

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

UNITED STATES OF AMERICA,	)	
	)	
Plaintiff,	)	Civil Action No. 79-C-3550
	)	
v.	)	Filed: August 29, 1979
	)	
BENEFICIAL CORPORATION;	)	
HLG INC.;	)	
BEATRICE FOODS CO.; and	)	
SOUTHWESTERN INVESTMENT CO.,	)	
	)	
Defendants.	)	

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, HLG Inc., Beatrice Foods Co., and Southwestern Investment Co., 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. HLG Inc. (hereinafter referred to as "HLG") is made a defendant herein. HLG is a wholly-owned subsidiary of Beneficial. HLG is a corporation organized and existing under the laws of the State of Illinois, with its principal place of business in Wilmington, Delaware.

5. Beatrice Foods Co. (hereinafter referred to as "Beatrice") is made a defendant herein. Beatrice is a corporation organized and existing under the laws of the State of Delaware with its principal place of business in Chicago, Illinois. Beatrice is engaged in the food products and consumer finance businesses.

6. Southwestern Investment Co. (hereinafter referred to as "SIC") is made a defendant herein. SIC is a wholly-owned subsidiary of Beatrice. SIC is a corporation organized and existing under the laws of the State of Texas with its principal place of business in Amarillo, Texas. SIC is

engaged in the business of consumer finance, and makes direct cash loans to individuals. It is also engaged in the insurance business.

### III

#### DEFINITIONS

7. 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.

8. 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.

9. 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

10. 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.

11. 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.

12. SIC is the twenty-fourth largest independent finance company in the United States, with total capital funds of \$87.6 million as of December 31, 1978. It operates 127 offices in 10 states. As of December 31, 1978, SIC had total direct cash loans outstanding of approximately \$102,592,000.

13. 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.

14. 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 SIC combined have 20 percent or more of all finance company offices in each of more than 25 cities in approximately 6 states, including the states of Kansas, New Mexico and Texas. In a number of additional cities, Beneficial and SIC combined have 10 percent or more of all finance company offices. These cities include Albuquerque, New Mexico; Abilene and Lubbock, Texas; and Leavenworth, Kansas. Beneficial and SIC engage in substantial competition in these cities.

15. Beneficial and SIC have offices in ten common states. In many of these states, Beneficial and SIC 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 the State of New Mexico, Beneficial had 12.5 percent of total finance company offices and SIC had 10.7 percent for a combined total of 23.2 percent as of December 31, 1978. As of that date, Beneficial had 21.0 percent of outstanding direct cash loans made by all finance companies in New Mexico and SIC had 8.3 percent for a combined total of 29.3 percent. In a number of additional states including Kansas and Texas,

Beneficial and SIC 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.

16. 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

17. On or about April 20, 1979, the defendants entered into an agreement whereby Beneficial, through HLG, would acquire all the stock of SIC from Beatrice.

18. The effect of the proposed acquisition of SIC by Beneficial, acting through HLG, 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 Kansas, New Mexico and Texas, 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 SIC 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 SIC from Beatrice by Beneficial, acting through HLG, be adjudged a violation of Section 7 of the Clayton Act.

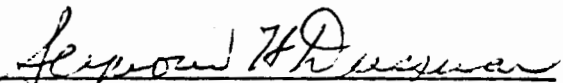
2. That Beneficial be perpetually enjoined and restrained from acquiring, either directly or indirectly, any stock, assets, or other interest of SIC.

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

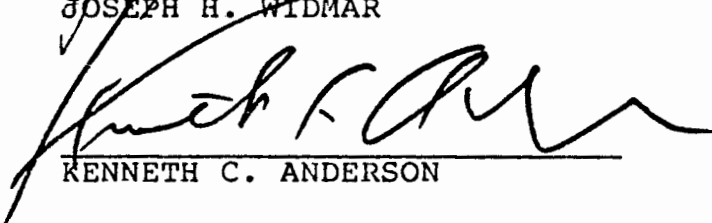
  
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