

Virgin Starting U.S. Lender Aimed at Family and Friends

By Katie Zezima

The Virgin Group, which has big aspirations in financial services, is starting small in the United States: today, it is scheduled to open a lending business, Virgin Money USA, intended to make loans easier among family members and friends.

The business is built on a company in which Virgin USA purchased a majority stake in May, CircleLending of Waltham, Mass. It organizes and administers private loans.

Virgin Money already runs sizable banking operations in Australia, South Africa and Britain, where it is leading a consortium that has made a bid for the troubled lender Northern Rock.

In a letter on the British Virgin Money Web site, Richard Branson, the group's founder, cites "our ambition for financial services" as the motive for the bid, which, if successful, would have Northern Rock renamed Virgin Money.

For now, Virgin Money will offer limited services in the United States rather than the full range of banking products it has elsewhere. The company will set up repayment plans for lenders and borrowers, pay interest to the lender and provide the tax documentation that tends to be absent from handshake deals, said Asheesh Advani, who founded CircleLending and is now the chief executive of Virgin Money USA.

"Your mom would give you the money, and we would document it and manage all the payments," he said. "All the money would flow on a monthly or quarterly basis and be managed just like a car loan. It saves the borrower money, and keeps the money in the family."

Virgin Money earns revenue from the fees charged to borrowers.

The company plans to have a coming-out party in Boston today, taking over Copley Square. Mr. Branson will be on hand as red dollar bills with a picture of him and his mother are distributed; according to Mr. Advani, Mr. Branson's mother lent him "thousands of pounds" to help him start Virgin (and he repaid her). The dollar bills, directing people to a company Web site, will also be handed out in New York.

Virgin Money USA will offer personal and business loans, mortgages and reverse mortgages. The average interest rate for loans is 6 percent, and for mortgages, 5 percent. Borrowers are charged a \$9 per payment administrative fee and will pay an upfront charge ranging from \$99 for unsecured loans to \$2,000 for large mortgages. Borrowers can select terms of their loans, including the duration and rates. The bank will not retain any of the interest.

Services will be available online and by phone. Customers will be able to spread missed payments over the life of the loan, restructure the loan and accept gift payments, Mr. Advani said.

The company plans to expand its portfolio quickly, offering student loans in the next year and adding products like small business financing and larger-scale loans in the future.

Greg McBride, a senior financial analyst with Bankrate.com, said that Virgin USA is entering relatively new territory.

"It's an untapped segment of the market, in the sense that lending money to family and friends carries that uncomfortable awkwardness of 'what do you do when the other person doesn't pay up?' " he said.

Alenka Grealish, managing director of the banking group at Celent, a financial services research and consulting firm, said Virgin is entering the loan business at a time conventional banks are tightening their underwriting standards. Citing research by her firm, Ms. Grealish said that CircleLending tended to grant "an above-average loan amount."

"It's a novel way of entering a market, around a whole different model of lending," she said. "It's a much smaller scale than Virgin typically enters into, but an interesting one."

Mr. Advani predicted that Virgin Money would appeal to anyone who has lent someone money. "One thing I've discovered in this market is that everyone owes money between family and friends," he said.