

**REPORT TO:** Safer Policy and Performance Board

**DATE:** 15<sup>th</sup> March 2016

**REPORTING OFFICER:** Strategic Director Community and Resources

**PORTFOLIO:** Community Safety

**SUBJECT:** Trading Standards and Loan Sharks

**WARDS:** Borough wide

## **1.0 PURPOSE OF THE REPORT**

1.1 The report describes the work of the national Illegal Money Lending Team and the current level of activity in Halton.

## **2.0 RECOMMENDATION: That the report be noted.**

## **3.0 SUPPORTING INFORMATION**

### **3.1 What is loan sharking?**

3.1.1 The Consumer Credit Act 1974 and the Financial Services and Markets Act 2000 govern the conduct of consumer credit businesses. All such businesses have to be authorised by the Financial Conduct Authority (FCA) (previously the Office of Fair Trading (OFT)). The FCA must be satisfied that an applicant who wishes to be authorised for the purposes of Consumer Credit is a fit and proper person and that the business proposed fits in with operating criteria agreed by the FCA.

To operate a consumer credit business without authorisation is a criminal offence and carries a maximum penalty of £5,000 and/or up to two years imprisonment. Authorisation can be revoked where it can be established that the authorised business has acted inappropriately. Warnings and conditions, fines and suspension can be issued where necessary.

3.1.2 Illegal money lending covers a range of activities, from a person that is actually authorised but is acting unlawfully, to a person offering cash loans without being authorised at all (Loan Sharks). Loan Shark activity is characterised by deliberate criminal fraud and theft, with extortionate rates of interest on loans that mean borrowers face demands for payment of thousands of pounds more than they borrowed and can often never pay off the loans. Borrowers who fail to pay or refuse to pay are subject to intimidation, theft, forced prostitution and other, extreme physical violence.

Evidence shows illegal moneylenders vary from those who lend £10 over a few days and demand £12 on repayment, to those who provide substantial loans to those looking to set up businesses. Interest rates of 100% are common and APR's (annual percentage rates) have been in the region of over 100,000% in some instances.

- 3.1.3 The England Illegal Money Lending Team (IMLT) is based in Birmingham Trading Standards. It has the responsibility to investigate loan shark activity across England and to support the victims. A documented protocol exists between the IMLT and individual Trading Standards Services which allows the team to operate in the local authority area. Halton bears no cost as the IMLT is funded by central government and soon to be supported by a levy paid by the consumer credit industry.

Nationally, Illegal Money Lending Teams have secured more than 332 prosecutions for illegal money lending and related activity, leading to nearly 212 years-worth of custodial sentences. They have written off over £63 million worth of illegal debt and helped over 26,000 people.

## 3.2 **Who are the victims?**

- 3.2.1 Information gathered so far suggests that illegal money lending is being operated across all sectors of the community. The majority of people using moneylenders are in receipt of income support or benefits and are introduced through word of mouth. In many of the investigations it has been established that the moneylenders resort to intimidation and violence in order to secure payment. Other common traits include: adding indiscriminate charges, targeting single mothers and introducing payment through sexual favours.

Moneylenders often use victims of money lending to assist them with maintaining their criminal lifestyle and anonymity, for example illegal money lenders' vehicles are often registered at a clients' address.

There is also anecdotal evidence which suggests that illegal moneylenders have an impact on the wider community in which they operate, with victims resorting to petty crime to enable them to meet payments.

## 3.3 **Who are the Loan Sharks?**

- 3.3.1 Loan Sharks are often lifestyle criminals involved in other illegal activity such as drugs and the supply of guns. They don't advertise – they get their work on recommendation – and they operate in the informal economy which means they are very difficult to spot.

Many victims see the loan shark as a friend who is helping them out when they have nowhere else to turn; they don't realise the interest

rates they are being charged and until they have trouble paying, they are unaware of the loan shark's enforcement techniques.

### **3.4 What's happening in Halton?**

#### **3.4.1 The two loan sharks that affected Halton are still in prison.**

Paul Nicholson was jailed indefinitely for public protection in March 2009 for illegal money lending and rape. He also had nearly £1 million proceeds of crime taken from him. Nicholson lent to 800 people across Runcorn and Widnes. His girlfriend was also jailed for acquiring criminal property and blackmail.

John Radford was jailed for 30 months for illegal lending, to run consecutively with an 8 year sentence for firearms and ammunition that were found at his property. Two of his collectors were also jailed. The team lent to 130 people across Liverpool and Halton. In September 2015 Radford was ordered to pay £750,000 proceeds of crime within 3 months or face a further 4 years in prison.

#### **3.4.2 The IMLT have had no reports of loan shark activity in Halton for the last 12 months. This is not consistent with anecdotal information from Halton Credit Union whose members have mentioned loan shark activity to them. One member has told the Credit Union that when they needed £1000 a friend suggested someone that could lend it to him and he would pay it back at £200 per week for 10 weeks. Other members have referred to loan shark activity on their estate but they don't acknowledge that they or anybody they know is a victim.**

Whilst Halton Credit Union encourages anybody with knowledge of loan sharks to report it to the IMLT it appears that most people are reluctant to do that. The Credit Union thinks that the Nicholson case may have caused anxiety about coming forward now that people are aware of what happens when a case is investigated and you have to give evidence.

Halton Trading Standards, Halton Credit Union and the IMLT will be working together on an approach to assist and encourage members to report loan sharks anonymously.

#### **3.4.3 Awareness-raising has continued across the Borough as well with the IMLT working with social landlords who have included items in their Newsletters.**

The IMLT continue to work closely with the Police in terms of intelligence sharing.

In the last 12 months Adult Safeguarding teams in Halton have been trained by the IMLT.

The IMLT and Halton Trading Standards have been a part of Halton's Financial Abuse Working Group and have contributed to Halton's Financial Abuse Toolkit.

- 3.4.4 The IMLT have developed lesson plans to teach financial education to primary and secondary schools. The packs are free to schools as they have been paid for by proceeds of crime money taken from convicted loan sharks – so in effect it is loan sharks paying to educate future generations not to use loan sharks. The children often go home and talk to their parents about what they have learned. These packs have been made available across Halton and promoted via direct email and through local partnerships.

The pack for primary schools covers what money is, where it comes from, the value of things and the difference between needing something and wanting it. It features a cartoon, where a penguin borrows money from a shark after his fishing line breaks and the octopus bank refuse to lend him money. The shark appears friendly at first but quickly turns nasty, until a Trading Standards polar bear intervenes and arrests the shark. The penguins join together to form a credit union so they can borrow safely in future.

The secondary school looks at budgeting, credit, money management and the dangers of loan sharks in more detail. This features a video of a victim, Mike, telling the story of how he became involved with an illegal lender and how he was supported by IMLT to get back on track.

#### **4.0 POLICY IMPLICATIONS**

None

#### **5.0 FINANCIAL IMPLICATIONS**

None

#### **6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

##### **6.1 Children and Young People in Halton**

Loan sharks can have a devastating effect on families who may already be experiencing severe poverty. Raising awareness with adults and children about what loan sharks is therefore important.

##### **6.2 Employment, Learning and Skills in Halton**

None

##### **6.3 A Healthy Halton**

Involvement with loan sharks adds to the misery of debt and can lead to well-being issues such as stress and depression.

**6.4 A Safer Halton**

Loan sharks often use intimidation and violence to collect their debts and can be involved in other criminality such as drugs and weapons.

**6.5 Halton's Urban Renewal**

None

**7.0 RISK ANALYSIS**

None – the report is for information only

**8.0 EQUALITY AND DIVERSITY ISSUES**

None

**9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

None under the meaning of the Act.