

NORTH LINCOLNSHIRE COUNCIL

**NEIGHBOURHOOD, ENVIRONMENT AND COMMUNITIES
CABINET MEMBER**

ILLEGAL MONEY LENDING ENFORCEMENT

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To seek approval for Birmingham City Council's Illegal Money Lending Team (IMLT) to investigate illegal money lenders operating within the North Lincolnshire area.
- 1.2 The key points in this report are:
- The controls imposed by the Consumer Credit Act 1974.
 - The damage caused by illegal money lenders.
 - The benefits of entering into partnership with IMLT.

2. BACKGROUND INFORMATION

- 2.1 The Consumer Credit Act 1974 governs the UK's consumer credit industry. It regulates who can engage in credit transactions and lays down rules regarding advertising, form and content of agreements and the procedures to be followed if customers default etc.
- 2.2 All those engaged in the industry must be licensed by the Office of Fair Trading and they must be a "fit and proper person". Those engaged in illegal money lending are commonly known as 'loan sharks'. They do not have a credit licence or comply with any of the rules.
- 2.3 Illegal money lenders target low-income households and the most vulnerable members of society. Interest rates, the Annual Percentage Rate (APR), are often in the hundreds or over a thousand per cent. Because multiple loans are frequent and payment records rare, borrowers usually have no idea how much they owe and when a loan is repaid.
- 2.4 Despite the above and local campaigns, complaints about illegal money lending are rare. Government decided to find out the extent of the problem and how best to bring loan sharks to justice. They set up two pilot schemes, one in Birmingham, the other in Glasgow. The initial pilots exceeded Government's expectations and funding was provided to extend the initiative into other areas of the country. In 2007, the Birmingham IMLT began operating in West Yorkshire and Sheffield.

- 2.5 Further funding has now been made available and the IMLT is in a position to extend its role to cover all of the Yorkshire and Humberside region. The team has expert officers who will investigate and prosecute offenders and also officers who can offer support and practical help to victims. This includes referrals to expert debt advisors and importantly other sources of money.
- 2.6 To operate in North Lincolnshire, officers of the IMLT would have to be authorised under the Consumer Credit Act in exactly the same way as the Council's Trading Standards staff. Additionally, a protocol would need to be drawn up covering the necessary conditions and consents.

3. OPTIONS FOR CONSIDERATION

- 3.1 There are two options for consideration. The options are:
- Option 1 – to continue to operate as we are now doing.
 - Option 2 – to enter into an arrangement with the Birmingham IMLT.

4. ANALYSIS OF OPTIONS

- 4.1 Option 1 would not, without the injection of additional resources, provide any improvement in relation to the detection of loan sharks or help for victims. The current economic outlook could lead to more indebtedness and with increasingly stringent lending conditions force some borrowers into the hands of illegal or unscrupulous lenders.
- 4.2 Option 2 provides superior value for money. Additional resources, including publicity and hotlines will be available at no extra cost, as Government will fully fund the IMLT for a period of 3 years. Officers from North Lincolnshire, by providing intelligence and assisting when needed, will increase their knowledge and skills in this area although there will be no commitment to provide any specific resource.
- 4.3 Option 2 is, for the above reasons, the recommended option, as it will provide additional resources at no extra cost and build upon existing regional and cross regional partnerships.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

- 5.1 There will be no direct implications for North Lincolnshire as the project is fully funded by central Government.

6. OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 - CRIME AND DISORDER, RISK AND OTHER)

- 6.1 Statutory

The Consumer Credit Act places a statutory duty on local Weights and Measures authorities to enforce its provisions.

6.2 Crime and Disorder

Loan sharks, as well as harassing and intimidating borrowers, are often involved in other criminal activities. Reducing their activities may help to reduce levels of criminal activity within a community.

7. OUTCOMES OF CONSULTATION

7.1 Discussions have taken place with Trading Standards staff both regionally and locally and there is general agreement that this initiative is worth being involved in.

8. RECOMMENDATIONS

8.1 That the Cabinet Member approves the proposal for the Birmingham City Council's IMLT to investigate and institute proceedings against illegal money lenders operating within North Lincolnshire.

8.2 That the Service Director for Neighbourhood and Environment, in accordance with delegated powers, authorises members of the IMLT to enforce the provisions of the Consumer Credit Act and agrees and approves any necessary protocols.

SERVICE DIRECTOR NEIGHBOURHOOD AND ENVIRONMENT

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Background Papers used in the preparation of this report None