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## Report of Assistant Chief Executive (Corporate Governance) & Director of City Development

### Executive Board

Date: 2 September 2008

Subject: The Illegal Money Lending Project - Tackling Loan Sharks

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#### Electoral Wards Affected:

Ward Members consulted  
(referred to in report)

#### Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In  
(Details contained in the report)

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## 1. PURPOSE OF REPORT

- 1.1 To update members and request an extension to the period in relation to the work of the Illegal Money Lending Project that has been operating in partnership with West Yorkshire Trading Standards Service, to investigate and institute proceedings against illegal money lenders within the Leeds district.

## 2. BACKGROUND INFORMATION

### 2.1 General

- 2.1.1 In May 2007 a report was submitted to the Executive Board advising members of a proposed partnership arrangement between West Yorkshire Trading Standards and Birmingham City Council Trading Standards to investigate and tackle Illegal money lenders operating in the Leeds district. Members noted in that report that the Assistant Chief Executive (Corporate Governance) under her delegated authority has authorised Birmingham City Council and the Illegal Money Lending Team to investigate and institute proceedings against illegal money lenders operating within the district of Leeds.

- 2.1.2 It is acknowledged that illegal money lending is difficult to infiltrate and covers a range of activities, from persons that are actually licensed but are acting unlawfully (for example by canvassing off trade premises) to the extreme of a person offering cash loans without being licensed at all (Loan Sharks).
- 2.1.3 Originally, the funding for the project ended in March 2008, however funding for the project has been extended until March 2011. In September 2007 the team was extended to operate across five regions, including Yorkshire and the Humber region. At this time the team grew to accommodate the extended areas covered and now consists of 18 investigators and two serving police officers. The remit of the team is to investigate illegal money lending activity and establish if a problem exists and, if so, bring to justice those persons carrying on this activity.
- 2.1.4 At this time, the remit of the team expanded to incorporate an element of financial inclusion and victim support. The objectives of the team were amended to accommodate this change in emphasis. The new objectives are:
- **Objective 1**: To have an impact on illegal money lending, seeing more prosecutions for illegal money lending and eventually reducing the incidence of illegal money lending.
  - **Objective 2**: To increase awareness of the problems of illegal lending amongst partner agencies and third sector providers of affordable credit.
  - **Objective 3**: To create a climate where victims can come forward – confident that prosecution will be undertaken, and convictions obtained, without fear of reprisals.
  - **Objective 4**: To change the perception amongst those lending that illegal money lending is rarely prosecuted
  - **Objective 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.
  - **Objective 6**: To develop an understanding of the victims' needs in the medium to long term and the interventions required for a sustained move away from illegal lending.
  - **Objective 7**: To develop links with other Financial Inclusion Fund projects where they are operational in the same locality, particularly the “now let’s talk money” campaign
- 2.1.5 It is accepted that this type of investigation is resource intensive. To combat this issue a “hub and spoke” style of management has been introduced into the team that allows for a team of 20 investigators to be called upon at any one time to investigate and catch illegal money lenders within each region and district.
- 2.1.6 The team also has Financial Inclusion Partnership Officers (FIPO) based and working in the area. These officers focus on raising awareness of the team and the subject matter as well as participating in the local financial inclusion agenda. The officers are developing close links with partner organizations to provide support mechanisms for victims of illegal money lenders. They look to signpost victims to existing available services that can deliver financial literacy, inclusion and affordable credit. In other words, to fill the void once an illegal money lender has been removed from the community.

2.1.7 Awareness raising campaigns have been utilized through Radio adverts, bus Adverts and posters in public buildings. The FIPO deliver presentations regarding the project to key stakeholders and partner organizations.

## **2.2 Key Information for the project up to 1 July 2008**

- 2.2.1 In 2007 a number of matters were investigated across the West Yorkshire region including within the Leeds district. One such matter has already been finalised at Leeds Crown Court and related to two individuals operating across the Seacroft area of Leeds. These individuals were operating under the trading style of Walker Family Finance and were arranging loans for former clients of a legitimate home credit provider for whom they had previously worked. Both men, pleaded guilty at a hearing in Leeds Crown Court to illegal money lending, unlawfully canvassing people for loans and handling stolen goods. Both men received a community penalty of unpaid work totalling 380 hours.
- 2.2.2 A further matter has resulted in two people from Leeds being charged with illegal money lending, however no further information can be revealed at this time because the matter is now sub-judice.
- 2.2.3 In raising awareness of illegal lending the Financial Inclusion Partnership Officer has developed links with staff in the City Council's One Stop Centres, Library and Information Centre, Revenue Section, Council Tax Recovery as well as with the Council's Financial Inclusion Steering Group and Financial Literacy Group. During September this will include joint delivery of a workshop with Council staff as part of the European Commission's Connections Project. This is a Peer Review initiative undertaken in Leeds by 7 partner European City delegates.
- 2.2.4 Links have been established with a wide number of organisations working in communities at risk of Loan Shark activity. The provision of publicity material and delivery of presentations to staff, volunteers, young parents, tenants and residents is increasing as more organisations become aware of the initiative. Joint work with housing providers is key to getting our message across to Leeds residents and most recently has included working with Stonham Homeless Prevention, East North East Homes, Leeds Federated Housing Association as well as Castleton Primary School Wortley, Womens Health Matters, St Vincents, Leeds City Credit Union and West Leeds Debt Forum. Mapping provision is continuing as is establishing formal referral procedures to ensure the Team is able to access a range of appropriate services and support for victims of loan sharks.
- 2.2.5 Linking with the educational work of the Loan Shark Team, West Yorkshire Trading Standards will begin its roll out of the "Moneybox" initiative to Leeds schools in September. A financial literacy resource, "Moneybox" aims to teach young people about a range of topics including access to banking and affordable credit, credit agreements and illegal money lending. It also supports the work of the Credit Unions in terms of safe saving and borrowing. Teacher training events, partnering with Education Leeds, have recently taken place, with much interest and enthusiasm from teachers, and schools in Local Enterprise Growth Initiative communities will be the first to benefit from this resource in the Autumn term.

2.2.6 Since the inception of the original pilot project in 2005 the following has been achieved:

Illegal Debt Written off - over £7.6million

Victims helped - over 5,600

Cash seized to date - £150,000

Proceeds of Crime Proceedings ongoing for over £1 million

12 guns taken off the street

Many of the offenders were also falsely claiming benefits.

Counterfeit goods to the value of over £100,000 recovered

2.2.7 In addition to exceeding the expectations of the Government, the project has also achieved significant added value, including expert support to other Trading Standards authorities in tackling illegal money lenders in their area. Developing partnership working with the Police, the Department of Work and Pensions, H M Revenue and Customs as well as other key partners has facilitated a coordinated approach to tackling crime.

### 2.3 Authorisations

2.3.1 In order to expand the scheme into Leeds, using the existing Birmingham team requires proper delegation to Birmingham City Council for its officers to carry out the investigations and for all the associated legal processes and costs to be conducted by Birmingham City Council. This delegation expires in March 2009, so it is recommended that the opportunity be taken to formally extend this period until March 2011.

## 3. KEY PRIORITY IMPLICATIONS

3.1 **Safer and Stronger Communities** – Illegal moneylenders invariably target low-income households and the most vulnerable members of society. This can mean that their activities have disproportionate implications for the more deprived areas and action taken against them therefore supports the policy priorities associated with crime and disorder and protecting the more vulnerable members of the community.

3.2 **Children and Young People** – Educational initiatives with young people will run alongside the project helping to generate an understanding of effective money management and financial responsibility.

## 4. LEGAL AND RESOURCE IMPLICATIONS

4.1 **Legal/Human Rights Act considerations** - By virtue of Section 161 of the Consumer Credit Act 1974, it is the duty of each 'local weights and measures authority' to enforce the provisions of the Act within their local authority boundary. However, under the provisions of Section 101 of the Local Government Act 1972 and Section 19 of the Local Government Act 2000, it is possible to delegate functions to another local authority, provided it is in the interests of the citizens of the local authority responsible for delegating the function.

4.2 There are no financial implications for WYTSS or Leeds City Council as a result of this project. WYTSS does not currently have sufficient resources to dedicate a team solely to the investigation and detection of illegal or unlicensed money lenders. The Birmingham based project team, funded by Central Government, is able to provide additional resources and protection for the benefit of West Yorkshires citizens.

## **5. RECOMMENDATIONS**

5.1 That the report be noted and in the light of the extension of funding for the project, that the delegated powers to authorise Birmingham City Council to institute proceedings within the Leeds district contained within the associated protocol is extended from March 2009 to March 2011.

## **Background Reports/References**

The Consumer Credit Act 1974 (as amended by the Consumer Credit Act 2006)

Local Government Act 1972

Local Government Act 2000

Report to Executive Board entitled, 'Illegal Money Lending Project' dated 16<sup>th</sup> May 2007

Protocol for Illegal Money Lending Team Investigations