account payments' (17 June 2020), available at: <https://www.finextra.com/newsarticle/36039/worldpay-rolls-out-open-banking-hub-for-account-to-account-payments> (accessed on 24 August 2020).

³³¹ [X] response to CMA customer questionnaire.

³³² CMA analysis of responses to competitor questionnaire, customer questionnaire and merchant questionnaire.

³³³ Final Merger Notice, paragraph 101. See TransferWise's FCA registration webpage, available at: <https://register.fca.org.uk/s/firm?id=001b000001EjC6SAAV> (accessed on 24 August 2020).

³³⁴ Parties' response to the Issues Paper, paragraph 91.

255. The CMA believes that the bigger banks, merchant acquirers and some other payment specialists may also be well-positioned to constrain the Merged Entity by producing their own PIS-enabled payments offering.

Constraint from payment applications

256. The CMA has assessed whether payment applications such as Apple Pay, Google Pay, Amazon Pay and PayPal³³⁵ also compete for the supply of services enabling C2B payments.
257. Third party evidence provided to the CMA was mixed. One third party thought that these payment applications were competing with card-based payment providers.³³⁶ However, another third party emphasised that applications do not compete with card-based payment providers, citing the following quote from a recent press article: 'These days, consumers have more ways than ever to pay for things. Companies from Apple and Starbucks to PayPal and Amazon have all devised new ways for [consumers] to make purchases. In theory, their rise is supposed to disrupt the lock that card companies have on the payment business. In practice, they simply offer different ways to connect a card to execute a transaction. As a result, card issuers and processors have seen their positions strengthened, not weakened, by the proliferation of payment options'.³³⁷
258. The CMA considers that that these payment applications at present mainly provide another way for consumers to make card-based payments. For this reason, they are not direct competitors to card schemes, but rather facilitators of card transactions. However, as with card payment providers, banks and merchant acquirers, payment applications may be well-placed to develop their own PIS-enabled payments solution or to partner with existing PIS providers.

Conclusion on the constraints from other services enabling C2B payments

259. The CMA believes that other card operators, self-supply (by the bigger banks, merchant acquirers and some other payment specialists) and payment applications are well-placed to constrain the Merged Entity's C2B payment offering, at least to some extent.

³³⁵ As noted in paragraph 68(b) above, Tink is backed by PayPal.

³³⁶ This third party stated: 'Online customers in the UK choose between card-based and other payment options at checkout. As a result, we would see the main competitors to Visa as being not only the other major card schemes (Mastercard, American Express), but also alternative payment methods such as Apple Pay, Google Pay, Amazon Pay, PayPal, Klarna and others' (PayPal's response to CMA competitor questionnaire).

³³⁷ BRC's written submission to the CMA dated 16 March 2020, page 4.

Conclusion on loss of dynamic competition for the supply of services enabling C2B payments

260. For the reasons set out above, the CMA believes that there is a realistic prospect that PIS-enabled payments will grow to be a significant option for C2B payments and to constrain Visa and other card suppliers. Plaid is well-placed to become an important PIS provider, but there are several PIS providers such as TrueLayer, Tink, Token.io and Yapily, that possess similar (or stronger) competitive capabilities to Plaid. In light of open banking regulations and the evolving nature of PIS-enabled payments, there is also a realistic prospect of additional providers entering or expanding. In addition, the CMA believes that other PIS providers, other card payment providers, self-supply (eg by banks, merchant acquirers and some other payment specialists) and payment applications are well-placed to constrain the Merged Entity's C2B payment offering, at least to some extent.
261. Therefore, while the Merger will lead to the loss of a competitor in the market for the supply of services enabling C2B payments, the CMA believes that other PIS providers will continue to constrain the Merged Entity.
262. Accordingly, the CMA found that the Merger does not give rise to a realistic prospect of an SLC as a result of the loss of dynamic competition in relation to the supply of services enabling C2B payments (including card-based payments and PIS-enabled payments but excluding cash and cheques) in the UK.

Foreclosure of rival PIS providers

263. The concern under this theory of harm is that the Merged Entity could foreclose rival PIS providers, allowing the Merged Entity to increase prices, lower quality, reduce the range of its services and/or reduce innovation in the supply of services enabling C2B payments, in particular in the PIS-enabled payments segment.
264. Visa currently has a strong position in the supply of services enabling C2B payments. As noted in paragraph 105 above, Visa's share of supply is [60-70]% measured by number of transactions by UK card- and account-holders.³³⁸ Visa has a particularly strong position in the processing of debit card payments, with a share of [90-100]% of the number of UK debit card-based payments.

³³⁸ Including card-based payments and A2A payments but excluding cash and cheques.

265. Third parties raised concerns that the Merged Entity's strong position in cards may give it the ability to leverage this position to gain wider acceptance for Plaid's PIS offering than it would have had absent the Merger. For example:
- (a) One competitor said that the Merger could lead to 'lessening of competition early on the PIS space' and that Visa could potentially cross-sell Plaid's products.³³⁹
 - (b) Another competitor said that 'Visa's existing market dominance provides a rapid runway for Plaid to rapidly acquire market share and confer significant advantage in the emergent PIS space'.³⁴⁰
 - (c) One competitor expressed concerns about the Merger, referring to the Merged Entity potentially bundling Open Banking APIs (specifically AIS) alongside its other payment services.^{341,342}
266. The CMA therefore considered whether the Merged Entity could leverage Visa's position in card-based payments to foreclose rival PIS providers by tying or bundling the Merged Entity's card services with its PIS offering. This would mean that merchants could either:
- (a) Only obtain the Merged Entity's card service, via its merchant acquirers, if they also took the Merged Entity's PIS offering (tying); or
 - (b) Obtain the Merged Entity's card service in combination with the Merged Entity's PIS offering (bundling). For example, the Merged Entity can continue to offer both products separately but offer the bundle at a discount (compared to the prices of the standalone products).
267. In this way, the Merged Entity could 'tip the market' towards its own C2B payments and prevent other PIS providers from entering and/or scaling.
268. The CMA's approach to assessing foreclosure theories of harm is to analyse:
- (a) The ability of the merged entity to foreclose competitors;
 - (b) The incentive for it to do so; and

³³⁹ [REDACTED] response to CMA competitor questionnaire.

³⁴⁰ [REDACTED] response to CMA competitor questionnaire.

³⁴¹ Salt Edge's response to CMA competitor questionnaire.

³⁴² The CMA also notes that some third parties were concerned that the Merged Entity would be more efficient and that competitors could not match the Merged Entity's product quality and/or price ([REDACTED] and [REDACTED] responses to CMA customer questionnaire). However, they have not explained how, if the Merged Entity were to become more efficient, this would adversely affect the competitive process.

- (c) The overall effect of the strategy on competition.³⁴³

Ability

269. The assessment of 'ability' tests whether it is feasible for the Parties to foreclose competition by engaging in bundling or tying. That is, if it is possible for the Parties to put forward a proposition which would draw sufficient volumes away from rival PIS providers to foreclose them. For the purposes of the CMA's assessment of this Merger, the discussion is structured by examining:

- (a) The strength of Visa's market position;
- (b) The degree to which a combined offering (that is tying or bundling the Merged Entity's card service with its PIS offering) would be technically feasible and attract demand;
- (c) Whether merchants can purchase PIS services from alternative PIS providers; and
- (d) Whether competitors have timely and effective counterstrategies.

Parties' submissions

270. The Parties have submitted that:

- (a) The number of competitors and low barriers to entry mean that any attempt to foreclose PIS competition would be ineffective;
- (b) The presence of open banking regulation means that there are no strong network, scale or lock-in effects;
- (c) There are PIS-enabled payment providers who operate outside the merchant-acquirer relationship (eg Klarna, PayPal, Apple Pay) over whom Visa would have no control; and
- (d) Stakeholders (eg application developers, banks, processors and wallet providers) could resist foreclosure by switching to another PIS provider or building one in-house.³⁴⁴

³⁴³ [Merger Assessment Guidelines](#), paragraph 5.6.6.

³⁴⁴ Parties' response to the Issues Paper, paragraphs 107-111; Confidential Annex 3 submitted with the Parties' response to the Issues Paper.

271. The Parties have also submitted that Visa is not bundling or tying other products along with use of Visa's card network. It has submitted that its CyberSource, CardinalCommerce, Verifi and Payworks products are available to merchants, merchant acquirers and/or issuers irrespective of the card scheme, acquiring bank or POS terminal device used.³⁴⁵

CMA's assessment

- *Visa's market position*

272. Visa has a strong position in the card-based segment, particularly in the processing of debit card payments. In particular:

- (a) As described in paragraph 264 above, in the supply of services enabling C2B payments Visa's share of supply is [60-70]% measured by number of transactions by UK card- and account-holders.³⁴⁶ For the processing of debit card payments, Visa has a share of [90-100]% of the number of UK debit card-based payments. Visa also has a large customer base in the UK.
- (b) Visa's internal documents also show that its card products are important for merchants. For example, one [redacted].³⁴⁷
- (c) Third parties also considered that Visa has a strong position in card-based payments. One third party referred to Visa's 'scale' and 'incumbent network',³⁴⁸ another noted that Visa processes 'hundreds of billions of transactions annually and [is] very much seen as a trusted network',³⁴⁹ and yet another stated that Visa is 'well-known' and 'trusted' with 'longstanding and deep relationships with both merchant and financial sector partners'.³⁵⁰

273. Therefore, the CMA believes that it is important to most merchants to accept Visa cards, and therefore that most merchant acquirers will typically offer Visa payments to their customers.

- *Customer demand for a bundled or tied PIS and card offer*

274. In addition to offering Visa card payments, the CMA understands that merchants can offer a range of payment options, such as PayPal and Klarna, to their customers. As described in paragraphs 140 to 150 above, PIS-

³⁴⁵ Final Merger Notice, paragraphs 67–72.

³⁴⁶ Including card-based payments and A2A payments but excluding cash and cheques.

³⁴⁷ [redacted].

³⁴⁸ [redacted] response to CMA competitor questionnaire.

³⁴⁹ [redacted] response to CMA customer questionnaire.

³⁵⁰ [redacted] response to CMA customer questionnaire.

enabled payments are becoming an increasingly important means of payment, and therefore merchants are likely to have an increasing incentive to add PIS-enabled payments as a payment option. For example, KLM told the CMA that its merchant acquirer (Adyen) approached KLM as Adyen was looking for a launch partner for an open banking integration solution it was building. KLM agreed and, until recently, used Adyen as its PIS provider in the UK.³⁵¹ As merchants are likely to require both card-based payments and PIS-enabled payments, merchant acquirers have launched or are considering launching PIS-enabled payments (see paragraph 251 above) and will offer both types of payment to their customers.

275. For a bundling or tying strategy to be a potential concern, it must be the case that customers benefit from buying both products together, for example when the products are complements or one-stop shopping is important.³⁵²
276. Visa supplies its card-based payments to merchants through merchant acquirers. The CMA considers that it would be technically possible for the Merged Entity to supply a bundled or tied offer to merchant acquirers. In practice, however, merchant acquirers often source payment options from multiple suppliers (eg from Mastercard as well as Visa) and may develop their own PIS offerings (as described in paragraph 251 above). There is therefore no obvious commercial (or other) advantage to merchant acquirers of one-stop-shopping, but rather merchant acquirers would typically have a strong incentive to offer multiple payment methods to serve different merchants. While Visa has a strong position in payment cards, large merchant acquirers are also important customers for Visa and therefore would likely have some ability to resist any anticompetitive tying or bundling strategy.
277. Some large merchants may seek to offer PIS-enabled payments to their customers by partnering directly with PIS providers, rather than via merchant acquirers. In this instance, Visa cannot technically tie or bundle its PIS and card offerings, without substantially changing its business model to provide card-based payments to merchants directly. Furthermore, merchants that procure PIS independently are likely to have some ability to source from multiple suppliers. Many already source from multiple payment providers, for example offering different types of payments such as cards, PayPal and Klarna, or using payment providers in different geographies.³⁵³ Furthermore, some merchants regularly tender for payment service providers.³⁵⁴ One

³⁵¹ Note of call with KLM dated 10 June 2020.

³⁵² See [Merger Assessment Guidelines](#), paragraph 5.6.13.

³⁵³ [REDACTED].

³⁵⁴ [REDACTED].

merchant said that the contentiousness around the cost of card-based payments may make it less likely that merchants will use PIS-enabled payments supplied by card scheme operators.³⁵⁵

278. Therefore, even if Visa were to supply PIS-enabled payments and card-based payments together, the available evidence indicates that customers would not have to choose this bundle, and there is evidence that many customers already source from multiple suppliers.

- *Alternatives to the bundled or tied offer for merchants*

279. As described in paragraphs 213 to 231 above, there are a number of other PIS providers that exert a constraint on the Parties. For the reasons set out elsewhere in this decision, the CMA considers that these PIS providers are likely to continue to grow and have sufficient scale to compete effectively with the Merged Entity. In addition, as described in paragraphs 238 to 241 above, open banking, and the impetus that this provides to enter into partnership arrangements, may mean that other PIS providers emerge. As noted in paragraphs 276 and 277 above, there is no evidence indicating that there are benefits of or a preference for one-stop shopping.

- *Competitors' counterstrategies*

280. Furthermore, the CMA notes that even if the Parties were to attempt to engage in bundling or tying, rival PIS providers may be able to execute counterstrategies to protect themselves.

281. The card 'ecosystem' is complex, and includes merchant acquirers and issuers as well as a rival debit and credit card network operator (Mastercard), which works with the same merchant acquirers as Visa and competes with Visa to supply services to issuing banks.

282. Within this context, the CMA identified two possible counterstrategies that could be used by competitors to react to a tying or bundling strategy by the Merged Entity.

283. First, a set of competing bundled or tied products could also be initiated by Visa's main rival in the supply of card-based payment services (ie Mastercard). Mastercard already has a partnership with Token.io to provide the connectivity for Mastercard's open banking hub³⁵⁶ and Mastercard's

³⁵⁵ [redacted].

³⁵⁶ See 'Mastercard selects Token.io as partner for Open Banking Hub' (13 February 2019), available at: <https://news.token.io/2019/02/13/mastercard-selects-token-io-as-a-partner-for-its-new-open-banking-hub>

agreed acquisition of Finicity may further increase its capabilities in this space (see paragraph 68(a) above). Mastercard stated that it believes that the impact of the Merger on competition will be limited.^{357,358}

284. Second, rival PIS providers could partner or merge with acquirers or other significant payment providers with existing connections with merchants to facilitate customer acquisition. As described in paragraphs 213 to 231 above, there are a number of strong PIS providers in the UK market. There are also a range of customer-facing payment providers that rival PIS providers could partner with (eg American Express, PayPal, Worldpay, Klarna, Apple Pay and Stripe). Moreover, as described in paragraph 239 above, a number of partnerships/other collaborative arrangements already exist in practice, such as Tink's backing by PayPal, Token.io's partnership with Mastercard and Yapily's partnership with American Express. While Visa has a strong position in respect of the card-based payments segment, other payment providers along the value chain also have strong existing relationships with merchants/acquirers. This would allow them to partner with PIS providers or offer their own PIS and compete with the Merged Entity.

Conclusion on the ability to foreclose rival PIS providers

285. Visa holds a significant degree of market power in the supply of services enabling C2B payments, with a particularly strong position in the processing of debit card payments. However, the CMA does not believe that there is a realistic prospect that the Merged Entity would have the ability to foreclose rival PIS providers by tying or bundling Plaid's PIS-enabled payments with Visa's card-based payment offering. The CMA believes that competing PIS providers will continue to have sufficient scale to compete effectively with the Merged Entity in the supply of PIS-enabled payments because (a) merchant acquirers and merchants often source payment options from multiple suppliers and (b) the Merged Entity does not provide a unique route to access merchants and merchant acquirers, and PIS providers can acquire customers by partnering with other payment providers who, like Visa, have existing relationships with merchants and/or merchant acquirers. The CMA also notes that Visa's main competitor, Mastercard, could also produce a competing bundle (and has already taken some steps to do so). The CMA therefore

(accessed on 24 August 2020). Mastercard's Open Banking Connect is supported by Token.io. Token.io provides connectivity between Mastercard and banks' APIs (Note of call with Mastercard dated 5 May 2020). Parties' response to the Issues Paper, paragraph 74 and Confidential Annex 4 submitted with the Parties' response to the Issues Paper.

³⁵⁷ Mastercard's response to CMA competitor questionnaire.

³⁵⁸ The CMA notes that, although American Express already offers PIS-enabled payments, its card-based payments offering is limited to credit cards and therefore, at present, it could not provide a competing bundle which included debit cards.

believes that Merged Entity does not have the ability to foreclose rival suppliers of PIS services.

Incentive and effect

286. As the CMA has concluded that the Merged Entity would lack the ability to foreclose rival PIS providers, the CMA has not been required to consider whether it would have the incentive to pursue such a strategy or the overall effect of a foreclosure strategy on competition.
287. For completeness, the CMA notes, however, that the pursuit of this kind of leveraging strategy in the UK does not form part of the rationale for the Merger, as set out in the deal rationale documents, and that there is no suggestion elsewhere in Visa's internal documents that Visa could pursue such a foreclosure strategy.

Conclusion on foreclosure

288. For the reasons set out above, the CMA believes that the Merged Entity does not have the ability to foreclose competition as there is limited evidence of one-stop shopping and there are alternatives to any tied or bundled offer. Accordingly, the CMA found that the Merger does not give rise to a realistic prospect of an SLC as a result of a foreclosure strategy in relation to the supply of services enabling C2B payments (including card-based payments and PIS-enabled payments but excluding cash and cheques) in the UK.

Third party views

289. The CMA contacted customers and competitors of the Parties as well as other interested third parties. A few customers raised concerns regarding reduced innovation in PIS-enabled payments and less choice of PIS providers post-merger.
290. Third party comments have been taken into account where appropriate in the competitive assessment above.

Decision

291. Consequently, the CMA does not believe that it is or may be the case that the Merger may be expected to result in an SLC within a market or markets in the United Kingdom.
292. The Merger will therefore **not be referred** under section 33(1) of the Act.

Colin Raftery
Senior Director, Mergers
Competition and Markets Authority
24 August 2020

ⁱ In relation to paragraph 24, Visa has requested to clarify that Visa's main listing is on the New York Stock Exchange.

ⁱⁱ In relation to paragraph 66, UK Finance has requested to clarify that the last sentence of this paragraph should read as follows: 'This was accompanied by the increase of UK payments made on FPS and other remote banking rails, the total volume of which grew by 24% between 2018 and 2019.'