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Dye & Durham's proposed acquisition of Link raises preliminary competition concerns

The ACCC has outlined significant preliminary competition concerns with Dye & Durham's (D&D) proposed acquisition of Link Administration Holdings (ASX:LNK) in a statement of issues published today.

These concerns relate to the conveyancing sector which is in a transitional period as it moves to electronic conveyancing and digitalisation.

While combining D&D and Link does not raise issues, by acquiring Link, D&D would gain the 42.77% shareholding in PEXA Group Ltd (PEXA) (ASX:PXA) that Link currently owns. It is the potential vertical integration of D&D's operations and PEXA that gives rise to the competition concerns.

D&D provides information broking services, conveyancing and legal practice management software and manual property settlement services in Australia. PEXA operates an Electronic Lodgment Network which facilitates digital conveyancing settlements.

"Consumers may not be familiar with these companies in name, however this acquisition is relevant to anyone buying or selling property," ACCC Deputy Chair Mick Keogh said.

Conveyancing is a critical element of property markets in Australia that affects financial settlement and title transfer. E-conveyancing has digitised and transformed this process in recent years and services throughout the conveyancing workflow are becoming increasingly integrated, including directly into the PEXA Exchange.

The proposed acquisition would align PEXA, a near monopoly provider of Electronic Lodgment Network services, with D&D, a significant supplier of software to lawyers and conveyancers, significantly increasing vertical integration in this industry.

"Given PEXA's position as the only fully operational Electronic Lodgment Network, the ACCC will closely scrutinise any transaction that would result in vertical integration between PEXA and other industry participants," Mr Keogh said.

While the transaction will not provide D&D with majority control of PEXA, the ACCC considers preferential conduct may benefit both D&D and PEXA.

"We have significant preliminary concerns that this transaction would enable D&D and PEXA to engage in mutual preferential dealing that would hinder existing competition or raise barriers to entry in one or more markets in the conveyancing workflow," Mr Keogh said.

The ACCC is also considering how the regulatory framework for Electronic Lodgment Network Operators affects these concerns, including recent amendments relating to the important issue of interoperability between Electronic Lodgment Network Operators. The regulatory framework is evolving over time, but market participants have expressed concerns about whether it will effectively constrain D&D and PEXA's ability to engage in conduct that hinders competition.

The ACCC invites submissions from interested parties in response to the statement of issues by 7 July 2022.

The ACCC's final decision is scheduled for 8 September 2022. More information, including the statement of issues, is available at: [Dye & Durham Corporation - Link Administration Holdings](#)

Background

D&D is an international provider of cloud-based software and technology solutions to legal and business professionals, including lawyers and conveyancers. D&D's core products and services relevant to the proposed acquisition include information and search broking services, conveyancing and legal practice management software, and manual property settlement services.

D&D entered the Australian market in 2021 when it acquired SAI Global's property division and in the same year also acquired GlobalX Information Pty Ltd.

Link is a technology-enabled provider of outsourced administration services for superannuation fund administration and corporate markets, as well as related services including data management, analytics, digital communication and stakeholder education and advice. Most relevant to the ACCC's review, Link also holds a 42.77% shareholding in PEXA.

PEXA principally operates as an Electronic Lodgment Network Operator, through its Electronic Lodgment Network product, PEXA Exchange. PEXA Exchange allows its users (known as subscribers) to complete property lodgements and settlements electronically through a digital process known as e-conveyancing. The PEXA Exchange is integrated with six Land Titles Offices and five State Revenue Offices for the lodgement of documents, as well as the Reserve Bank of Australia, the Australian Taxation Office and major financial institutions to facilitate financial settlement.

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