



MEDIA RELEASE

CONSUMERS URGED TO AVOID LAST YEAR'S \$1 BILLION INTEREST RATE DISASTER

23 November 2004 – Australians paid a whopping \$1 billion in credit card interest last Christmas. As credit card interest rates continue to rise and consumers spend more heavily with their credit cards, Virgin Money estimates this could rise by around 20% this Christmas, if consumers don't shop around for a better credit card deal now.¹

Virgin Money Director, Chris Thornton, said, "Credit cardholders need to get savvy. The RBA has managed to keep a tight lid on official rate rises, yet the major credit and store card providers continue to charge ridiculous interest rates and consumers continue to lap it up.

"With ever larger sums going onto credit cards, particularly around Christmas, Australian credit cardholders need to be mindful of the rates they are paying and take decisive action to reduce them where possible."

A Virgin Money survey revealed that two in three Australians overspent last Christmas with one in three splurging so heavily they struggled to pay household bills².

Credit cardholder Mark Ley from Brisbane learnt the hard way: "Last year I had a blow-out at Christmas, putting everything on my ANZ Frequent Flyer and Amex Blue cards without even thinking about interest rates. When I woke up from the party I realised how much I'd been ripped-off unnecessarily. By switching to a Virgin Credit Card I've saved around \$1,000 in interest and fees and got my debt under control for the first time."

Chris Thornton believes Australian consumers can help themselves by reviewing interest rates and other fees they currently pay on their credit card and by shopping wisely.

The official cash rate is just 5.25% yet one third of Australians are being charged 18% or more on their credit cards. The rate on the popular Coles Myer Card has just increased to 23.9%, unless \$2,500 or more is spent on the card each year.

Chris said, "Consumers are being taken for a ride and should take action before the Christmas splurge. By shopping around on the internet, cardholders can switch to a low interest, low fee card. It's not too late to act."

The UK credit card industry is currently under-going an official 'shake-up'³. Virgin Money says although the Australian industry has yet to follow lead, Australian consumers can do their bit to bring down charges by turning their back on high interest rates and fees.

The Virgin Credit Card offers:

- No annual fee...ever...guaranteed.
- Introductory interest rate of 4.9% for six months, covering both balance transfers and new purchases.
- Low ongoing interest rate of 12.4%, with up to 55 days interest free.
- Mates Rates rewards offering immediate discounts and privileges from both Virgin and non-Virgin companies, just for using your Virgin Credit Card. This is not points based and there is no fee to enjoy Mates Rates rewards, which is available to all cardholders.

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Notes to editors:

- 1 \$1B calculation based on RBA statistics which show Australians spent a total of \$26.5 billion on credit and charge cards last December, of which \$18 billion accrued interest. The calculation assumes an average interest rate of 15% and a revolve rate of 85%. The forecast 20% increase in 2004 assumes an average interest rate of 16%, a revolve rate of 85% and an annual increase in credit and charge card balances accruing interest of 11.6% (based on 2004 RBA statistics).
- 2 Virgin Money and InfoChoice conducted a national online 'Christmas Debt' survey of 484 adult Australians in January 2004.
- 3 The UK Government unveiled new laws on 31 October 2004 that will force banks to advertise a credit card's annual percentage rate (APR) – the total cost of credit which is calculated by a government-proscribed formula – and to advertise it more prominently than any other of the card's features. The new UK credit card laws were prompted by government concerns about the rising levels of personal debt.

About Virgin Money:

Virgin Money launched in Australia in May 2003 to shake up the financial services industry. Virgin Money's first product, the Virgin Credit Card, is the first in Australia to combine a low interest rate, no annual fees and up to 55 interest free days with valuable, instant rewards. In the UK, Virgin Money offers a wide range of financial products including credit cards, personal loans, savings account, insurance, unit trusts, pensions, share dealing and general insurance. There's no funny stuff, just money stuff. <http://virginmoney.com.au>