

AGENDA MANAGEMENT SHEET

Name of Committee Portfolio Holder Decision Making

Date of Committee 4 February 2011

Report Title Illegal Money Lending project

Summary In January 2006 Cabinet granted authority for a team of specialist officers from Birmingham City Council to enforce the Consumer Credit Act 1974 within Warwickshire, initially for a trial period of 2yrs. This was part of a pilot project funded by the DTI (Department of trade and Industry) to tackle the problem of illegal moneylenders (commonly known as "loan sharks").

The pilot project proved a great success, identifying more than 200 illegal lenders and closing loan books worth more than £3 million. In September 2007 the Government announced a further £3 million funding for the project. A further extension for 2011-12 has recently been announced, confirming a further £5.2M funding.

This report seeks to extend the arrangements between Warwickshire County Council and Birmingham City Council to take full advantage of this additional resource.

For further information please contact Mark Ryder
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Would the recommended decision be contrary to the Budget and Policy Framework? Yes/No

Background Papers Appendix A.

CONSULTATION ALREADY UNDERTAKEN:- *Details to be specified*

Other Committees

- Local Member(s)
(With brief comments, if appropriate)
- Other Elected Members Councillor R Chattaway
Councillor M Gittus,
Councillor R Sweet
Councillor H Walton,
Councillor J Whitehouse,
- Cabinet Member Councillor R Hobbs
(Reports to The Cabinet, to be cleared with
appropriate Cabinet Member)
- Chief Executive
- Legal Ann Belcher
- Finance
- Other Chief Officers
- District Councils
- Health Authority
- Police
- Other Bodies/Individuals

FINAL DECISION **YES/NO** *(If 'No' complete Suggested Next Steps)*

SUGGESTED NEXT STEPS :

Details to be specified

- Further consideration by
this Committee
- To Council
- To Cabinet
- To an O & S Committee
- To an Area Committee
- Further Consultation

Portfolio Holder Decision-Making – 4 February 2011

Illegal Money Lending Project

Report of the Strategic Director for Environment and Economy

Recommendation

That the Strategic Director of Environment and Economy be authorised to continue arrangements pursuant to Section 19 of the Local Government Act 2000 and Regulation 7 of the Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2000 for the discharge of all functions (including the prosecution of legal proceedings) constituting or incidental to the enforcement of Part III of the Consumer Credit Act 1974 by the executive of Birmingham City Council on terms as set out in the protocol signed by Warwickshire County Council's Chief Executive on 9 February 2006.

1. Introduction

- 1.1 A recent report suggested that more than 165,000 households with financial problems borrow from illegal moneylenders, or "loan sharks" every year. Exact statistics are hard to find. Loan sharks thrive by breeding a culture of fear in their victims, demanding extortionate repayments, often with menaces, making them too scared to ask for help. Even those who are not afraid are unlikely to report this type of crime as they feel they have nowhere else to turn for money. Specific skills are required to investigate this type of crime.
- 1.2 The Department for Business, Innovation and Skills (BIS) have continued to fund Illegal Money Lending Teams (IMLT) based in regional hubs. The West Midlands team is hosted by Birmingham, City Council (BCC). This dedicated team is aligned with the BCC Trading Standards Service and tasked to undertake enforcement against illegal money lending.
- 1.3 BCC have protocol arrangements in place with all 14 local authorities within the West Midlands for the authority to be delegated to the City Council to enforce Part III of the Consumer Credit Act 1974.

2. Background

- 2.1 Warwickshire County Council Trading Standards service has a duty to enforce the Consumer Credit Act 1974 within the county. The monitoring of credit advertising and agreements is routinely carried out and consumer complaints and enquiries are dealt with and appropriate advice is offered to Warwickshire consumers.
- 2.2 However, the dedicated team from BCC are equipped with the specialist skills, equipment and experience necessary to investigate the activities of these rogue moneylenders and to take appropriate legal action to curb their activities.
- 2.3 The objectives of this joint working is as follows:-
- (i) To ensure cases of illegal money lending are brought before the courts
 - (ii) To improve the knowledge and intelligence surrounding the serious problem of illegal money lending
 - (iii) To develop ways of cooperating with those responsible for investigating related activities, such as unauthorised possession of benefit books, and the Assets Recovery Agency who work to recover money under the Proceeds of Crime Act.
 - (iv) To develop ways of replacing the illegal money lending activity with support for those who need it, and
 - (v) To consider 'Best Practice' when attempting to enforce the law against illegal money lending in the future.

A recent progress report is attached in Appendix A

3. Legal Considerations

- 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.
- 3.2 Warwickshire County Council will be authorising Birmingham City Council to undertake enforcement of Part III of the Consumer Credit Act 1974 for a limited period ending on 31 March 2011. This represents a continuation of an undertaking that has been in place since 2006.
- 3.3 A protocol for this project has been drawn up for agreement by Warwickshire County Council. Birmingham City Council sought advice from counsel in drafting this protocol, which has been the basis for agreement for the project team to work in other local authority areas.

4. Community Safety

- 4.1 Warwickshire County Council Trading Standards service does not have sufficient resources to dedicate to the specialist activity of detecting and investigating illegal or unlicensed moneylenders. This work is time consuming and high risk, with the added difficulty brought about by the fact that victims of the rogues are often fearful and reluctant to provide the necessary evidence for an investigation due to the circumstances they find themselves in.
- 4.2 The work with BCC seeks to protect vulnerable members of the public from the ruthless activities of rogue moneylenders. The dedicated project team, funded by BIS, is able to provide additional resources and protection for the benefit of the most vulnerable citizens of Warwickshire. Their work concentrates on curbing the illegal activities of unlicensed money lenders who target the least well off members of society, often operating in the most deprived areas and using harassment, threatening behaviour and even violence towards their victims.
- 4.3 In November 2007 a Nuneaton man was successfully prosecuted for illegal money lending, intending to pervert the course of justice, possession of counterfeit clothing with intent to supply and possession of counterfeit cigarettes. He received a nine month suspended sentence and 150hrs' community service.

5. Financial Implications

- 5.1 The proposed arrangements for the discharge of functions by Birmingham City Council do not preclude Warwickshire County Council's Trading Standards Service from taking its own enforcement action under the Consumer Credit Act 1974. The proposals represent an additional resource.
- 5.2 The proposed agreements have no financial implications for Warwickshire County Council. The project is funded by the BIS.
- 5.3 By complimenting Trading Standards resources at no extra cost to Warwickshire County Council our performance in relation to enforcement of the provisions of the Consumer Credit Act 1974 will be significantly enhanced, thus improving the service offered to our citizens. The project is funded by BIS until March 2012.

PAUL GALLAND
Strategic Director for Environment and Economy
Shire Hall
Warwick

17 January 2011

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Illegal Money Lending Project



Illegal Money Lending Project – Performance Monitoring information

Region: Midlands

Month and year: December 2010

Summary of Performance Statistics - Enforcement

| | Current month | To date |
|---|----------------------|--|
| ENFORCEMENT | | |
| Number of contacts received leading to actionable investigations. | 3 | 198 (including initial project) |
| Number of illegal lenders identified. | 3 | 181 |
| Number of new investigations commenced | 3 | 146 |
| Number of illegal money lenders (loan sharks) arrested | 1 | 34 |
| Number of proceedings instituted | | 12 |
| - of which prosecutions | | 12 |
| - of which other enforcement actions | | 0 |
| Number of defendants | | 12 |
| Number of prosecutions resulting in custodial sentences | | 12 |
| Number of proceedings resulting in non-custodial sentences | | 5 |
| Total length of prison sentences (cumulative across five regions) | | 78 years + one sentence for the protection of |

| | | |
|--|--|--|
| | | the public (across 5 regions) |
| Total value of fines | | £0 |
| Total value of illegal lenders' loan books (estimated if necessary) | | £6,120,000 |
| Value of Associated criminal activity identified and reported | | £130,000 |
| Value of assets seized / Proceeds of Crime (POCA) compensation awarded to victims. - Amount of Cash seized - Estimate of value of assets Restrained under Section 41 POCA - Amount awarded by Confiscation or Forfeiture Order - Compensation awarded to victims - Total Criminal Benefit of loan shark | | £163,000 £173,200 |
| Direct/Actual savings to victims | | £6,100,000 |

Central England Trading Standards Authorities – Illegal Money Lending Team Highlights of Financial Inclusion Project Officers activity – November 2010

Awareness Raising Activities

| Group/Meeting | Activity |
|----------------------------------|---------------------------------------|
| Elgar housing | Training |
| Sandwell | 3 x training sessions |
| Wolstanton, Newcastle-under-Lyme | Event – credit union incentive scheme |

Number of People Reached by message

| Medium (e.g. mail merge, rent statements, newsletter article) | Organisation | Number Reached |
|---|--------------|----------------|
| Elgar resident news letter | Elgar | 3000 |

Intelligence Gathering/Partnership Working

| | |
|---|--|
| Mapping Financial Provision (state where) | |
| Liaison with partner Agencies (state with whom) | <p>Wolverhampton FI strategy – work ongoing to ensure combating illegal money lending is embedded</p> <p>Warwickshire – further training to front line staff being arranged.</p> <p>Liaison with Trading Standards about series of events:</p> |

| | |
|---|--|
| | <p>Saturday 20/11/2010 - Nuneaton Saturday 27/11/2010 – Leamington Spa Saturday 4/12/2010 - Rugby Saturday 11/12/2010 – Stratford upon Avon</p> <p>Hereford Credit Union promotion – meeting set for mid December to progress</p> |
| Links to financial inclusion projects | <p>Birmingham – access to affordable credit arranged meeting - looking at funding for possible marketing assistant, and landlord account for housing benefit payments to private landlords</p> <p>Stoke-on-Trent Financial Inclusion Group</p> <p>Birmingham Financial Inclusion Partnership</p> |
| Links to local government activity eg LAA | <p>Working with Warwickshire Trading Standards on this and putting e mail together to suggest things that they may be able to do</p> |