Press Release

Pennsylvania joins proposed federal settlement after review of major finance company acquisition

11/13/2015

HARRISBURG — Pennsylvania today joined the U.S. Department of Justice and six other states in filing a federal civil antitrust lawsuit and related proposed settlement that will ensure competition in various markets nationwide following a major personal finance company's acquisition of a competitor.

Attorney General Kathleen G. Kane today announced the filings, which are the result of an investigation of Springleaf Holdings, Inc. and its proposed acquisition of OneMain Financial. The latter company is owned by CitiFinancial Credit Company, a wholly-owned subsidiary of Citigroup, Inc. Springleaf in March announced its intent to acquire OneMain Financial for $4.25 billion.

The purpose of the collaborative investigation between federal and state authorities was to review whether the merger would result in substantially less competition for consumer finance loans to subprime borrowers. The antitrust lawsuit will block the proposed acquisition. At the same time, the proposed settlement, if approved by the court, would resolve the lawsuit by requiring Springleaf to divest 127 branches with more than $600 million in loan receivables to proceed with its acquisition of OneMain.

According to the complaint, Springleaf and OneMain are the two largest providers of personal installment loans to subprime borrowers in the United States. Personal installment loans to subprime borrowers are fixed-rate, fixed-term and fully amortized loan products that are marketed to consumers who have limited access to credit from traditional banking institutions.

Springleaf and OneMain specialize in the same products (large installment loans typically ranging from $3,000 to $6,000), target the same customer base and have a large degree of geographic overlap between their branch networks.

In Pennsylvania, the proposed merger in some areas would have reduced the number of market participants from three to two, or two to one, meaning there would be substantially less competition without a structural remedy.

The parties have agreed to divest 10 branches in 10 affected markets throughout the state as a condition of the acquisition. Those markets are Cheltenham, Johnstown, Lancaster, Monace, Norristown, Shamokin Dam, State College, Tannersville, Upper Darby and Washington.

The other states that worked on this investigation include Colorado, Idaho, Texas, Virginia, Washington and West Virginia.

The settlement was filed in the form of a consent decree in the United States District Court for the District of
Columbia. Under the terms of the proposed consent decree, Springleaf must divest 127 branches in 11 states to Lendmark Financial Services, or to an alternative buyer approved by the United States.

The divestiture includes all active loans originated or serviced at the divested branches and other assets associated with the branches. Divestiture of the branches to Lendmark will create a new competitor in the provision of personal installment loans to subprime borrowers in Arizona, California, Colorado, Idaho, Ohio, Texas and Washington. In North Carolina, Pennsylvania, Virginia and West Virginia, the divestiture will establish Lendmark as a new competitor in some local areas and enhance its competitive presence in others. Taken together, the divestitures will remedy the loss of competition alleged in the joint complaint.

Springleaf is a Delaware corporation with its headquarters in Evansville, Ind. Springleaf operates approximately 830 branches in 27 states. Springleaf has a consumer loan portfolio that totals $4 billion.

OneMain is a Delaware limited liability company with its headquarters in Baltimore. OneMain operates approximately 1,139 branches in 43 states. OneMain has a consumer loan portfolio that totals $8.4 billion.

Attorney General Kane thanked the Department of Justice and other participating states for their work on this investigation.

The review of the potential impact of the proposed acquisition on Pennsylvania was conducted by the Office of Attorney General's Antitrust Section, which is tasked with protecting the free enterprise system by detecting anti-competitive practices and taking legal action to stop them.

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