

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

UNITED STATES OF AMERICA,

Plaintiff,

v.

BENEFICIAL CORPORATION;  
BENEFICIAL FINANCE CO. OF OHIO;  
THE CONTINENTAL CORPORATION;  
THE BUCKEYE UNION INSURANCE CO.;  
and  
CAPITAL FINANCIAL SERVICES INC.,

Defendants.

Civil Action No. 79-C-3551

Filed: August 29, 1979

COMPLAINT

The United States of America, by its attorneys, acting under the direction of the Attorney General of the United States, brings this civil action against the above-named defendants, and complains and alleges as follows:

I

JURISDICTION AND VENUE

1. This complaint is filed and this action is instituted against the defendants under Section 15 of the Clayton Act (15 U.S.C. § 25), in order to prevent and restrain the violation by the defendants, as hereinafter alleged, of Section 7 of the Clayton Act (15 U.S.C. § 18).

2. Defendants, Beneficial Corporation, Beneficial Finance Co. of Ohio, The Continental Corporation, The Buckeye Union Insurance Co., and Capital Financial Services Inc., transact business, maintain offices, or are found within the Northern District of Illinois.

## II

### DEFENDANTS

3. Beneficial Corporation (hereinafter referred to as "Beneficial") is made a defendant herein. Beneficial is a corporation organized and existing under the laws of the State of Delaware with its principal place of business in Wilmington, Delaware. Beneficial is engaged in the business of consumer finance, and makes direct cash loans to individuals. It also is engaged in the insurance and merchandising businesses.

4. Beneficial Finance Co. of Ohio (hereinafter referred to as "Beneficial-Ohio") is made a defendant herein. Beneficial-Ohio is a wholly-owned subsidiary of Beneficial. Beneficial-Ohio is a corporation organized and existing under the laws of the State of Delaware, with its principal place of business in Wilmington, Delaware.

5. The Continental Corporation (hereinafter referred to as "Continental") is made a defendant herein. Continental is a corporation organized and existing under the laws of the State of New York with its principal place of business in New York, New York. Continental is engaged in the insurance and consumer finance businesses.

6. Buckeye Union Insurance Company (hereinafter referred to as "Buckeye") is made a defendant herein. Buckeye is a wholly-owned subsidiary of Continental. Buckeye is a corporation organized and existing under the laws of the State of Ohio with its principal place of business in Columbus, Ohio.

7. Capital Financial Services Inc. (hereinafter referred to as "Capital") is made a defendant herein. Capital is a wholly-owned subsidiary of Buckeye. Capital is a corporation organized and existing under the laws of the State of Ohio with its principal place of business in Columbus, Ohio. Capital is engaged in the business of consumer finance, and makes direct cash loans to individuals.

### III

#### DEFINITIONS

8. As used herein, "finance company" shall mean persons, partnerships or corporations engaged primarily in the business of granting direct cash loans, and purchasing retail installment loans, under the appropriate statutes and licensing regulations of the various states.

9. As used herein, "direct cash loans" shall mean loans made to individuals by finance companies under the appropriate statutes of the various states, repayable generally on an equal periodic basis.

10. As used herein, "independent finance company" shall mean any finance company other than one whose principal activity consists of financing the purchase of products or services sold by an affiliated company.

## IV

### TRADE AND COMMERCE

11. Finance companies engage primarily in granting direct cash loans to individuals, usually for noncommercial purposes and usually repayable in equal periodic installments. Consumer finance companies which grant direct cash loans are licensed by the states in which they operate, and are regulated and supervised by state agencies. As of September 30, 1978, the total amount of direct cash loans outstanding made by finance companies in the United States totaled \$23.569 billion.

12. Beneficial is the fourth largest independent finance company in the United States, with total capital funds of \$986.5 million as of December 31, 1978. It operates more than 1900 offices in 49 states, Puerto Rico, Canada, Australia, Japan, West Germany, and the United Kingdom. As of December 31, 1978, Beneficial had total direct cash loans outstanding of approximately \$3.199 billion.

13. Capital is the twenty-first largest independent finance company in the United States, with total capital funds of \$114.0 million as of December 31, 1978. It operates 336 offices in 17 states. As of December 31, 1978, Capital had total direct cash loans outstanding of approximately \$341,365,827.

14. Finance companies are the only type of business entity whose primary purpose is to make installment credit,

including direct cash loans, available to consumers. While financial institutions such as commercial banks, savings and loan associations, and credit unions make some personal loans to consumers, these institutions primarily engage in other financial activities. All of them, unlike finance companies, are depository institutions; that is, they accept demand and/or savings deposits which serve as a major source of their funds. Commercial banks engage in a full range of financial activities, including lending to business entities. Savings and loan associations primarily grant first mortgages for the purchase of residential properties. Credit unions are limited to lending to their own members, all of whom must have a common affiliation which is usually based on employment. All of these institutions charge lower interest rates than finance companies for direct cash loans. Frequently, the rates which are charged are regulated by state statute; finance companies are permitted to charge the highest rate of interest of any lender. For this reason, among others, finance companies are uniquely capable of taking higher risks and making direct cash loans to consumers when they do not have alternative sources of credit. Thus, for a substantial group of consumers finance companies do not face competition from other financial institutions.

15. Finance companies conduct their direct cash loan business through offices located in particular communities. While the size of the area served by a particular office will vary

depending upon the population and geographic characteristics of the area, generally a particular city is a reasonable approximation of the geographic area served by a finance company. In addition, finance company offices are relatively small with average loans outstanding per office in 1977 of less than \$1.5 million. The large finance companies (those with total loans outstanding in excess of \$500 million) have substantially higher average loans outstanding per office than the industry average. Beneficial and Capital combined have 20 percent or more of all finance company offices in each of more than 50 cities in at least seven states, including the states of Idaho, Michigan, New York, Ohio, Oregon, Pennsylvania, and Washington. These cities include Columbus, Ohio; Rochester, New York; and Detroit and Flint, Michigan. In a number of additional cities, Beneficial and Capital combined have 10 percent or more of all finance company offices. These cities include Akron, Canton, Cincinnati, Dayton and Toledo, Ohio; Portland, Oregon; Pittsburgh, Pennsylvania; and Seattle, Spokane and Tacoma, Washington. Beneficial and Capital engage in substantial competition in these cities.

16. Beneficial and Capital have offices in 17 common states. In many of these states, Beneficial and Capital have offices located in various common cities within the state. While there are finance companies which have only one or a few offices, a relatively few finance companies with multiple

offices frequently control a large percentage of all offices in the state and operate in many cities in the state. In Ohio, Beneficial had 5.8 percent of total finance company offices and Capital had 9.6 percent for a combined total of 15.4 percent as of December 21, 1977. As of that date, Beneficial had approximately 9.1 percent of outstanding direct cash loans made by all finance companies in Ohio and Capital had approximately 11.7 percent for a combined total of approximately 20.8 percent. In a number of additional states including Idaho, Michigan, New York, Pennsylvania, Oregon, and Washington, Beneficial and Capital are direct and substantial competitors in a number of cities and have a combined total in excess of 16 percent of outstanding direct cash loans made by all finance companies in the state. State market shares may be taken as a rough approximation of market shares in particular cities within the state.

17. Defendants regularly use interstate communications, including the mails, telephone and telegraph, in providing direct cash loans and other services to their customers. Defendants maintain offices in a number of states of the United States, and regularly use interstate communications, including the mails, telephone and telegraph, to transmit cash, drafts, notes, contracts, ledgers, journals, reports and other correspondence between their branch offices located in the several states and their respective home offices. Defendants regularly make a substantial number

of loans, including direct cash loans, with funds acquired in states other than the states in which the loans are made. Each defendant is engaged in interstate commerce.

V

OFFENSE CHARGED

18. On or about April 20, 1979, the defendants entered into an agreement whereby Beneficial, through Beneficial-Ohio, would acquire all the stock of Capital from Continental and Buckeye.

19. The effect of the proposed acquisition of Capital by Beneficial, acting through Beneficial-Ohio, may be substantially to lessen competition or to tend to create a monopoly in the making of direct cash loans in various cities located in the states of Idaho, Michigan, New York, Ohio, Oregon, Pennsylvania, and Washington, among others, in violation of Section 7 of the Clayton Act in the following ways, among others:

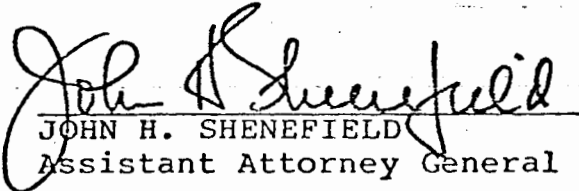
- (a) existing competition and the potential for increased competition between Beneficial and Capital will be eliminated;
- (b) concentration among companies making direct cash loans will be increased;
- (c) competition generally among companies making direct cash loans may be substantially lessened.




PRAYER

WHEREFORE, plaintiff prays:

1. That the proposed acquisition of Capital from Continental and Buckeye by Beneficial, acting through Beneficial-Ohio, be adjudged a violation of Section 7 of the Clayton Act.
2. That Beneficial be perpetually enjoined and restrained from acquiring, either directly or indirectly, any stock, assets, or other interest of Capital.
3. That the plaintiff have such other and further relief as the Court may deem just and proper.
4. That the plaintiff recover the cost of this action.

  
JOHN H. SHENEFIELD  
Assistant Attorney General

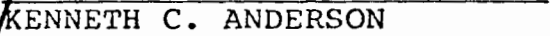
  
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