

FED:Branson taking on big four banks

By Drew Cratchley

SYDNEY, July 27 AAP - Entrepreneur Sir Richard Branson has set his sights on breaking the stranglehold of the big four banks, launching of the first in a range of new financial products.

Sir Richard unveiled a new online savings account and two new credit cards to be offered by Virgin Money at a colourful event on Sydney Harbour on Tuesday.

"We've come to Australia to give the banks a run for their money," he said.

"There is only four banks now in Australia. They're very big banks and they've effectively squeezed out all the small guys."

Virgin Money managing director Matt Baxby said he wanted to take back the big banks' market share.

"Eighty per cent of the savings market is controlled by the big four. I think this is a fantastic opportunity for us to take some of that share away from the majors," Mr Baxby told AAP.

The Virgin Saver online account has an introductory variable interest rate of 6.75 per cent per annum, which lowers to 5.35 per cent after four months.

Data supplied by comparison website InfoChoice shows both of Virgin's interest rates are above similar accounts offered by the big four banks.

A Virgin Flyer credit card offers several discounts and a points system with Virgin Blue, while the second new card's selling point is no annual fee.

All three new products are offered through an alliance with Citibank Australia, meaning the online saver accounts are covered by the federal government's guarantee of bank deposits.

Virgin Money also aims to offer home lending and everyday banking in the future, although Mr Baxby was reluctant to say when that would be available.

"Making the products we launched today work is the priority," he told AAP.

University of New South Wales competition and consumer law expert, Associate Professor Frank Zumbo, welcomed the increased competition.

"Virgin Money's new credit cards and online savings account represent a vital step forward in ensuring effective competition in (the) financial sector," he said.

"We particularly look forward to Virgin Money offering mortgage products as that's where consumers need to see real competition."

However, independent online comparison body mozo.com.au warned consumers to be aware of the interest rates on the new credit cards.

"It does look like a very strong airline offer, but I think it's important for people to look at the financial aspects of the offer," managing director Rohan Gamble told AAP.

"The (Virgin Flyer) card has got an interest rate over 20 per cent. There's obviously a lot of other cards with a lower interest rate than that."

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