

**BIRMINGHAM CITY COUNCIL**

**REPORT OF THE ACTING DIRECTOR OF REGULATION AND ENFORCEMENT  
TO THE LICENSING AND PUBLIC PROTECTION COMMITTEE**

**18 JANUARY 2017**  
**ALL WARDS**

**“LOAN SHARKS” - ILLEGAL MONEYLENDING PROJECT**

1. Summary
- 1.1 This report provides an update on the work of the England Illegal Money Lending Team (IMLT) hosted by Birmingham City Council's Regulation and Enforcement.
- 1.2 The grant funded project was initially piloted in 2004 with teams from Birmingham and Glasgow operating across a specific region. The purpose was to identify if illegal money lending was in operation and, if so, investigate and institute proceedings against those involved.
- 1.3 The project was commissioned for an initial period of two years. It was further extended year to year following a number of high profile successful investigations.
- 1.4 By 2007 this had proved so successful, that the project was extended to form regional teams across the country with the Birmingham hosted team expanding into five regions. On 1 April 2011, once again building on this success, the regional teams were decommissioned and one National Team was launched. This team, unique of its type across the country, continues to be hosted by Birmingham City Council's Regulation and Enforcement.
- 1.5 The IMLT operates across the country using legislative powers under the Consumer Rights Act 2015.
- 1.6 The brief of the IMLT, from its inception, has been to investigate and prosecute illegal money lenders and to provide financial inclusion support to victims and communities under the control of illegal money lenders.
- 1.7 From an initial team of seven officers, the team has grown in size and now employs 52 staff in a variety of roles, with a future structure of 60 staff when fully funded.
- 1.8 Initially officers gather and develop intelligence, then when information is corroborated, warrants are executed and, where appropriate, cases taken into the court process. Another branch of the team (LIAISE officers) support loan

shark victims throughout the process and raise awareness, with partners, of the work of the team, gathering intelligence.

1.9 Since its inception the team has secured more than 359 prosecutions for illegal money lending and related activity, leading to nearly 303 years' worth of custodial sentences. They have written off £71.75 million worth of illegal debt and helped over 26,000 people.

## 2. Recommendation

2.1 That the report be noted.

Contact Officer: Alison Harwood, Acting Director of Regulation and Enforcement  
Telephone: 0121-303 0201  
Email: [Alison.Harwood@birmingham.gov.uk](mailto:Alison.Harwood@birmingham.gov.uk)

Originating Officer: Tony Quigley, Head of Service

## 3. Background

3.1 The primary legislation governing the consumer credit industry is the Financial Services and Markets Act 2000, previously the Consumer Credit Act 1974. The Trading Standards Service has a statutory duty to enforce this legislation within its area. A fundamental requirement of the act is that all potential providers of credit must possess an appropriate licence issued by the Financial Conduct Authority. To operate a credit business without being licensed is a criminal offence which carries a maximum penalty of a £5,000 fine and/or up to two years in prison.

3.2 Unlicensed illegal money lenders, or "loan sharks" as they are more commonly known, have long been recognised as the most unacceptable part of the illegitimate consumer credit industry. Targeting vulnerable communities and individuals, charging exorbitant rates of interest and using fear and intimidation to recover monies 'owed' have long been recognised as the hallmarks of their operations.

3.3 When the team was initially set up in 2004 there was little knowledge about the scale of loan sharking, either in the number of individuals involved or the number of possible victims across the country. Loan sharks were rarely, if ever, prosecuted. Birmingham City Council has now prosecuted 359 individuals.

3.4 As well as the work of the team, the government commissioned Independent research by Bristol University (POLICIS) in 2010 which has shown that around 310,000 people across the UK were indebted to loan sharks.

### 3.5 Typically loan sharks:

- Start out being friendly - they are often heard of via friends. It is only when repayments are missed their behaviour changes.
- Offer little or no paperwork.
- Increase the debt or add additional amounts.
- Refuse to tell the borrower the interest rate, how much they still owe or how long they will be paying back. (We have seen APR as high as 4.5 million %).
- Take items as security - this may include passports, driving licences or even bank or post office cards with the PIN to withdraw directly from borrower's accounts.
- Resort to intimidation, threats or violence.

3.6 Throughout its life the project has been funded by central government. This funding was always on a yearly basis which meant the team's grant was never secure long term. However, earlier this year it was announced that a levy would be applied to businesses (as part of the licence fee they already pay to operate legitimately). This funding will commence on 1 April 2017 and will secure the team's long term future. If a legitimate lender loses a customer to a loan shark the business losses can be significant. On this basis the levy has both government and business support.

## 4. Operating the Illegal Money Lending Team

4.1 The success of the team can be attributed to a number of factors, however, in the main, the quality of the intelligence gathered and information obtained through the hotline and from partner agencies has been a primary reason for the successes achieved so far. These relationships are developed and grown by the Liaise Officers (Leads in Awareness, Intelligence, Support and Education).

4.2 The speed at which the team operates is also a contributing factor. Operations Managers within the team are authorised to charge at police stations. This authority speeds up the court process, allowing suspects to be arrested, interviewed and charged the same day. In some instances the defendant has been brought before the courts within 24 hours and remanded in custody, due to the nature of the offences. This has stopped them interfering with likely witnesses and allowed the investigation to continue unhindered.

4.3 A further factor is that the team have always operated a 24/7 dedicated hotline allowing callers to speak to an investigator at all times. It is important to recognise that the volume of calls is not substantial, due to the nature of the subject under investigation, but from the outset of the project it was considered essential that a person under the control of a loan shark would be able to speak directly to an officer involved in the investigation. This method sought to promote reassurance and allows for information to be fed directly to those officers actively involved with catching illegal money lenders.

- 4.4 The investigations by the team have resulted in a number of high profile court cases that have included serious criminal offences, investigated and prosecuted by Birmingham City Council. The strategy to prosecute for all matters has resulted in the prosecution of offences that may not normally be associated with a Trading Standards Service. The decisions to prosecute offences such as rape, blackmail, kidnapping wounding and assault were made after careful consideration and in consultation with Legal Services. It was recognised that these offences were directly linked with illegal money lending and occurred as a direct result of the involvement with this activity.
- 4.5 Raising awareness of the team with the public, but also with other interested parties has been critical for gathering the right intelligence. The involvement of the police and support furnished by them throughout the operations has been extremely beneficial, and the embedded Police Officers (first introduced by the Birmingham project) have given the team an added dimension to its investigatory powers.
- 4.6 To further support this initiative the Birmingham team now employs a National Communication and Press Officer to promote the work of the team. This post allows for a coordinated approach to the work of the project and delivers a consistent message regarding the activities of the teams against illegal lenders.
- 4.7 As explained earlier, the team has secured a large number of prosecutions over the years including numerous prison sentences. One of these includes an indefinite term of imprisonment where the loan shark had raped his victim. These sentences are often obtained because we prosecute for all criminality and take the matter away from what may be seen as a purely technical offence.
- 4.8 Some of our more recent cases include:

**Operation JODO** – Thomas Johnson from Stockport who charged his victims 4.5 million percent APR was sentenced to 33 months in prison on 28 July. He had received in excess of £200,000 from his illegal money lending business, charging double for every £1 he loaned out.

Johnston threatened to break a victims legs if they didn't pay, claiming that no-one got away without paying, boasting that he even tracked someone down in Spain to repay a debt. Other threats involved Johnson telling the victim that he would put them in a wheelchair, claiming he had a space to bury the body.

**Operation BONIFACE** – A Harrow doctor received a 10 month prison sentence, suspended for 2 years on 18 October for running a £1 million illegal money lending business over a period of approximately 5 years. Dr Arjan Damjibhai Savani had issued loans to hospital colleagues, in the region of £500 - £50,000. The loan shark would put pressure on victims by sending

them monthly texts with their outstanding balance. This was an intimidating tactic used by the loan shark, giving him full control over his victim's debts.

**Operation LEMBATA** – Kevin Colin White and Adrian James Dowse were sentenced to 2 years and 9 months each on 2 November for their illegal money lending business. The loan sharks from Portsmouth supplied victims with cash loans and motor vehicles on credit. The value of their loan book totaled over £700,000. When the sale of a motor vehicle was made, the loan sharks would retain the second set of keys which enabled them to continue an influence over their victims or in the event of default, enabled recovery of the vehicle.

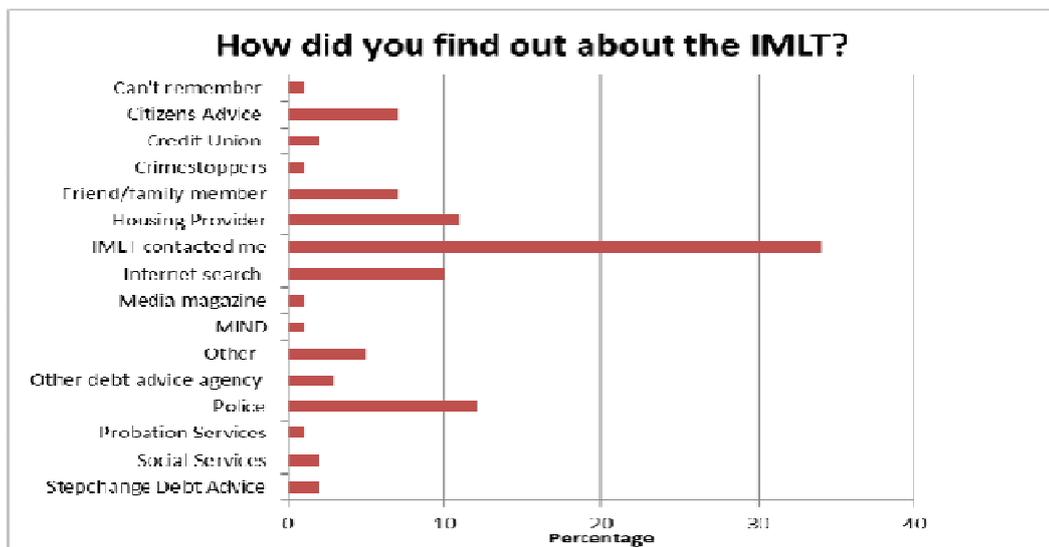
- 4.9 To date the team has assisted nearly 26,000 victims. The support by Liaise Officers provided to victims of loan sharks has had a real impact on improving quality of life for individuals and their families.
- 4.10 The following examples are from a number of people who have been through the process of giving evidence against illegal money lenders.
- a) Miss I has been through “building self esteem” training and training to “boost confidence”. Following this, Miss I has obtained an NVQ qualification in social care and is now working full time and off benefits for the first time in her life. She said that she is now living her life and not just existing and that's all down to IMLT. Miss I is also saving with the credit union.
  - b) Mrs O was re-housed and supported through the court case, now looking after her grandchildren while her daughter goes to college and has started tap dancing lessons to help build up her confidence. She has said that she would have killed herself without the support of the team.
  - c) Mr C was re-housed and supported. This included his children being relocated in respect of their education. Got a credit union loan to repair his car so he could continue working. He didn't know about them until he met us. He says that without IMLT he'd still be paying the loan shark and would be in a continual state of anxiety and stress.
  - d) Mr S and Miss G were supported to move. They are now working and have a credit union loan in order to finance work on their new house. Mr S is now working full time. They said, “We were having relationship difficulties because of the stress of the loan shark, but now we are back on track.”
  - e) Mrs M was supported to give a statement. She had a credit union loan to tide her over before her wages were paid in and she sees no need to use loan sharks in the future now she knows of the dangers and the alternatives available.

#### 4.11 Victim Research

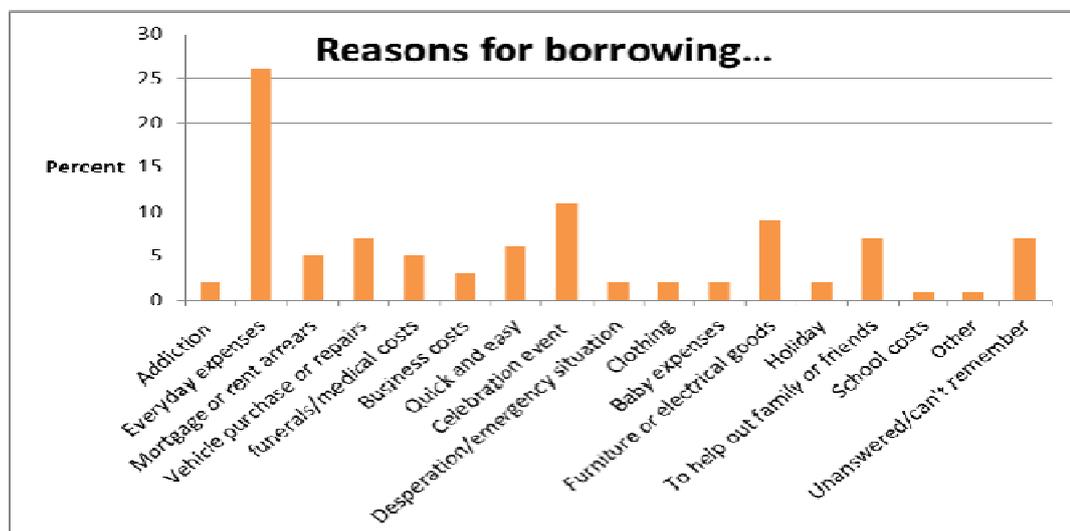
Analysis of questionnaires undertaken with those the team have supported has revealed:

- A 50/50 male/female split – this follows on from work the team did last year to increase the number of men reporting loan sharks.
- 43% of victims stated they had a disability – loan sharks are still targeting vulnerable people.
- 43% of victims were employed or self employed.
- Average amount of debt was over £5,500 per person.
- The median amount borrowed was £400.

Victims were asked how they found out about IMLT and answers reflected the range of partner agencies the team work with:



Reasons for borrowing:



- 4.12 As well as prosecuting the loan sharks, the team have four financial investigators whose jobs it is to recover their proceeds of crime (POCA). The money, once reclaimed, is put to good use throughout the community. When an initiative is instigated in a region each interested group places a bid for funds. Those bids are put to the community in a “Your Choice” event where the community votes for which group or groups should receive the money.
- 4.13 The funds must be used by local residents, charities, voluntary groups, schools or established agencies as long as they can show how their idea achieves one of the following:-

### Education Project

There are now over 4,850 schools delivering IMLT lesson plans. Work is now taking place to extend this project into the field of youth work – with funding sought for resources to be developed that can be delivered by youth workers in a non-educational setting. Furthermore, LIAISE have worked in conjunction with Experian in the development of a new workbook for their online learning resource “Values, Money & Me” which was launched in September. Schools in target areas of England have taken place in poster design competitions, with the winning poster being produced, or turned into a banner to display at the school.



### Awareness Raising Work – Partners

In 2015/2016 the team trained over 13,000 frontline staff and completed 90 weeks of action with partner agencies. These weeks of action have been targeted in areas where loan sharks have been known to operate and have been one of the main ways that intelligence has been generated.

### Stop Loan Sharks Champions

Bishop Auckland Theatre Hooligans (BATH) were crowned as Stop Loan Sharks Champions 2015 on 1 December at an event at Bishop Auckland

Town Hall. This group of young people put together 6 short plays about illegal money lenders that were showcased at Auckland Castle in July. They have performed the plays for their peers in school and the subject is now embedded in the curriculum. The group, who won in partnership with Durham Constabulary and King James I Academy, are spending their £1,000 winnings on developing a school bank to teach pupils more about money management and the value of savings.



### National Stop Loan Sharks Week

National Stop Loan Sharks week ran from 30 November to 6 December. The week was launched by a press campaign and saw events happening all over the country, in primary schools, community centres and on housing estates. Sid the Shark was photographed in many weird and wonderful places. The week also saw a tweetathon happen, with tweets about illegal lenders reaching 2.5 million people. The team tweeted facts about illegal lenders as the twelve days of Christmas and now have 2,000 followers.



As part of the week, the work of Bolton University students was showcased at Bolton library. Students had been asked to develop posters showing the dangers of illegal money lending that were aimed at a diverse audience, and that offered community reassurance after prosecutions had taken place. The winning posters will be produced and used by the team.

## National Partnerships

IMLT now have relationships with Public Health England and Anxiety UK. Public Health England are going to include information about loan sharks in their mental health masterclasses, and mutual training opportunities are being developed. Anxiety UK are working with the team to push the Stop Loan Sharks message to all the people they support.

LIAISE staff have been working to enhance their relationships with Police Forces, with Wiltshire, Norfolk and Dorset forces agreeing to assist in an intelligence trawl; West Mercia, Warwickshire and West Midlands forces agreeing that IMLT can train all their new recruits; and several forces booking training for 999 and 101 call handlers.

A partnership has been developed with the BCCA (British Cash Chequer's Association). Training has been offered to members, and will be piloted in April with Monkeydosh. A member of IMLT spoke at their conference, and several short term credit providers have asked for information for their websites as a result. The team are also meeting Dollar UK, and speaking at the CFA conference in Quarter 1 of 2016/2017.

The team have continued to work with the CAB nationally, looking at the information they hold on loan sharks, and speaking at their conferences to encourage reporting by debt advisers.

## Projects Targeting Different Communities

Throughout 2015/2016 the LIAISE team have been working to target specific communities. These have been selected due to their having protected characteristics under Equalities legislation, or due to evidence suggesting they are vulnerable to illegal lending, or may have specific barrier to reporting. Examples include:

- Work to target the Stop Loan Sharks messages to the armed forces. Information is now available in all family hubs on bases across the UK, and even on serving naval ships at sea. Army staff have received training from the team, and staff have attended health and wellbeing fairs to talk to recruits.
- Work in hospitals to get a preventative message to staff following a number of cases where nurses have been targeted. This work has involved promoting the team in individual hospitals (eg: Stoke), working with NHS protect to get the message to security staff (eg: Norfolk), and working to try and introduce debt and credit services to hospital staff as a preventative method (eg: Hertfordshire and Luton).
- A new video has been produced for the Deaf Community in sign language.

- Pilot projects were run targeting rural areas, the travelling community, migrant workers and sex workers. Reports have been produced and best practice rolled out.

### New Resources

Partner agencies have developed two new videos to promote the work of IMLT. Circle Housing has produced a simple video which they are making available to all their tenants. The video has warning messages and contact details for IMLT for anyone who is the victim of a loan shark.

Sefton Council have developed a video for migrant communities. They found that the phrase “loan shark” did not translate so instead have used “loan leech”. The video is being produced in Latvian, Russian, Polish and Hungarian.

In 2016 IMLT will be developing a stand-alone website for the first time.

A video has been made of a victim from Yorkshire telling his story. The man is ex-services so it is particularly being used to get the message to the armed forces.



## 5. Funding

- 5.1 The IMLT project is currently funded by the Department for Business, Energy Industry Strategy (BEIS) through the National Trading Standards Board (NTSB).
- 5.2 The governance of the project consists of representatives from the Financial Conduct Authority (FCA), NTSB and the hosting authorities involved.
- 5.3 In 2015 the NTSB announced that they intended to reduce the funding amount currently provided for the illegal money lending teams. As a result, the FCA and Treasury intervened and announced that an industry levy would be introduced to fund the illegal money lending teams within England, Northern Ireland, Scotland and Wales.

5.4 The industry levy will be introduced from April 2017 and the governance of the teams will move to the Treasury and the FCA in April 2018. The funding amount for the England team will return to previous levels (£3.6 million's) to allow current resource to return to full capacity.

6. Implications for Resources

6.1 The Illegal Money lending team is grant funded and therefore all costs for the service are recovered through this provision. Any income and proceeds of crime monies are ring fenced to the team and utilised for the ongoing work.

7. Implications for Policy Priorities

7.1 Enforcement action taken against illegal money lenders protects legitimate traders from unfair trading practices and improves the quality of life for those individuals caught within the grips of a loan shark and, as a result, within the poverty trap.

7.2 Loan Sharks prey on the most vulnerable groups and enforcement action to remove them from communities and encourage more sustainable credit sources such as credit unions is important.

7.3 Prosecution and removal of loan sharks from communities will reduce the fear of intimidation and violence.

8. Public Sector Equality Duty

8.1 Illegal Money lenders prey on the most vulnerable members of society. They target people who may be financially excluded and, in many instances, people over whom they can exert power and control. Removing an illegal lender and introducing alternatives helps those individuals that have been trapped by the illegal lender into paying high interest or being forced into carrying out activities, under normal circumstances, they would not commit.

**ACTING DIRECTOR OF REGULATION AND ENFORCEMENT**

Background Papers: Files held by the IMLT