

Private and Confidential

Research into Illegal Money Lending

Summary and Recommendations

This paper provides background and insight into the research that has been conducted into Illegal Money Lending in Scotland. The research was commissioned by the Scottish Illegal Money Lending Unit which is part of the Trading Standards Scotland team. The research was commissioned to analyse any changes in the borrowing pattern of individuals, interest charged and how repayments are conducted.

The Board is invited to:

- i. Note the initial findings of the research that are included in this paper.
- ii. Discuss and provide feedback on the findings contained within the research

References

Relevant previous reports and other documentation:

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Purpose

1. In September 2017 Nick Hopkins, with assistance from Craigforth, were commissioned to conduct research into the causes and effects of Illegal Money Lending in Scotland. This was the first research conducted since 2008 and the first ever Scottish specific research to be conducted. The outcomes of the research will be used by the Scottish Illegal Money Lending to improve the outcomes of their work.

Current COSLA Position

2. COSLA currently hosts Trading Standards Scotland (TSS) of which the Scottish Illegal Money Lending Unit (SIMLU) is a part. SIMLU is the primary agency for investigating 'Loan Sharks' in Scotland.
3. TSS and SIMLU work closely with Local Authorities across Scotland and are a specialist reporting agency to the Crown Office Procurator Fiscal Service (COPFS).

Key Findings within the Research

4. The researchers spoke to 12 individuals who are currently or previously have had experience of interacting with an illegal lender.
5. The research shows that the individuals who are most likely to use illegal money lenders are in destitution or severe poverty. There is an estimated 65,000 households in Scotland potentially experiencing destitution in a year. People within these households could potentially be at risk of being tempted to use an Illegal Lender.
6. The Scottish Welfare Fund (SWF) may have a key role in supporting people who might consider using/ have used illegal moneylenders. The SWF is a likely alternative to illegal money lenders for some individuals.
7. A loss of income due to a change in benefits is a major driver for people being forced into the position of using an illegal money lender or facing the prospect of no electricity and no food. This includes being sanctioned or transferring to Universal Credit as part of this issue.
8. Addictions, loss of earnings and difficult or abusive domestic situations are also drivers for people to use an illegal lender.
9. A lack of access or knowledge of alternative lenders can play a part in the decision to use an illegal lender.
10. The research suggests that there has been little change in how people access an illegal money lender. Friends and family and local knowledge of who the lender is from within their community is still the most common access point.
11. Again there has been little change in how contact is made. Moneylenders may be met in users' homes, on the street or in another public place, or in their own homes.

12. There was a significant difference in the size of loans being taken out by interviewees.
 - i) Some were for small amounts, as little as £20 or £30 to cover household necessities.
 - ii) Others had borrowed larger amounts to fill what they hoped would be a temporary fall in income or to purchase Christmas presents.
 - iii) One interviewee had borrowed around £2,000.
13. Whatever the amount, interest charged was between £3 and £5 per week for every £10 borrowed with repayment expected within a very short period. This amount remains generally consistent of the experiences of the staff within SIMLU.
14. Many interviewees had been subject to harassment and felt pursued by the moneylender through frequent or constant contact. Interviewees could feel watched and harassed in their own homes, the latter appearing to be a particular tactic of moneylenders. Pursuit for payment was typically experienced immediately after receipt of benefit payments.
15. Some interviewees had experienced threats, often of serious violence, setting out the consequences of not paying. Intimidation could take the form of a sustained campaign which might also target family members. Lenders' membership of a gang, or criminal associations could reinforce threats, or make explicit threats unnecessary.
16. Interviewees typically struggled to repay their initial loan, or ended up taking out further loans, leaving them with real problems with the size of payments they had to make. Severe problems could start from small beginnings, with subtle tactics from moneylenders, for example seemingly offering generous forbearance, such as only repaying interest early on, leaving interviewees struggling. This again has been commonplace for many years.
17. Interviewees were afraid of moneylenders, and felt very harassed, to the extent of not being able to live normal lives or feel safe in their home.
18. Some interviewees had exited their situation with a moneylender, or were on the point of doing so. They had managed to get together the cash to pay off the lender themselves, taking opportunities to put aside the money whenever they could, others had received help from family or friends, often receiving money from them to pay for household basics, rather than directly to pay to the lender.
19. A number of agencies were also spoken to as part of the research. They raised a number of issues including
 - i) Pressures on clients driven by Universal Credit are a major concern
 - ii) Aspects of Universal Credit that are particularly driving problems were reported as being monthly payment, delays in payment, restrictions on direct payments, and the conversion of hardship payments to repayable loans
 - iii) Lack of engagement with people who are using illegal money lenders.

Recommendations From The Report

20. A number detailed recommendations have been made in the report using the information gathered as part of the research. These include;
- i) The Scottish Welfare Fund being an important part of preventing people from using illegal money lenders.
 - ii) TSS/SIMLU to have a wide ranging discussion with the advice sector to look at reasons why people that use illegal lenders do not seem to access advice services.
 - iii) TSS/SIMLU to refocus its partner engagement into sectors that are more likely to work with users of illegal lenders
 - iv) Continue in attempts to gather informal evidence and look at potential to improve this area of work.
 - v) TSS/SIMLU should look at whether illegal lending is being further hidden online and should focus part of their work towards this.

What's Next

21. TSS/SIMLU will be hosting a launch event for this research at Verity House on the 22nd of November. This event is designed to allow for people, from different organisations and backgrounds, to discuss the research and look at how wets/SIMLU can implement the recommendations with partner agencies across Scotland. The report will be published following the event.

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