

CircleLending to Become Virgin Money USA

By Mark Jewell

British billionaire Richard Branson has enough money to avoid hitting up family and friends for loans. But he apparently understands there's a business opportunity in setting up interpersonal loans between folks of more modest means than himself.

Branson's Virgin USA investment firm recently acquired a majority ownership stake in a Waltham, Mass.-based venture called CircleLending that helps manage loans between family and friends and tries to avoid misunderstandings and repayment disputes.

On Monday, CircleLending and Branson planned to announce in Boston that the venture is being rebranded Virgin Money USA.

Virgin is investing "tens of millions" of dollars in the private venture, said Asheesh Advani, CircleLending's founder and chief executive, who declined to disclose a specific amount.

Investments by Virgin and smaller financial backers also will enable the business to double from 30 to 60 employees, buy newspaper advertisements, and offer new products such as student loans, Advani said in an interview. To date, most advertising has been online or in radio spots.

Advani's six-year-old company emerged alongside the "peer-to-peer" lending industry that seeks to snatch business away from banks by using the Internet to match borrowers with lenders. However, unlike CircleLending, those services generally pair up strangers.

People who have already agreed to a loan come to CircleLending to work out repayment terms either online, in person or over the phone. Loan payments are electronically credited and debited to the participants' bank accounts.

CircleLending now has \$200 million in loans on its books — ranging from short-term loans for debt refinancing or other personal needs, to reverse home mortgages and small business expenses.

Because borrower and lender know one another, loans typically carry lower interest rates than banks offer — without the unforgiving nature institutional lenders often adopt with delinquent borrowers, Advani says.

With the U.S. market for loans among family, friends and business associates standing at \$89 billion by the Federal Reserve's estimate, the market is largely untapped by intermediaries like CircleLending — the largest firm catering to borrowers and lenders who know one another, according to a report by financial services research firm Celent LLC.

Advani said the Virgin rebranding gives his firm a more recognizable consumer name, as well as a stronger tie to Branson, a business celebrity and founder of the Virgin brand. In North America, the Virgin name is on everything from airlines Virgin Atlantic Airways and Virgin America to music retailer Virgin Megastores and wireless network Virgin Mobile USA.

"With the rebranding, we'll be doing considerably more outreach to consumers, and doing it in a very Virgin-esque way," Advani said. "You'll find the ads are cheekier than the U.S. banking industry is used to."

One newspaper ad suggests involving a third-party player to help broker friends-and-family loans, using the tagline, "Are you ready for a threesome?"