

Birmingham City Council Licensing and Public Protection Committee

13 March 2024



Subject: Birmingham City Council Hosted England Illegal Money Lending Team
Report of: Director of Regulation and Enforcement
Report author: Tony Quigley, Head of Service

Does the report contain confidential or exempt information? Yes No

If relevant, state which appendix is exempt, and provide exempt information paragraph number or reason if confidential :

1 Executive 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 Division up to 6th February 2024.

2 Recommendation(s)

- 2.1 That the report be noted.

3 Background

- 3.1 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. 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.
- 3.2 There are also national teams covering both Scotland and Wales, along with a service covering Northern Ireland (NI). All of the teams regularly hold meetings, to share best practice and current initiatives. This year IMLT attended a conference hosted by the NI service to provide a presentation on our experiences of delivering the service in England.
- 3.3 The IMLT operates across the country using legislative powers under the Consumer Rights Act 2015.

- 3.4 The brief of the IMLT from its inception has been to investigate and prosecute illegal money lenders and to provide support to victims and communities under the control of illegal money lenders and by working with partner agencies to deliver this support. From an initial team of seven officers, the team has grown in size and now employs over 60 staff in a variety of roles, including four apprentices.
- 3.5 Initially officers gather and develop intelligence by working with local services with the aim of corroborating information. 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 local, regional, and national services, regarding the work of the team.
- 3.6 Since its inception the team has secured over 400 prosecutions for illegal money lending and related activity, leading to almost 600 years' worth of custodial sentences. They have written off £91.2 million worth of illegal debt and helped over 35,000 people.
- 3.7 The primary legislation governing the consumer credit industry is the Financial Services and Markets Act 2000 (FSMA), previously the Consumer Credit Act 1974. The Trading Standards Service has a duty to enforce this legislation within its area.
- 3.8 The Financial Services Act 2012 amended the legislation to move the authorisation process under FSMA and retained the enforcement provisions in respect of unauthorised business for local weights and measures authorities (Trading Standards). The Financial Services Act also made provision for Trading Standards to operate nationally in this regard in order to make the administration process easier for the EIMLT (England Illegal Money Lending Team).
- 3.9 A fundamental requirement of FSMA is that all potential providers of credit must possess appropriate authority issued by the Financial Conduct Authority. To operate a credit business without authority is a criminal offence which carries a maximum penalty of a £5,000 fine and/or up to two years in prison.
- 3.10 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 whatever means including, at times, fear and intimidation to recover monies 'owed'. Controlling lives and the community are common traits that illegal money lenders will exhibit during their operations.
- 3.11 When the team was initially set up in 2004 there was little knowledge about the scale of illegal money lending, either in the number of individuals involved or the number of possible victims across the country. Illegal money lenders were rarely, if ever, prosecuted due to victims being reluctant to come forward. Birmingham City Council has now prosecuted over 400 individuals and disrupted many more illegal lenders, stopping the pernicious enterprise.
- 3.12 New research by the Centre for Social Justice in March 2022 concluded that 1.08 million people in England alone are currently using loan sharks. This equates to 2% of the population and is more than a 3-fold rise in the previous figure.

3.13 Typically, illegal money lenders:-

- 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's 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 borrowers' accounts.
- Sometimes resort to intimidation, threats, or violence.

3.14 Throughout its life the project has been funded by central government. This funding was always on a yearly basis and subject to annual submissions which meant the team's grant was never secure long term. However, in 2016 it was announced that a levy would be applied to credit businesses (as part of the fee they already pay to operate legitimately). This funding commenced on 1 April 2017 and has secured the work of investigating illegal lenders. The current budget for IMLT activities is £5,139,000.

4 Operating the Illegal Money Lending Team

4.1 The success of the team can be attributed to several factors, the quality of the intelligence gathered, the hotline and dedicated website, social media, partner engagement and partner participation. These relationships are developed and grown by the Liaise Officers (Leads in Awareness, Intelligence, Support and Education).

4.2 The Stop Loan Sharks brand was first introduced back in 2004 and has continued to be developed since its inception. The team has a social media presence including Facebook, YouTube, Instagram, snapchat and twitter accounts, as well as its own website and TikTok accounts.

4.3 The team takes a fully agile and flexible approach to tackling this type of criminality, recognising the "one hat size does not fit all" circumstances. The legislation changes under the Consumer Rights Act provide authorisation for Birmingham City Council to operate across England and Wales in respect of offences under the Financial Services and Markets Act 2000 (FSMA), changes that were introduced to lighten the administrative burden on the team and allow them to fully function in all geographical areas.

4.4 The Head of Service and Operational Managers within the team have the delegated authority to proffer charges at police stations, institute proceedings through the report process and make decisions regarding the outcome of investigations throughout the process. This authority speeds up the court process, allowing, in

some cases, suspects to be arrested, interviewed and charged the same day. In some instances, the defendant has been brought before the courts within 24 hours.

4.5 Recognising the importance of communication in all aspects of the team's work has also been a key priority. The hotline is 24/7 and staffed by the team members. This promotes reassurance and allows for information to be fed directly to lead investigating officers in respect of the actions of the suspected illegal money lenders. IMLT introduced Live Chat on their website during lockdown in 2020, and 12% of intelligence now comes into the team through this channel. This figure seems to be growing however the hotline remains the most utilised reporting channel.

4.6 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.

4.7 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.

4.8 Some examples of recent cases include: -

- OP PIKES PEAK (CENTSA): Loan shark Mantas Dajoutas, aged 38, was sentenced for illegal money lending, money laundering and unlawful possession of identity documents. The defendant left the country after he was arrested and had to be extradited from Lithuania.

Dajoutas made roughly £100,000 a year from vulnerable consumers. Dajoutas, who previously worked for a legal credit business for 5 years but had no license to lend himself, had at least 260 customers. Financial investigations revealed a significant business with loans of just under £2million with a £450,000 profit between March 2015 and August 2019. Dajoutas will serve 45 months for money laundering, with a 12-month sentence for illegal money lending to run concurrently; an 8-month sentence for possessing identity documents that did not belong to him, to run consecutively; and a consecutive 1-month sentence for the bail offence.

- OP DOWNES (GREATER LONDON): A brother and sister who operated a loan shark business in London were ordered to pay back more than £350,000. John Mulvey, aged 57, and Mary Wilding, 71, appeared before Isleworth Crown Court back in February 2020 when they were each sentenced to 12

months in prison suspended for two years after admitting illegal money lending. The case came back before the court for a Proceeds of Crime Act hearing where the pair were ordered to pay back a total of £357,719.98. They were given three months to pay and default sentences of two and half years for Mulvey and two years for Wilding were fixed.

- OP MAROON PEAK (CENTSA): A 53-year-old man who illegally lent money and then intimidated and even attacked borrowers when they couldn't make repayments was jailed for 28 months. Alvin Hutchinson, of Telford, forced one borrower to buy a 65" TV on credit, which he then used, leaving the customer struggling to make the repayments. Hutchinson admitted charges of illegal money lending and concealing the proceeds of crime and appeared at Shrewsbury Crown Court for sentencing. Investigations found deposits of £92,862.93 were made into accounts registered to Hutchinson and other family members, whose accounts he was using to process payments. Hutchinson was sentenced to 12 months for illegal money lending and 16 months for concealing the proceeds of crime, to run consecutively. The POCA process is ongoing.
- OP COLENTINA (CENTSA): A loan shark pensioner who ran an illegal lending operation in Staffordshire, making thousands of pounds from hundreds of loans, was jailed for 32 months. Stafford Crown Court heard Robert Norman Phillips, aged 75, lent more than £370,000 and took repayments of more than £570,000. The court heard many of his victims were women who said he had made repeated lewd and inappropriate comments when he collected cash and even suggested 'payment in kind' if they were struggling to pay. Phillips admitted two charges of money lending between November 2006 and November 2022 as well as a charge of concealing the proceeds of his crime. He was sentenced to 10 months for each of the money lending offences and 32 months for the third offence, all to run concurrently.
- OP MAMBA (NORTHWEST): A Liverpool man who illegally lent money to vulnerable people was sentenced to 10 months in prison. Alan Hayden, 52, admitted running an unlawful money lending business and was jailed at Liverpool Crown Court. The court heard how Hayden had been running his illegal money lending scheme between 2021 and 2022. Historically, Hayden ran a legitimate, authorised credit business but in 2021, the FCA revoked his permission, meaning the company should have ceased trading. Hayden charged at least 100% interest on short term loans and lent to some very vulnerable people. The court heard from some of Hayden's borrowers who said, "he didn't care how we got it, he wanted paying" and described him as a Jekyll and Hyde character who "has this habit of sucking you in". He threatened to take a taxi driver off the road and how, when they started to struggle with repayments, they "saw the other side of him."

4.9 Between January 2023 and December 2023, the team received 533 reports of illegal money lending across England. After the impact of Covid reports are on the rise again and despite ongoing delays in the courts POCA cases are now being heard.

5 Victim Contacts

5.1 There were 769 contacts with victims in 2023. Many of these referrals to the LIAISE team were to offer emotional support and safety advice, but there were also referrals by LIAISE officers to credit unions, housing, debt advice and mental health services. This demonstrates the need for effective relationships with local partners to secure this support for victims.

5.2 The team dealt with £867,592 of new victim debt in 2023.

5.3 Some examples of victim support are below: -

- **Op Jataka** - support with promissory notes and possible charging order/bankruptcy/statutory demand plus ongoing conversation with victim as subject trying to get her to place a charging order on her property.
- **Op Taurus** - ongoing victim support. Loan made to victim, case being looked at by financial investigator to determine if it is illegal lending, fraud, or both.
- **Op Waboom** - The victim's current situation is living in private rented accommodation with his wife and 3 children. He works full-time as a care assistant. The victim heard about the subject through a work colleague at the same organisation. He initially borrowed £300, no interest was paid and paid back £300 within 2 weeks. The victim asked for a loan of £2,500 and had to pay an interest payment of £150 per month until £2,500 was cleared in one lump sum. An additional loan was taken out of £1,700 with £100 interest payment per week until £1,700 is cleared in one lump sum. He has paid back £1,800 via a banking app since July 2023 and the subject has told him he still owes £5,000.

The victim was attacked by the subject at his workplace. The Police were called and IMLT details were given to the victim. Currently, the subject does not know where the victim is living but is trying to locate him. He has a debt with British Gas, gas and electric, owing over £2,000, currently paying £90 per month. The victim has agreed to make a statement. The victim has stopped paying the subject, the subject continues to pressure the victim into paying.

- **Op Jaywalk** – Victim needs help with his housing situation. The council need a Possession Order which won't be issued until his case is completed (if the eviction is granted). His case was adjourned at the hearing on 8 December for 2 months. Loan shark threatening to expose that the victim for previous issues.
- **Op Yachts** - Victim has fled to his partner's house - both have borrowed money from loan shark. Loan shark does not know where they currently live but is trying to make contact via Facebook. Victim stated that the loan shark had him locked up in his property and refused to let him leave until he repaid him the money - Victim is diagnosed with ADHD, depression, anxiety. Victim has been given IMLT helpline and advised to call the police on 999 if urgent assistance required.

- **Op Yorker** - Victim is feeling more empowered to deal with loan shark and is in a much happier space emotionally. The loan shark has been in contact demanding his money. Victim has offered to repay the initially agreed loan. The loan shark is demanding 3 times the loan amount money – victim believes it to be around the £80k mark. Support ongoing.

6 Victim Profile

- The gender split of borrowers was 60% female and 40% male.
- 50% of victims supported were parents, half of these were lone parents.
- 64% of victims indicated they had long term health conditions.
- 27% reported mental health issues.
- 31% of victims said that they had considered suicide during their lifetime.
- 81% of borrowers said that they were in a state of worry, stress, depression, or severe anxiety because of their involvement with a loan shark.
- 73% of respondents paid rent for their home, either to a social landlord or private property owner.
- 43% of respondents said that they had visited a debt advisor.
- 17% were members of a credit union.
- 50% in receipt of Universal Credit
- 31% had been threatened with physical harm or assaulted before reporting the lender to the IMLT. Threats included physical harm and in 9% of cases suggesting or forcing sexual services as payment in kind from borrowers.

7 Victim Statistics

7.1 The majority (57%) of clients were introduced to the lender via family or friends. Loan sharks will be friendly all the time somebody is repaying their loan so will quite often be recommended as a credit option by new borrowers.

7.2 At the point of taking the loan, 43% of respondents thought they were borrowing from a friend.

7.3 Reasons for borrowing:

| | | | |
|--------------------------------|---|----------------------------------|----|
| Addiction – Alcohol | 2 | Health or Funeral Costs | 4 |
| Addiction - Drugs | 4 | Holiday | 6 |
| Addiction – Gambling | 4 | Household Bills | 33 |
| Business Costs | 6 | Legal Fees | 2 |
| Childcare Costs | 2 | Mortgage Payments | 1 |
| Christmas Expenses | 6 | Motor Vehicle Repair or Purchase | 6 |
| Clothes | 2 | Other Celebration Event | 2 |
| Covid Expenses | 1 | Pet Care/medical bills | 1 |
| Debt Consolidation | 4 | Rent payments | 4 |
| Driving Lessons | 1 | School trips/uniform | 1 |
| Education Costs | 3 | To help out family | 3 |
| Entertainment | 1 | Travel Expenses | 1 |
| Furniture/Electrical Equipment | 5 | | |

- 7.4 Just as there is no typical loan shark, there is no typical loan either, apart from it is very rare that a borrower will repay less than double the amount borrowed.
- 7.5 The highest amount borrowed was £99,000 for gambling debt. The borrower repaid £450,000 over 25 years.
- 7.6 The lowest amount borrowed was £30 after the borrower lost his job – he repaid £480.
- 7.7 53% of people supported were employed..

8 Training – Partners

- 8.1 In 2023 the team trained over 23,000 frontline staff – some online and some face to face.
- 8.2 A training package for debt advice had led to an increase in intelligence from the sector – from 6 pieces in 2022 to 57 pieces in 2023.

9 National Partnerships

- 9.1 LIAISE are working with a number of organisations to develop an algorithmic approach to spotting illegal money lending through open banking. As the number of agencies who use open banking (viewing a customer's bank statements) to assess affordability increases, and around 50% of loan sharks use bank transfer to issue and collect on loans, there is an opportunity to generate intelligence.
- 9.2 IMLT have an ongoing partnership with ABCUL, ACE, UKCU and Responsible Finance – the trade bodies for the credit union and community finance sectors. Throughout 2023 there have been joint promotional campaigns with both, and IMLT have spoken at online and face to face conferences.
- 9.3 IMLT is working with Nest Egg to look at increasing access to affordable, legal credit through information and advice.
- 9.4 Ongoing partnerships with Inbest, I E Hub, Vulnerability Registration Service and Aperidata are focusing on intelligence generation and spreading the Stop Loan Sharks message.
- 9.5 Meeting with NHS Counter Fraud Manager to discuss their stand-alone service within NHS, internal & external threats and local counter-fraud capabilities that includes Health Act Powers used; warrants for properties and POCA legislation.

Agreed to the following:

1. Acting as Gatekeeper for IMLT enforcement work to include providing contacts & enforcement hub for sharing information.
2. Providing central intelligence mailbox for IMLT Intel team to raise queries and seek information across 420 HNS organisations across England.

3. Organise face to face training at Canary Wharf for their:

- Fraud Prevention Team
- National Investigators Team
- Intelligence Unit

10 Localised Partnerships

- 10.1 Work with West Midlands PCC to run a round table event to generate a plan for combating illegal lending across the force area. The plan was agreed with over 20 organisations and is now being implemented.
- 10.2 Week of action in Blackpool with partners generating multiple pieces of intelligence.
- 10.3 Work with HMP Manchester – they are keen to raise awareness with families about the service of the IMLT. The prison host family sessions online and it has been agreed that an input around money and IML will be offered.
- 10.4 AFJ coaches – IMLT have trained their staff. They are also looking to do CSR work so will distribute leaflets with IMLT and CU/CDFIs on rear of coaches in the Nechells area of Birmingham. AFJ have a garage in Manchester, and they will do a similar leaflet drop. Posters being prepared to go in their vehicles which the public will see. Press and social media to follow.

11 Credit Union Incentives

- 11.1 IMLT work with credit unions to help incentivise savings. The two organisations work together to identify a cohort at risk of using loan sharks. This might be a postcode area, people working in a particular industry, or a specific age group. People from the cohort who open an account and save regularly for 3 months have their savings matched by IMLT, up to the value of £25.
- 11.2 In 2023 630 accounts received this funding. The credit unions are supplying IMLT with the data from accounts opened under the scheme in 2022 so the success can be evidenced in terms of people continuing to save, and even going on to take out loans.

12 Other Credit Union Work

- 12.1 IMLT secured £20,000 ARIS (proceeds of crime) funding from Greater Manchester Police to run a “near miss” scheme with Stockport Credit Union, where they lowered their lending criteria (without crossing the affordability threshold) to see if they could lend to people who would currently just miss out on a loan, and not lose money. The aim is to influence a permanent change in lending criteria to enable more people to access credit union loans in Stockport going forward.
- 12.2 IMLT have been finding out credit union member’s opinions on money and loan sharks. A workshop is also being run with members.

https://docs.google.com/document/d/1e85lfocNinj6jL_XTkRPYtlwxyvgyyA-/edit?usp=sharing&oid=100896082791724049123&rtpof=true&sd=true

- 12.3 IMLT worked with a graduate student to look at credit unions and their appeal to younger people. Her paper has been circulated across the industry and government.

<https://drive.google.com/file/d/1ikIHtLKpu1roys4lo6zzIPjkneMRj2t/view?usp=sharing>

- 12.4 Hull and East Yorkshire Credit Union worked with IMLT to showcase the film "Land Sharks" at Goole Cinema as an awareness raising activity.

13 Proceeds of Crime

- 13.1 IMLT worked with Digital Arts Box to run workshops in schools in Runcorn. The students had the chance to use AI to generate Stop Loan Sharks messages.

- 13.2 IMLT used POCA money to fund prizes for students in primary schools on the Wirral. Each class that was visited by the pathfinder project had the opportunity to win an Amazon voucher by designing a poster to spread the Stop Loan Sharks message.

- 13.3 IMLT worked with Sierra Leone Bristol Association to produce an influence style video for social media.

- 13.4 IMLT have financed 2 campaigns on digital radio, both targeted at postcodes where intelligence suggests there is illegal lending. The first, with Global Radio, targeted 20 postcode areas in the 6 weeks before Christmas. The adverts achieved 274,753 impressions, with a 94.7% listen through rate. The second campaign, with Bauer media, targets a different 20 postcodes and runs from January to March 2024. This campaign includes analysis of people who went on to visit the IMLT website after hearing the advert.

- 13.5 The team also financed some adverts at football stadia. Derby County, Fleetwood, Blackpool, Bristol City and Peterborough have all displayed the Stop Loan Sharks message. The team are staging a matchday takeover at Peterborough and Derby County. The Derby County Day will include the team warming up in Stop Loan Sharks T-shirts; information on the tannoy, screens and in the programme; information on the external screen at Pride Park for 2 weeks; and the shark suit on the pitch with Derby's two mascots.

14 Options considered and Recommended Proposal

- 14.1 This report is for information purposes, no recommendations are made.

15 Legal Implications

- 15.1 Legal Services are a key partner and are involved in the matters listed above and ongoing matters, providing advice, support and presenting matters at court. When a decision is made to institute proceedings, Legal Services provide

oversight, case management and expert legal support to ensure cases are progressed and that any necessary legal input is provided in a timely manner. Solicitors in the criminal litigation team are considered to be national experts in this area of enforcement.

16 Financial Implications

- 16.1 The IMLT project is currently funded by the Treasury. Cost recovery cannot be a consideration to ensure justice is served. Matters that are referred to the crown court due to the seriousness of the offending tend not to provide for cost recovery. It is more likely that compensation for the injured parties will be prioritised over the costs incurred by the prosecuting authority. Further, where the investigation is concluded at crown court and the defendant is convicted, it will be an expectation the authority will consider proceeds of crime investigations and seek restraint of assets as appropriate.
- 16.2 The IMLT is fully funded through external grant provided by the Treasury. For 23/24 this is £5.14m. Proceeds of crime income is received from the Home Office where applicable and based upon Home Officer allocation methodology. Use of proceeds of crime income is restricted and receipt is dependent on actual recovery through the Courts.
- 16.3 The governance of the project consists of representatives from the Financial Conduct Authority (FCA), Treasury and the hosting authorities involved (England, Northern Ireland, Scotland and Wales).

17 Public Sector Equality Duty

- 17.1 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.

18 Other Implications

- 18.1 Enforcement action taken against illegal money lenders improves the quality of life for those individuals caught within the grips of this pernicious criminality.
- 18.2 Illegal money lenders 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.
- 18.3 Prosecution and removal of illegal money lenders from communities will reduce the fear of intimidation and violence.

19 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?

- 19.1 This report is for information purposes, no recommendations are made.

20 Background Papers

20.1 None.

21 Appendices

None.