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Isle of Man launches solid gold credit card backed by the metal

By Andrew Bounds and Xan Rice Author alerts



Possessing a gold Visa card is about to take on a whole new meaning with the launch of the world's first solid gold credit card backed by the precious metal itself.

The 14-carat card will be issued to depositors of bullion in a bank vault on the Isle of Man. Those with at least £100,000-worth of bars can borrow against them using the gold Visa card, or, more practically, a plastic version.

Ed Pearce, managing director of IMGold, issuer of the Bullion Card, said it would allow those with wealth tied up in the precious metal to access cash without selling the gold, after its value dropped by about a quarter last year.

"There are people who invested in 2011 at \$1,900 an ounce and now it is worth less than \$1,300 an ounce. They are sitting on losses and don't want to sell. Now they can spend and get some liquidity," said Mr Pearce.



He added that it would also appeal to people who might have "invitation only" cards that are taken off them on ill-defined eligibility criteria, such as American Express's Centurion card.

The interest rate on the card, which will be available later this year, is expected to be below 10 per cent because of the security of the gold.

Last year, the gold price fell by 28 per cent – the largest annual decline since 1981 – ending a 12-year bull run. The biggest sellers were western investors in gold-backed exchanged traded funds, though some people also sold physical bullion. The precious metal made a brighter start to 2014, but has fallen back during the past week, and, at \$1,246 a troy ounce on Tuesday, is only 3 per cent up for the year.

Several attempts to launch gold-backed credit cards have failed to take off to date, according to Adrian Ash, head of research at BullionVault, a London precious metals broker.

"Even if transaction costs were minimal, firm advocates of the gold standard would rather hold metal and spend currency than the other way round," said Mr Ash. "Mobilising existing gold holdings may appeal to investors needing cash, but only if costs are below pawnbroking fees."

IMGold was set up last year after a number of banks on the offshore centre closed their vaults and safety deposit boxes amid tightening regulations. The Isle of Man has no inheritance or capital gains tax, and any heist would be difficult as it would require moving the metal by boat or plane.

"A lot of people like the physical nature of gold. They know it is there and they can visit," said Mr Pearce.

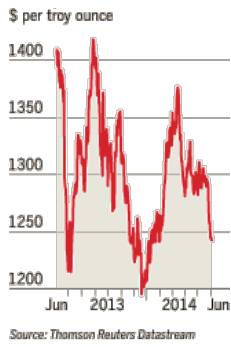
He believes the chance to borrow against it would attract more customers.

Several banks have issued solid gold cards, but none is backed by the metal itself. Rosan Diamond, the Russian company that produces several gold cards, has been commissioned by IMGold.

The Visa Infinite card backed by Catella Bank of Luxembourg, which provides private bank cards, will be available this year. It carries the usual benefits such as insurance on worldwide travel, concierge services, purchase protection, luxury hotels booking, airport lounge access and discounts at high-end shopping outlets.

Sberbank in Kazakhstan launched the first yellow metal credit card in 2012, which is also encrusted with 26 diamonds and an inlay of mother of pearl. A year later ATF Bank in the same country followed suit.

Gold price



Riyad Bank in Saudi Arabia recently launched the first World Elite MasterCard, which is gold plated and invitation only.

Those in Qatar with \$1bn in assets and \$1m in the Qatar First Bank can have a precious metal charge card. At Qatar National Bank there is a diamond-studded card available, also by invitation only.

“Cards are often more than just debit or credit cards – they’re status symbols. As cards have developed, so have the designs, the materials and the cost. For some it’s not about the colour of your card, but what your card is made out of,” said Visa.

There remains one card more exclusive than any other, however. Azerbaijan’s Zaminbank created a single pure gold card that is encrusted with gemstones in a unique design. Its holder is Nadir Amir Ismayilov, the bank’s chairman and main shareholder.

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