

NORTH LINCOLNSHIRE COUNCIL

**HIGHWAYS & NEIGHBOURHOODS
CABINET MEMBER**

ILLEGAL MONEY LENDING ENFORCEMENT

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To seek extension of the approval for Birmingham City Council's Illegal Money Lending Team (IMLT) to investigate and prosecute 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 successes achieved nationally by the 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 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 APR, are often in the hundreds or over a thousand percent, multiple loans are frequent and payment records rare, therefore borrowers usually have no idea how much they owe and when a loan is repaid.
- 2.4 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 2008, the Birmingham IMLT began operating in the North Lincolnshire area and in other authorities in the Humber sub-region

- 2.5 On 29 December 2010 Business Minister Edward Davey announced that £5.2 million in funds will be available to continue the national Illegal money lending project for 2011/12 through the trading standards service.
- 2.6 In addition, the Minister also announced that the UK Department for Business, Innovation and Skills (BIS) intended to restructure the project by moving the project to a three national team model. The Minister indicated that BIS were looking to maintain front line services whilst providing a value for money project. The England team will be hosted by Birmingham City Council and will continue to provide a resource to investigate illegal money lending across England.
- 2.7 To operate in North Lincolnshire, officers of the IMLT have to be authorised under the Consumer Credit Act in exactly the same way as the Council's Trading Standards staff. .
- 2.9 National Key statistics up to January 2011
The Birmingham IMLT:
- Identified over **1,700** illegal lenders
 - Arrested over **500** illegal money lenders (loan sharks)
 - Written off over **£37 million** of illegal debts (money victims would have paid back to illegal lenders if the Department had not acted)
 - Secured over **182** prosecutions, resulting in prison sentencing totalling over **107** years and one indefinite
 - Helped over **16,000** victims of loan sharks including the most hard to reach individuals
 - Referred over **600** victims to alternate (legal) sources of financial support

3. **OPTIONS FOR CONSIDERATION**

3.1 There are two options for consideration. The options are:

- Option 1 – to continue the existing agreement with the Birmingham IMLT.
- Option 2 – to take back the enforcement of illegal money lending within the local authority

4. **ANALYSIS OF OPTIONS**

4.1 Option 1 - 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 4 years. Officers from North Lincolnshire, by providing intelligence and assisting when needed, will increase their knowledge and skills in this area without any commitment to provide additional resources.

4.2 Option 2 - 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 unscrupulous lenders.

4.3 Option 1 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 up to 31 March 2015

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 to extend the remit for the Birmingham City Council's IMLT to investigate and institute proceedings against illegal money lenders operating within North Lincolnshire.

8.2 That the Director of Neighbourhood and Environmental Services, 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.

DIRECTOR OF NEIGHBOURHOOD AND ENVIRONMENTAL SERVICES

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Background Papers used in the preparation of this report