

# News story: CMA provisionally clears PayPal / iZettle takeover

Both companies provide mobile point of sale (mPOS) devices that enable businesses to take 'offline' payments through a card reader connected to a smartphone or tablet. The 2 companies are also active in the emerging market for 'omni-channel' payment services, through which businesses can take 'offline' and 'online' payments through a single provider.

An initial Phase 1 investigation by the Competition and Markets Authority (CMA) had raised concerns that PayPal's purchase of its rival might reduce competition in the supply of mPOS devices in the UK, with iZettle's customers, typically small and medium-sized businesses, paying higher prices or receiving a lower quality service.

The CMA was also concerned about the potential impact of the merger in 'omni-channel' payment services, where PayPal has already established a strong position and iZettle had been expanding its presence.

The payments services sector is evolving and the CMA's Phase 2 investigation, led by an independent group of panel members, has considered in detail how competition between the merging businesses would have been likely to develop in future. The CMA has reviewed extensive evidence, including large volumes of the merging businesses' internal documents, relating to PayPal's rationale for the merger and what the commercial strategies of PayPal and iZettle would have been if the merger had not taken place.

The CMA has also considered extensive evidence, including a survey of over 6,000 customers, relating to how they choose in practice between the more novel mPOS devices, such as those supplied by PayPal and iZettle, and 'traditional' point of sale devices, such as those supplied by Worldpay and Barclaycard.

As a result of this detailed investigation, the CMA has provisionally found that the merger does not raise competition concerns.

The investigation revealed that, while iZettle and PayPal are 2 of the largest suppliers of mPOS devices, their customers are also willing to switch to 'traditional' POS devices. The 2 largest suppliers of payment services to smaller merchants, Worldpay and Barclaycard, account for almost 60% of the market at present and will continue to constrain the merged company.

The merged company will also face significant competition from other mPOS-only players, such as Square and SumUp, which have both grown significantly in recent years.

In omni-channel services, the CMA found that iZettle would only have been able to develop its offering slowly and would have remained a marginal player for the foreseeable future. The CMA also found that other significant

competitors would be more important constraints on PayPal.

As a result of this thorough investigation, the CMA has provisionally found that the merger does not raise competition concerns.

Kirstin Baker, the inquiry chair, said:

The payment services sector is dynamic, and our in-depth investigation has enabled us to carry out a large amount of further analysis about how competition is likely to develop in future.

As iZettle is a relatively recent entrant to payment services, and PayPal had pre-existing plans to invest in its product offering, it has been particularly important for us to verify in detail what could have happened had iZettle not been taken over.

While iZettle and PayPal are 2 of the main suppliers of mobile point of service devices, the additional evidence we have analysed indicates that the distinctions between these and 'traditional' point of service devices are reducing over time and that large numbers of customers can and do switch to 'traditional' point of service devices.

Further details are available on the investigation [case page](#).

## Notes to Editors

1. An offline payment is a 'card-present' payment from customers in a face-to-face setting. An online payment is a 'card-not-present' payment from customers in an online setting.
2. The CMA is the UK's primary competition and consumer authority. It is an independent non-ministerial government department with responsibility for carrying out investigations into mergers, markets and the regulated industries and enforcing competition and consumer law.
3. Media enquiries to the CMA should be directed to [press@cma.gov.uk](mailto:press@cma.gov.uk) or 020 3738 6460.