

# **National Assembly for Wales**

## **Children, Young People and Education Committee**

### **Financial Education and Inclusion (Wales) Bill**

#### **CYPE(4)-22-14 – Paper 2**

#### **Response from : Wales Illegal Money Lending Unit (WIMLU)**

##### **Context**

Historically, illegal money lending although widespread in deprived communities had been largely invisible and a little understood crime in the UK with the law not enforced for decades, leaving victims isolated, vulnerable and with little means of redress. Illegal lenders are lenders of last resort. Borrowers are typically excluded from the credit market as a result of credit delinquency or reaching the end of legal credit lines. In current market conditions very many high risk borrowers are unable to obtain credit.

The Wales Illegal Money Lending Unit (WIMLU), funded by the UK government, was launched in February 2008 hosted by Cardiff Council Trading Standards in partnership with the Wales Heads of Trading Standards. The WIMLU investigates and prosecutes loan sharks throughout Wales. In addition it has Client Liaison officers providing victim support.

The WIMLU is made up of individuals from a variety of frontline backgrounds. They have experience of investigation, victim support, doorstep crime and community engagement within Trading standards and the Police.

##### **WIMLU Objectives**

The following objectives for the team illustrate the emphasis placed not just upon prosecution of offenders but in promoting financial capability. To be effective, this holistic approach requires the team to work in partnership with a host of organisations.

1. To have an impact on illegal money lending, seeing more prosecutions and eventually reducing the incidence.
2. To increase awareness of the problems of illegal lending amongst partner agencies and third sector providers of affordable credit.
3. To create a climate where victims can come forward, confident that prosecution will be undertaken, and convictions obtained, without fear of reprisals.
4. To change the perception, amongst those lending, that illegal money lending is rarely prosecuted.
5. To develop formal relationships and processes for referring victims/enquiries to local debt advisers, sources of legal affordable credit or other sources of support, and to record these referrals.

6. To develop an understanding of victims' needs in the medium to long term and the interventions required for a sustained move away from illegal lending.

7. To develop links with other Financial Inclusion Fund projects, where they are operational in the same locality. In order to achieve these aims it is necessary to build strong partnerships with a wide range of public, private and voluntary bodies; in order to raise awareness and establish an understanding of the impact of illegal lending activity in Wales.

### **Current Experience / Trends**

Illegal lending has grown in the recent recession, primarily due to shrinkage of credit supply, particularly in the home credit and high risk sectors and within the most deprived communities. The UK Government's current wide ranging welfare reforms will have both direct and indirect consequences which are likely to tempt hard pressed benefit claimants to seek temporary financial respite in the hands of loan sharks.

Levels of stress across a wide range of financial and quality of life dimensions are much higher than among users of the highest cost legal credit. Fear of lenders and the experience of intimidation and violence leads to a significant net increase in mental health problems and family breakdown.

To their cost, victims often find that loan sharks are friendly to start with. Typically the shark will be known to the victim, and will 'befriend' her, sympathising with her problems and encouraging her to borrow money, reassuring her that it's an arrangement 'between friends'. This is what WIMLU has learnt to recognise as grooming behaviour, building up a false sense of trust and loyalty. Only later does the victim find out that the friendly approach has hidden a greedy determination to extract as much profit as possible from her. That initially appealing casual approach (no complicated paperwork!) hides the trap: The victim has no record of the agreement, the instalments, the penalty payments, or the interest rate. And now the shark can extort whatever sums she wants, by starting to use pressure, intimidation or threats. Before she knows it, the victim is in a frightening situation she can't control, perhaps forced to hand over her Post Office card and PIN. The 'friend' has become a predator.

The Appendix to this submission attempts to capture a few 'real life' examples of how families and children are impacted by unscrupulous illegal lenders.

### **Enforcement**

WIMLU works closely with the four police forces across Wales and engages strongly with the newly formed Financial Conduct Authority and other agencies to combat illegal lending. Timely intelligence is key to success in this area and the team is working hard to forge good working relationships with a much wider range of organisations embedded in local communities across Wales. A number of significant custodial sentences obtained and 'asset seizures' bear testimony to the effectiveness of the team's enforcement activity.

### **Education Initiative**

WIMLU is currently developing resource packs which, it is hoped, will be useful for both primary and secondary schools. These packs which will be free to schools are being funded by 'Proceeds of Crime' money which has been confiscated from loan sharks.

#### Ages 5-11 Years:

The activities within the packs are designed to build children's knowledge and understanding of handling money, making choices and paying for the things we need and want. Core to this is developing sound attitudes to managing money effectively, developing an appreciation of needs and wants and an understanding that we can't always have everything we want.

Many schools, especially primary schools like to engage with parents to support their children's learning. Some of the activities in these packs can provide useful starting points for this shared learning while getting across important messages about the dangers of loan sharks to parents too.

#### Ages 11-19 Years:

The Secondary resource pack has been developed so that activities can be delivered in many areas of the curriculum such as maths, English, art and design, drama and PSHEe. Pupils are provided with relevant advice on the dangers of borrowing money and the accompanying DVD, containing interviews with victims of loan sharks, is excellent at illustrating the consequences of using illegal money-lenders.

At any age children can carry many of these messages home with them and encourage parents, who may already be in difficulties to seek help and, equally importantly prevent them getting into difficulties in the first place.

#### Outside School:

In addition, in a non-school setting it is also hoped that by providing real life contexts will encourage young people to think about the importance of making considered spending choices and managing their money well in order to live their lives independently and safely. These resources may prove useful to trainers, support workers and others working in the community to provide opportunities to explore these issues with young people, helping them to make sound financial decisions.

**Stephen Grey**

**Manager – Wales Illegal Money Lending Unit**

**12<sup>th</sup> September 2014**

## Appendix

### Illegal Money Lending: impact on children

“58% of those using illegal lenders are family households .... 27% are single parents.”  
(2010 Policis evaluation)

Some examples (some identifying features changed):

#### Case A

Extracts from Victim Personal Statements

“It still affects how we live, and our son’s life. We don’t walk little D to nursery school, as we don’t know who we’ll bump into. Other family members take and collect him for us. He’s at an age when we’d like to take him to the cinema to see a cartoon or something, but we don’t because we don’t know who will be there, or who will follow us.”

“Some days we were so frightened we didn’t even open the curtains. My little boy used to sob himself to sleep; we all did, some nights. I wouldn’t wish that life on a dog; I wouldn’t want anyone else to go through it. My wife got really ill with depression, her mind was somewhere else. I’d have to talk to her two or three times before she’d answer me. One day she told me to take the baby out, and when I came back and saw she’d taken a glass and cut her hands, I felt like killing my own self, as it was all because of me. I nearly lost my wife because of them, because they wouldn’t leave us alone.”

#### Case B

Toni was a single mother with an eleven year old daughter Bethan. For several years, a loan shark targeted Toni, demanding more and more money from her in repayment of a loan, and threatening her that if she didn’t pay him he’d empty her house, and get his money “in whichever way”. Toni got by on the very little money she was left with, and felt very guilty that Bethan also had to go without. When the loan shark was arrested, Toni’s life started to return to normal, but she was left with her guilt at what she’d put her daughter through. Bethan was offered a week’s holiday with a friend’s family, but Toni couldn’t send her without spending money. The Client Liaison Officers made a payment of £50 to Toni, to enable Bethan to go on holiday. As Toni said, “she’s such a good child, she deserves a lovely break”.

#### Case C

Michelle lived alone with her toddler, and had been in debt to a loan shark for several years. She suffered from depression, had many other debts, and was unable to see a way out of her situation. When the situation became too much for her, she would self-harm. When IMLU started to investigate the loan shark, Michelle confided in the Client Liaison Officers just how low she was feeling. The CLOs arranged an urgent appointment at the local Citizens’ Advice Bureau for debt

advice, and also found a local counselling service which was able to offer appointments for a token payment of £5 per session on a charitable basis. The CLOs were able to arrange a referral for Michelle to have counselling, thanks to funds from the Victim Support Fund.

## **Case D**

A Swansea social worker was supporting Gemma, a mother of five, one of whose children was disabled. In a state of extreme distress, Gemma asked the social worker if all five children could go into care temporarily as she had no food to give them. The social worker discovered that there was no food in the cupboards, and eventually Gemma confided that she was paying nearly all her benefits to a female loan shark. The social worker persuaded Gemma to let her contact WIMLU, and following the arrest Gemma was able to stop payments to the loan shark immediately and use her income to feed her children. Gemma had been reduced to such poverty that not only was she not heating the house on the January day when WIMLU visited her, but she was only using the electric lights after the children returned from school.