

**MANCHESTER CITY COUNCIL  
REPORT FOR INFORMATION**

**Committee:** Citizenship and Inclusion Overview and Scrutiny Committee  
**Date:** 7 January 2009  
**Subject:** North West Illegal Money Lending Team  
**Report of:** Head of Street Management and Enforcement

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**Purpose of report**

To update the Committee on the activities of the Illegal Money Lending Team (IMLT) in the North West of England.

**Recommendations**

Committee note the report

**Financial consequences for the revenue budget**

None

**Financial consequences for the capital budget**

None

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**Background Documents**

Report to the Executive 16 January 2008 titled Enforcement of the Consumer Credit Act 1974

**Wards Affected**

All

## **Implications for Key Council Policies**

**Anti Poverty**  
Yes

**Equal Opportunities**  
No

**Environment**  
No

**Employment**  
No

## **REPORT**

### **1. Introduction**

1.1 In January 2008 the Executive agreed a report that authorised officers from Birmingham City Council to discharge the functions of Manchester City Council in respect of the enforcement of Part III of the Consumer Credit Act in connection with the investigation of offences and prosecution of illegal money lending operators in Manchester. This report provides an update on activity of that team. As the team covers the whole of North West England, the appendices to the report provide information on all the activity carried out by the team.

### **2. Background**

- 2.1 The primary legislation governing the consumer credit industry is the Consumer Credit Act 1974 and this is enforced, in each local authority area, by the Trading Standards Service. The Act is based upon a licensing system, and consumer credit and consumer hire businesses operating in the UK (with certain exemptions) must possess an appropriate licence issued by the Office of Fair Trading. The Office of Fair Trading must be satisfied that an applicant for a Consumer Credit Licence is a fit and proper person before issuing that person with a licence to trade.
- 2.2 To operate a consumer credit business without being licensed is a criminal offence and carries a maximum penalty of £5,000 and/or up to two years imprisonment.
- 2.3 Illegal money lending 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).
- 2.4 The Illegal Money Lending Team was established in Birmingham, covering the Midlands, as a pilot project. The remit of the team is to investigate illegal money lending activity, establish if a problem exists and, if so, bring to justice those persons carrying on this activity.

In February 2006 the Social Strategy Overview and Scrutiny Committee received a presentation from the Birmingham Team, which outlined some of the difficulties faced during the initial stages of the work, including the fact that loan sharks were often regarded as part of a community service by those people who could not get access to bank credit. Injunctions, backed up by the use of ASBO's that prevented loan sharks from accessing their victims, had

been key to reducing the overall level of loan shark activity in many areas, but the solution lay also in creating routes into more conventional lending and to foster the development of credit unions to fill the void. Members asked that officers examine what aspects of good practice could be translated into action in Manchester.

- 2.5 Following the success of the pilot, the Department of Trade and Industry extended the project to cover other regions, including the whole of the North West region, with funding until March 2011.
- 2.6 In order to expand the scheme into Manchester and the rest of the North West, utilising the current infrastructure of the existing Birmingham team, the Birmingham officers were authorised to carry out the investigations and for all the associated legal processes and costs thereof to be delegated to Birmingham City Council.

### **3. Activity to date**

- 3.1 Illegal money lending, by its nature, is not a well-publicised activity and the work of the IMLT relies on the intelligence it receives. The team covers the whole of the North West region. This report therefore details all the work undertaken by this team in the North West. Manchester specific work has been undertaken, There has been a successful operation in Manchester - Operation Ramsey – which led to the arrest of the alleged moneylender who was charged with illegal money lending plus 3 counts of blackmail. Ultimately all action across the North West will have a deterrent effect on loan sharks, it is too early to see a reduction in the level of activity at the moment but the Midlands project showed that this likely.
- 3.2 The nature of the work undertaken by the IMLT necessitates complete confidentiality in respect of their future targets, location, etc, so these cannot be divulged in advance. Any hint to the loan sharks that they are currently under surveillance would severely hinder the success of the IMLT. Such information has been divulged in the past, and this has resulted in raids on targets under surveillance producing nothing as the loan sharks' evidence has been deposited elsewhere. The nature of the offences relies heavily on records being found at the scene when warrants are executed.
- 3.3 For the reasons given above, the most precise information able to be released by the IMLT is that they currently have 3 active investigations in the Greater Manchester area. The information contained in the appendices relates to the period April to November 2008.

### **4. Financial Inclusion Work – Manchester**

- 4.1 Operation Ramsey has been a lengthy investigation into the activities of a loan shark operating in Manchester. He was arrested at the end of October 2008 and has since been charged with illegal money lending and blackmail. He has been bailed to appear at Manchester Crown Court in January. His home is in Derbyshire, but much of his illegal activity took place in Openshaw and other

areas of East Manchester as well as Tameside. As part of the investigation and with a view to proceeds of crime, the IMLT has placed a restraining order on his house. Its value is considered to be between £800k - £1m.

- 4.2 When the investigation into Operation Ramsey is complete, the Financial Inclusion Partnership Officers (FIPOs) will contact the victims whose details are contained in the lending records. This is a really important function of the illegal money lending team as it's important to try to remove the demand for money lending so that the vacuum created by taking out one money lender is not replaced by another. Usually the people who use money lenders do so as a last resort as they have been unable, or have not known how to access legitimate forms of credit. The FIPOs will put the victims in contact with the network of support agencies and credit unions. They have already met with Money Mentors, a localised team of money advisors working in the Beswick area of the city.
- 4.3 In addition to the above work connected with Operation Ramsey, the 2 FIPOs for the Trading Standards North West (TSNW) area have been particularly active in Manchester.
- 4.4 They have met with the Chief Executive of the associations of Manchester Credit Unions, and have given presentations with housing associations in Manchester. This is to raise awareness of loan shark activity, collect intelligence, and to see if there are victims from the current case.
- 4.5 The FIPOs have visited other housing associations with a similar message. These are Willow Park, Parkway Green and Mosscafe. They have met with Wythenshawe Regeneration and have had articles printed in various tenants' newsletters in different housing association areas. The FIPOs have also been to Grey Mare Lane Police station to make introductions and promote loan shark awareness.

## **5. Wider Activity in the North West Region**

- 5.1 The Illegal Money Lending team which covers the North West region is required to report to the Department for Business Enterprise and Regulatory Reform on a monthly basis on the activity that they have undertaken in the region. This covers the number of investigations they have undertaken and the enforcement actions arising from this; the amount of victim support engaged in; the amount of awareness raising work they have undertaken; and the intelligence gathering and partnership working they have been involved in. This is detailed in appendices 1-4.
- 5.2 From this it can be seen that, within a relatively short time, the team has conducted surveillance and arrested offenders in eight significant operations across the North West. The area has gained from appointing an active team of investigators, rather than starting from scratch. The existence of the team, and the public's knowledge of their work have resulted in intelligence which has led to the identification of 59 potential offenders. We know from experience that such intelligence would not previously have been offered, and

the potential offenders would not have been identified. The support and educational activities undertaken by the FIPOs, who were only appointed in the summer, is beginning to have an upward trend in demand for the team

- 5.3 The team has also conducted some research into why people in the North West region use loan sharks, so that the IMLT can target the right areas. This is contained at Appendix 5.

## 6.0 Annual Percentage Rates (APR) and Unfair Credit Bargains

- 6.1 The Committee has also asked for further information on what would, on the face of it, appear to be extortionate interest rates on credit agreements. As noted above, the first major piece of legislation designed to control the credit industry was the Consumer Credit Act 1974. Prior to the introduction of this legislation, the way in which credit was advertised was subject to few controls. One of the benchmarks created by the legislation, was the requirement to advertise credit deals and regulate the terms of the credit by reference to an Annual Percentage Rate (APR).

Quite simply, all credit rates must be quoted as the rate applicable when calculated over a period of 1 year. This was done to provide the consumer with the necessary information to make a qualified judgement on the best deal offered. However, the calculation to arrive at the APR is complicated and the end result can be alarming as set out in the example below.

### Example

- If A lends B £100 cash, and wants to apply a credit charge of £20, this would have been advertised prior to 1974 as a 20% credit charge, regardless of the time element, as the £20 charge represents a simple 20% of the capital lent out.
- If A lends B £100 cash now, and again applies a charge of £20 and wants the repayment of the £120 total in exactly one years time, this would represent 20% APR, as conveniently the factors have been annualised over a 1 year period.
- However if A lends B £100, and wants to apply a charge of £20 and wants the total of £120 to be repaid in two weeks time as a short term loan, the APR is **1091%**.

The factors that have resulted in such a high APR, is that the period of credit is just two weeks and the borrower has only had the benefit of the capital lent for such a short time. When those factors are extrapolated to a one year period, the resultant APR is alarmingly high.

- 6.2 At first sight this may appear to be extortionate but, when considered along with the few cases that have been referred to the courts for judgement, this would in all probability not be considered to be unfair or extortionate. Where an individual feels they have been charged an unfair rate and wants a court to

open the contract and review it, factors such as charge for credit, the credit rating of the borrower, frequency of repayments, whether the loan is secured or not, are all considered.

The body to refer these to in the first instance now is the Financial Ombudsman Service.

**Summary of performance statistics - enforcement**

	Current month	Year to date
<b>Information / intelligence</b>		
Number of illegal lenders identified	3	59
<b>Enforcement</b>		
Number of new investigations commenced		
Number of proceedings instituted (In Scotland, cases reported to Procurator Fiscal)	2*	6
of which prosecutions		2
of which other enforcement actions (cautions /letters of warning - please specify)		7 formal cautions**
Total length of prison sentences		26

\* this prosecution involved 8 defendants

\*\* Operation Millennium

**Enforcement**

**Operation Parsley**

Three arrested, two charged with illegal money lending and POCA offences. One charged with trademarks offences. A further person is due to return to answer bail in December, likely to be charged with trademarks offences.

**Operation Millennium**

Defendant pleaded NG trial January 09

**Operation Breeze**

Warrants executed. Books found, Stun Gun, amphetamines seized. Further warrant executed by the police and further evidence obtained and passed to IMLT.

**Operations Cutter**

Evidence of illegal money lending obtained two arrested and bailed.

**Operation Toaster**

Being reviewed likely outcome Charge.

**Operation Wainwright**

One arrested, enquiries ongoing.

**Operation Ramsey**

One arrested and charged with illegal money lending, and three counts of blackmail.

**Operation China**

One arrested evidence obtained and likely to be charged with illegal money lending and Blackmail.

### **Broader picture**

	<b>Trading Standards North West</b>
<b>Awareness raising</b>	19
<b>Mapping</b>	10
<b>Liaison with partner agencies</b>	21
<b>Referral Mechanisms set up</b>	16
<b>Membership of FI organisations</b>	0
<b>Links to FI projects</b>	2
<b>Links to local government activity</b>	10
<b>Victim referrals</b>	3

### **Highlights**

- Operation Breeze – housing association agreed to undertake Impact Assessment – looking at rent arrears and antisocial behaviour while the loan shark was operating, and after his arrest. Also working with this housing association to improve home security at victim’s homes.
- Operation Millennium – positive results from follow up work – One client who was referred to Halton CAB stated that the referral has made a real difference to the quality of her life and helped her access more benefits.
- Widnes CAB has agreed to treat any referrals from the team as emergencies.
- 94 fact sheets sent out to operation Breeze victims with local services.



**Summary of performance statistics – victim support**

	Current month	Year to date
<b><i>Victim support</i></b>		
Number of victims whose details have been passed to sources of financial support:		
CAB	3	28
LA debt/money advice	3	3
National debtline		
Credit union/CDFI		5
Other	3	1
Number of victims whose details have been passed to other sources of advice (e.g. lifestyle counselling)		0
Number of victims applying for credit from credit unions		
Number of victims obtaining credit from credit unions		<b>To be sourced</b>
Number of victims not wishing to seek new credit immediately		62
Number of victims requiring other support (protection, re-housing) [please provide details]	5	7

**Highlights**

**Nationally** – inclusion of loan shark information in National FSA Money Made Clear training and Fuel Poverty Training. Project helpline now on Advisornet (for CAB advisors) and the national CAB public website.

### **Awareness Raising Activities**

<b>Group/Meeting</b>	<b>Activity</b>
St Helens TS	Presentation
UKCU Forum Lancs	Presentation
Cheshire Neighbours credit union strategy group	Presentation
Knowsley Financial Inclusion Partnership group	Presentation
Merseyside Debt Conference	Presentation
Cheshire Neighbours Credit union Board	Presentation
Bolton Money Skills	Presentation
Cumbria DRAMA (Debt relief and management awareness) group	Presentation
Old Swan Community Awareness day (Liverpool)	Stand
St Helens Crime Prevention Event	Stand

### **Distribution of 'Stop loan shark' posters in the below centres**

- Enterprise Credit union
- Knowsley JET Service
- Page Moss Surestart
- Age Concern Knowsley
- Northwood Surestart
- Kirkby Unemployed centre
- Rochdale Boroughwide housing X 7 sites
- Rochdale Police stations X 4
- Shelter housing Rochdale

**Intelligence Gathering/Partnership Working**

<p><b>Mapping Financial Provision (state where)</b></p>	<ul style="list-style-type: none"> <li>• Halton</li> <li>• Widnes</li> <li>• St Helens</li> <li>• Manchester</li> <li>• Tameside</li> <li>• Knowsley</li> <li>• Cumbria</li> <li>• Cheshire</li> <li>• Liverpool</li> <li>• Bolton</li> </ul>
<p><b>Liaison with partner Agencies (state with whom)</b></p>	<ul style="list-style-type: none"> <li>• Brian Shields Trust (victim of loan shark) – met with mother, sister, Halton CAB, CU and welfare rights team to discuss way forward for trust.</li> <li>• Bolton Trading standards – Devised engagement strategy for Bolton area and agreed on parallel activities</li> <li>• Vale Royal Borough council – Met with Community Development Worker for area to devise a engagement plan for promoting/awareness raising activity in the Winsford area.</li> <li>• Weaver Vale Housing – received information of Witness intimidation within the Winsford area and fed back via Investigator. Housing association agreed to further sharing of information and joint work completed with witnesses to set up security at home/.</li> <li>• St Helens Crime Prevention Team</li> <li>• Manchester East Crime Prevention Team</li> <li>• St Helens CAB to set up referral process for potential victims</li> <li>• Money Mentors Beswick – went through referral process with money mentors team for financial, welfare and educational help</li> <li>• Contour Homes – agreed to send loan shark information through tenant newsletter going to reach a 40,000 audience</li> <li>• Merseyside Debt Conference Wirral contacts made with Welfare Rights, CU and other local agencies</li> <li>• New Charter Housing.</li> <li>• MINT – Money Information Network Tameside partners include local Money Spinner credit union, local CAB office, other housing associations amongst others. Loan shark posters in all New Charter Housing office buildings and in local community centres, doctors and dentist surgeries, childrens centres, and homeless housing team presentation for staff arrears team arranged.</li> <li>• Wirral Police –display loan shark posters in all local police stations. Have written factsheet for police sergeants to brief</li> </ul>

	<p>their officers with to promote loan shark agenda and partnership work with Police and Trading Standards. Merseyside Police have also agreed to put loan shark poster and factsheet on all police computers as screensaver and link to force intranet – with hotline number for information and my details for further information.</p> <ul style="list-style-type: none"> <li>• Manchester Advice</li> <li>• Southport Neighbourhood Police Officer – Crime Prevention Team.</li> <li>• St Helens Benefits manager</li> <li>• Widnes CAB – Halton – agreed to treat any referrals as emergency appointments</li> <li>• Helena Housing</li> <li>• Lancashire Police</li> <li>• Manchester Money Mentors team to discuss re-housing of victims. (details below)</li> </ul>
<p><b>Referral processes set up</b></p>	<ul style="list-style-type: none"> <li>• St Helens CAB</li> <li>• Money Mentors Manchester</li> <li>• Halton CAB</li> <li>• Halton CU</li> <li>• Lodge Lane Credit union, Liverpool</li> <li>• Cleator Moor Credit union, Cumbria</li> <li>• Whitehaven Credit union, Cumbria</li> <li>• Workington CAB, Cumbria</li> <li>• Widnes CAB</li> <li>• St Helens Benefits Team</li> <li>• MINT</li> <li>• Manchester Advice</li> <li>• Enterprise Credit union, Knowsley</li> <li>• Greater Merseyside FIF advisors</li> <li>• Cumbria DRAMA Group</li> <li>• Derwent and Solway Housing association</li> </ul>
<p><b>Links to financial inclusion projects</b></p>	<ul style="list-style-type: none"> <li>• Mtg with Merseyside FIF debt advisors manager. Joint protocol agreed for referrals/future relationship.</li> <li>• MINT – Money Information Network, Tameside</li> </ul>
<p><b>Links to local government Activity e.g. LAA</b></p>	<ul style="list-style-type: none"> <li>• Inclusion on draft Financial Inclusion strategy for Blackpool Council</li> <li>• Met with Lydia Plackett – Skills and Inclusion Mgr for Lancashire County Council – wants us to make inroads in LAA as Financial Inclusion not mentioned. Talked about lead financial inclusion</li> </ul>

	<p>strategies through Lancs and obtained key contacts. Lydia will display posters through her team in key areas.</p> <ul style="list-style-type: none"><li>• Introduction made to Bolton Trading Standards, Manchester TS, Sefton TS, St Helens TS, Halton TS, Lancashire TS, Tameside TS, Wirral TS</li></ul>
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### **Victim Support/Referrals**

Follow up home visit with former victim from Millennium still ongoing. Meeting with Housing Officer to be arranged.

Moved 3 adults and 2 children from Manchester to another location for fear of their personal safety on Friday 24th October. 2 adults staying with family, 1 adult and 2 children in temporary accommodation. Been in regular contact with family who were scared of moving and the upheaval. Now feel safe in their new environment and been given constant personal and telephone support throughout. Now working to rehouse permanently.

## **General trends from the research questionnaires** **Across all regions**

Finally, from a research questionnaire regarding the general subject of loan sharking activities, the following has been collated. This is a snapshot of the questionnaires the FIPO's are completing so that the IMLT can target the right areas.

### **Tenure**

- 50% of respondents lived in council housing, or housing association properties
- 26% were in privately rented accommodation
- Only 9% were owner occupiers (the rest lived with family or declined to answer)

### **Personal Information**

- 59% of respondents were unemployed, 41% employed. This includes 24% who were self employed
- 62% of respondents were female
- 24% of respondents had a disability. Of these, 3 described how that had increased their need for loans that would be collected on the doorstep as they could not go out.
- All respondents classified themselves as being White British or White Other

### **How did you find out about the loan shark?**

- 91% found out through a friend.

### **Why did you borrow from the loan shark?**

- Ease of access

### **Previous Connection to the Loan Shark**

- 65% had borrowed from the loan shark before
- 41% knew the loan shark before they borrowed
- 47% considered the loan shark to be a friend

### **Did you try to borrow money elsewhere?**

- 53% had tried to borrow elsewhere first.

### **Would you ever use the loan shark again?**

- 85% of respondents would not use a loan shark again.

### **Other debts**

- 65% of respondents had other debts – to credit cards, catalogues, home credit providers and utility companies
- 24% stated they had mortgage or rent arrears, and 9% admitted to having council tax arrears.

### **Budgeting**

- 85% of respondents said they now budgeted.

### **Access to financial services**

- 59% of respondents had been refused credit by banks, high street lenders or catalogues (a lot answered that they had been refused from “everywhere”). 82% of respondents had a bank account – 41% had a basic bank account, 26% had a current bank account and 15% had a post office account.
- 53% of respondents considered joining a credit union. Those who did not want to join stated that they did not have the capacity to save, or that they needed immediate loans.

### **Benefits**

- 65% of respondents were claiming benefits.

### **Home Contents Insurance**

- 82% did not have home contents insurance.