



MEDIA RELEASE

CARD TRICKS: TIS THE SEASON FOR MISLEADING MARKETING

Sydney, 22 January 2004 – Virgin Money is calling for greater regulation of the credit card industry and warning consumers juggling giant Christmas credit card bills to be on the alert for “dirty” marketing tricks designed to trick people into expensive borrowing.

February and March are traditionally peak months for new credit card applications, as December card bills roll in and cardholders who have overspent at Christmas look to transfer their debt to cards with low introductory interest rates.

“Unless they’re ultra-careful to check the fine print, it’s very easy for consumers to fall victim to unscrupulous credit card marketing practices at this time of the year,” warned Virgin Money managing director, Rohan Gamble.

“Credit card marketing is weakly regulated in Australia. High ongoing interest rates and heavy annual fees are all too often hidden in the fine print or not mentioned at all. With some annual fees now well over \$100, consumers need to look past the glossy adverts and introductory offers to check what they’re really signing up for.”

A recent survey conducted by Interfaceⁱ for Virgin Money reveals that 90 percent of consumers want credit card advertising and promotion to be more honest about costs, terms and conditions. One in two find it hard to compare credit card offers and work out which product is best for them.

Particularly dubious credit card marketing practices to watch out for include:

- Adverts that promise no annual fee but bury a “monthly” fee in the fine print.
- Heavily promoted low interest rates that only apply to purchases over a set amount.
- Hidden fees for rewards schemes that can outweigh the dollar value of rewards earned.

Virgin Money is calling on the Federal Government to follow the lead of the U.S. and the U.K. in forcing card issuers to display important fees and interest charges upfront in Honesty Boxes, rather than hiding them in the fine print.

Mr Gamble said, “As of this week, all Virgin Credit Card print advertising will include an Honesty Box clearly outlining the key fees and interest charges relating to our card. We are urging other card issuers to follow suit and help tackle the issue of growing consumer debt.”

Since Australia’s current consumer credit lawsⁱⁱ were introduced seven years ago, credit and charge card debt has more than tripled from \$7.205 billion to over \$25 billionⁱⁱⁱ. Total credit and charge card accounts have grown from 7,396,000 to 11,015,000.

“Our use of credit has changed significantly since the current consumer credit laws were put in place,” said Mr Gamble. “These laws are now long overdue for reform, and we believe it’s time the Government took direct action to ensure greater protection for cardholders.”

Notes to Editors

- An Honesty Box sets out key fees, interest rates and conditions in a simple, uniform table to help consumers more easily compare different cards and make informed decisions about which product is best for them.
- In the U.S., Honesty Boxes have been a statutory requirement since 1988 and are known as Schumer Boxes after the Senator who led the passage of the bill through US Congress.
- Honesty Boxes are to be introduced in the U.K. by end March 2004, following strong parliamentary scrutiny of credit card marketing practices.

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. Over 200,000 customers have already signed up for a Virgin Credit Card. There's no funny stuff, just money stuff.

<http://virginmoney.com.au>

In the UK, Virgin Money offers a wide range of financial products including credit cards, personal loans, savings account, insurance, unit trusts, pensions and share dealing. The company is a 50:50 joint venture between AMP Limited and Sir Richard Branson's Virgin Group.

For further information or to arrange an interview with Rohan Gamble, please contact Kirsty Lamont, public affairs manager, on 02 9338 6124 or 0400 411 148.

ⁱ Virgin Money commissioned market research company, Interface, to conduct face-to-face interviews with 301 consumers aged 25-64 who intend to get a first credit card, or who would consider getting a new card from a different provider, in the next 12 months.

ⁱⁱ The Uniform Consumer Credit Code was implemented in November 1996.

ⁱⁱⁱ Reserve Bank of Australia figures for November 1996 and November 2003.