



Report of Assistant Chief Executive (Corporate Governance)

Executive Board

Date: 30th March 2011

Subject: The Illegal Money Lending Project - Tackling Loan Sharks

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)

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to seek authority from the Executive Board to extend existing delegations to Birmingham City Council, so that arrangements with the Illegal Money Lending Project (which has been operating in partnership with West Yorkshire Trading Standards Service) will continue from March 2011 to 31 March 2015.

2. BACKGROUND INFORMATION

- 2.1 In September 2008 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.

2.2 At that time Executive Board resolved;

“in the light of the extension of funding for the project, the delegated powers to authorise Birmingham City Council to institute proceedings within the Leeds district contained within the Protocol for Illegal Money Lending Team Investigations be extended from March 2009 to March 2011”

2.3 The current partnership arrangement between West Yorkshire Joint Services and Birmingham City Council Trading Standards is to provide, at no cost to the 5 West Yorkshire districts, a nationally funded specialist “Loan Sharks” enforcement team. The specialist Birmingham team operates a 24 hour dedicated, confidential hotline for consumers to report loan sharks (0300 555 2222). It investigates complaints about illegal money lending and takes enforcement action where there is sufficient evidence. It also provides a network of Financial Inclusion Project Officers (FIPO), who work within the regions to support local financial inclusion initiatives, such as credit unions etc.

2.4 The Loan Shark Team work closely with the Financial Inclusion Partnership in Leeds and links have been established with a wide number of organisations working in communities at risk of Loan Shark activity. One of the main problems faced by the team is a reluctance of residents to report loan shark activity. The provision of publicity material and delivery of presentations to staff, volunteers, young parents, tenants and residents is an important part of the awareness work to try to overcome this reluctance. Joint work with housing providers has been helpful to getting the message across to Leeds residents.

2.5 In addition to partners such as the credit union and debt advice agencies, Council service areas are fully aware of and are alert to the need to report any potential loan shark activity. Services include, the City Council’s One Stop Centres, Corporate Debt Team in Revenues division, Library and Information Services, Welfare Rights and Benefits sections. The Loan Shark Partnership Officers regularly attend and report to the Financial Inclusion Steering Group which involves all Council service areas and partners who are engaged with financial inclusion work.

2.6 Nationally, across the seven Illegal Money Lending Teams in operation:

- Over 1,700 illegal money lenders have been identified.
- Over 500 illegal money lenders have been arrested.
- The Teams have written off over £37 million worth of illegal debts.
- The Teams have secured over 182 prosecutions, resulting in prison sentencing totalling over 107 years plus one indefinite sentence for public protection.
- The Teams have helped over 16,000 victims of loan sharks including the most hard to reach individuals.
- Over £20 million worth of assets are being investigated under proceeds of crime legislation, with the intention of removing these from illegal money lenders.
- Over 600 victims have been referred to legal sources of financial support.

2.7 In Leeds there have so far been two convictions but the number of investigations is unknown due to legal reasons. The Loan Shark Team is planning a renewed publicity campaign in Leeds this year and discussions are taking place with the Leeds

ALMO's and the credit union about a co-ordinated publicity campaign to take place in the Summer. The Council and other financial inclusion partners will be involved also.

- 2.8 Following the comprehensive spending review, the Department of Business, Innovation and Skills (BIS) has recently announced new funding and delivery arrangements for 2011/12 and beyond. As far as England is concerned, the Birmingham Team will take over strategic responsibility for this area of work and replace other teams, which had formerly operated in certain other regions such as the North East and London. Effectively this should have no impact on the West Yorkshire situation. It is envisaged that funding will be provided centrally until March 2015.
- 2.9 In order to extend Leeds participation in the scheme, using the Birmingham team, an extension of the previous delegation to Birmingham City Council is required. This will enable Birmingham City Council Officers to carry out the investigations and for all the associated legal processes and costs to be conducted by Birmingham City Council. The delegation expires in March 2011, so it is recommended that the opportunity be taken to formally extend this period until March 2015, at which point an assessment can be made as to the extent to which continued BIS funding will continue.

3. LEGAL AND RESOURCE IMPLICATIONS

- 3.1 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, the executive may delegate functions to the executive of another local authority. The executive has previously also delegated functions to Calderdale Council (to act as banker for the West Yorkshire Energy Efficiency Scheme) and to Sheffield City Council (to make payments of Home Improvement Loans).
- 3.2 There are no financial implications for Leeds City Council as a result of this project. West Yorkshire Trading Standards Service 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.

4. RECOMMENDATIONS

- 4.1 That the report be noted and in the light of the extension of funding for the project from the Department of Business Innovation and Skills, that the authority delegated to Birmingham City Council to undertake investigations and institute proceedings against illegal money lenders operating within the Leeds district, be extended from March 2011 to 31 March 2015.
- 4.2 That the Executive Board receives an Annual Report on the outcomes arising from the delegation.

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 2nd September 2008

Protocol for Illegal Money Lending Team Investigations