



MEDIA RELEASE

Consumers taken for costly ride on rewards

Sydney, 31 October 2003 – Credit cardholders hoping to earn a free flight for Christmas are in for a rude shock, with new Virgin Money research revealing the cost of credit card rewards schemes has skyrocketed for consumers over the last two years.

The BIS Shrapnelⁱ study commissioned by Virgin Money shows that heavy annual fee increases and the introduction of rewards scheme fees are causing credit cards from the major, established issuers to make a much heavier dent in the wallet than ever before.

Over the last two years the cost of operating the most popular cards with points-based rewards schemes has on average jumped by more than 75 per cent for cardholders who don't pay interest (transactors), and more than 35 per cent for cardholders who pay interest each month (revolvers).

According to BIS Shrapnel, the impact of these increases for many cardholders is that the cost of maintaining their card now significantly outweighs the value they can receive in rewards.

The study also found cardholders now need to spend \$20,000 to obtain a return flight from Sydney to Melbourne, whereas two years ago the amount needed was just \$17,000. This is despite significant reductions in the cost of domestic flights in recent years following the entry of Virgin Blue into the market.

Virgin Money managing director, Rohan Gamble, said, "Consumers are still under the illusion that rewards points programmes offer great value. The fact is that most Australian credit cardholders are paying far too much for far too little, and the situation is getting worse year by year."

While the cost increases have been largest in percentage terms for transactors, revolvers are the ones really finding themselves out of pocket due to the combined effect of higher interest charges and declining rewards programme value.

For example, a revolver with an average annual spend and balance on a Qantas ANZ Visa now has to fork out an additional \$83 each year in annual fees and interest charges compared to two years agoⁱⁱ. For these cardholders, the cost of operating the card over the two years it takes to earn a typical reward – a return Sydney to Melbourne flight – is now more than twice the value of that reward.

"Cardholders paying substantial card fees for rewards cards, and particularly those who pay large amounts of interest, may well do better to consider a lower fee, lower rate credit card," said BIS Shrapnel senior consultant, Mike Beder.

"With the introduction of the RBA credit card reforms expected to cause further reductions in the value of points-based credit card reward schemes, we'll see an increase in demand for lower cost credit cards delivering ongoing cost savings that, for many cardholders, exceed the value of possible rewards."

The Virgin Credit Card has actively replaced complicated, costly points-based rewards schemes with a Mates Rates programme that gives cardholders simple, instant discounts and deals from a huge variety of travel, shopping, lifestyle and entertainment partners.

“Our research revealed that consumers were sick and tired of having to choose between rewards programmes and low card costs,” said Mr Gamble. We’ve designed the Virgin Credit Card to solve this dilemma, by offering low interest rates, no annual fee, no rewards fee and a valuable instant rewards programme.”

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For further information or to arrange an interview with Rohan Gamble, please contact Kirsty Lamont, public relations manager, on (02) 9338 6100.

Key features of the Virgin Credit Card:

- **No annual fee...ever...guaranteed.**
- **Introductory interest rate of 4.9%** for six months from sign up - covering both balance transfers from other cards and new purchases.
- **Ongoing interest rate of 11.9%, with up to 55 days interest free.**
- **Mates Rates™ rewards.** A totally new kind of reward. 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.
- **Personalised service – no need to speak to a machine.** Our call centre is staffed by real people, 24 hours a day. We don’t have complex menu systems.
- **Choice of five colours: red, blue, black, pink and silver, all on a silk background.** Pick whichever one best suits your personality.
- **Radical new design.** We’ve rounded off one corner. The Virgin Credit Card looks different because it is different.

**Apply online at www.virgincreditcard.com.au
There’s no funny stuff, just money stuff. <http://virginmoney.com.au>**

ⁱ BIS Shrapnel provides global business intelligence and forecasting. The study analysed credit card products from American Express, ANZ, Commonwealth Bank, Citibank, Diners (charge card), the National and Westpac.

ⁱⁱ Calculation assumes: Annual spend is equal to market average per card in Australia (\$8,500 p.a. in 2001 and \$10,000 p.a. in 2003). Balance is equal to average balance per card in Australia (\$1,400 in 2001 and \$1,600 in 2003). Revolve rate: 85%. Qantas ANZ Visa interest rate in 2001: 17.5%. In 2003: 18%. Qantas ANZ Visa annual and reward fees in 2001: \$49. In 2003: \$95. No allowance for other fees and charges, e.g. cash withdrawal fee, supplementary card fee or foreign currency charges. No allowance for bonus points, interest free period or any special interest rate or fee waiver offers. Calculation by BIS Shrapnel with figures sourced from Cannex and MWE Consulting.