

Combating Illegal Money Lending in Southampton

Southampton City Council is working with regional partners to combat loan sharks in Southampton. A new initiative, funded by central government, has been launched in Southampton, Portsmouth and Hastings. The project builds on the pilot headed by Birmingham City Council and seeks to build on their skills and experience.

Officers from the Birmingham based Illegal Money Lending Team will be tasked to investigate local loan sharks, achieve high profile prosecutions, and remove them from communities. There are also Financial Inclusion Project Officers who will provide essential support to victims and communities.

What is a loan shark?

Illegal moneylenders, or loan sharks, are those who lend money to people without a credit licence. Loan sharks prey on some of the most vulnerable people in society and cause immense misery. It has always proved very difficult to both assess the extent of their activities and to bring them to justice.

What is the extent of the issue locally?

Loan sharks use intimidation and fear to ensure their activities remain hidden. The pilot project and research indicate that they are likely to operate in areas of extreme financial exclusion, and Southampton has areas that fit this profile. One objective of the project will be to identify local issues.

What are the penalties?

To operate a consumer credit business without being licensed is a criminal offence. The maximum penalty in the Magistrates' Court is a fine of £5,000 but in the Crown Court there is a maximum penalty of an unlimited fine and/or two years imprisonment. Further, the Office of Fair Trading has power to compulsorily vary a license and can revoke licenses where it can be established that the licensee has acted inappropriately. From April 2008 the OFT will have new powers to impose requirements on licenses where necessary.

The Birmingham pilot has established that loan sharks have strong links to organized crime, possess illegal firearms and control their victims by use of violence. There are also links to drug dealing, prostitution and money laundering. These additional offences will be investigated; the Illegal Money Lending Team has links to police and other enforcement agencies.

We will also pursue any financial gains made through the crime by using proceeds-of-crime legislation which will remove the assets those convicted of crimes.

Why use the Birmingham team?

The Illegal Money Lending Team was established in the Midlands as a pilot project, one of only two in Great Britain; the other pilot area being Glasgow. The remit of the team is to investigate illegal money-lending activity and establish if a problem exists and, if so, bring loan sharks to justice. The team consists of a number of investigators with a broad range of backgrounds and investigative skills and a team manager. They also have all of the training required to minimise health and safety risks and to deal effectively with the criminal elements that they will encounter.

By using the funds allocated to this region by the Treasury and BERR to increase the resources available within the Illegal Money Lending Team we will be able to call on the total resources of the team to address problems identified in Southampton. Potentially this will give access to 14 fully trained and experienced investigators with all the resources required to tackle organized crime.

Since the pilots were established in September 2004, the teams have achieved a number of successes:

- Sums likely to be recovered estimated to be close to £2 million, roughly equivalent to the original budget for the pilots over the two-year period (although this figure is critically dependent on outcomes of a few large cases).
- The removal of lenders has benefited more than 1,750 victims.
- The removal of lenders has saved victims an estimated £3.3 million in payments.

What are the project objectives?

The project objectives are:

- To have an impact on illegal money lending, seeing more prosecutions for illegal money lending and eventually reducing the incidence of illegal money lending;
- To increase awareness of the problems of illegal money lending amongst partner agencies and third sector providers of affordable credit;
- To create a climate where victims can come forward-confident that prosecution will be undertaken, and convictions obtained, without fear of reprisals;
- To change the perception amongst those lending that illegal money lending is rarely prosecuted;
- To develop formal relationships and processes for referring victims/enquiries to local debt advisors, sources of legal affordable credit or other sources of support, and to record these referrals;
- To develop an understanding of the victims needs in the medium to long term and the interventions required for a sustained move away from illegal lending;
- To develop links with other Financial Inclusion fund projects where they are operational in the same locality, particularly the 'now let's talk money' campaign.

What support will be offered to victims and the community?

The project includes two Financial Inclusion Project Officers (FIPOs) to cover the priority areas of Southampton, Portsmouth and Hastings. Initially they will divide their time between the three areas in proportion to the relative population but as we build up our knowledge of illegal activity they will focus on identified hotspots.

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We will ensure that the FIPOs work closely with services which currently support the vulnerable and they will signpost victims of loan sharks to appropriate local agencies.