

Scottish Councils bite back against loan sharks with new public campaign

The Convention of Scottish Local Authorities (COSLA) today launched a campaign to encourage Scots to report loan sharks operating in their local communities.

Estimates say that there are over 200 active loan sharks in Scotland, with the actual number probably much higher. However in 2012, only 34 calls were made by members of the public to report loan shark activities. Loan sharks ruin lives and scar communities - they can charge exorbitant interest rates on loans which they often never allow their victims to fully repay. They leave many victims paying up to a half of their weekly income (often from benefits) to loans sharks to service their debt. If they can't repay, they can be subjected to violence or forced to grow or traffic drugs to pay off their debt.

It is vital that local communities, agencies working with vulnerable people in places where loan sharks are known to operate, friends, families and the victims themselves pass on any information, in confidence, to ensure that illegal money lenders can be stopped. A lack of information is preventing more being done to stop this evil practice.

To make it easier to pass on information, The STOP LOAN SHARKS campaign has a phone number, text and website to help people in Scotland make a report in confidence. It will be promoted through washroom posters, bus shelters and via adverts across a variety of Scottish radio stations over the coming weeks.

Councillor Stephen Hagan, Chair of COSLA's Consumer Protection Task Force, said:

"Times are hard for some of the most susceptible members of our communities, money is tight and they are struggling to budget for the basics of life. There are organisations that can help and the last person anyone should turn to for support is a loan shark.

"Illegal money lending is already a significant problem today across many parts of Scotland and with changes being made to welfare benefits, more and more people may turn to these illegal loans rather than local credit unions or other avenues where money advice is available to solve their budget or debt issues.

"Scottish councils, working through the Scottish Illegal Money Lending Unit, are urging members of the public to call in and report loan sharks who are operating in their local areas. These

individuals illegally lend millions of pounds a year across Scotland and through intimidation and a culture of fear they can wreck lives and damage entire communities. A loan shark is not your friend, report them in confidence.”

Welcoming the campaign, John Swinney, Cabinet Secretary for Finance, Employment and Sustainable Growth, said:

“Loan sharks blight lives and communities and this campaign makes it clear that their activities have no place in Scotland. We need people to pass on the information that can help get these illegal money lenders shut down. It is important that people know that they can do this in confidence. I would urge anyone facing financial difficulty to get advice from money advisers before they take on credit.”

Scottish Councils are working in partnership with other public agencies, including the Police, so that intelligence from the campaign is shared across Scotland to disrupt and close down wider money lending networks.

T/DCC Angela Wilson, ACPOS (The Association of Chief Police Officers in Scotland) lead on Business and Financial Crime commented:

“People who lend money without a licence are breaking the law and are often unscrupulous individuals. The Police will work in partnership with the Scottish Illegal Money lending Unit on any intelligence we receive to target these criminals. Loan sharks rarely give the borrower much in the way of paperwork to confirm the arrangements between themselves and the borrower which often involve mind blowing interest rates and terms. They are often known to take illegal action to collect the money they have lent which can include violence or taking away credit cards, savings books or valuables. In extreme cases non-payers have been forced into prostitution and drug dealing to pay the hugely over inflated debts.”

Borrowing money from an illegal money lender is not straightforward. For example, someone borrowing £100 will typically owe £125 a week later. Interest will continue to be charged at £25 on the outstanding amount. Paying the loan back at a rate of £30 per week means it will take 14 weeks to pay off the original £100 and the total paid to the loan shark will be £420. As basic income support is £71 a week, for a typical borrower this equates to paying nearly half their income to the lender. The APR for this example is 60,221,341.1%

Margaret Lynch, CEO for Citizens Advice Scotland commented:

“In today's tough economic climate I would urge consumers to take expert advice from a local Citizens Advice Bureau instead of turning to a loan shark. Alternatively they can look at other sources of funding, for example from a local credit union. Those who are currently victims of a

loan shark, please come forward and seek help and advice and, where possible, pass on information that can be used to help secure a conviction.”

The Department for Business, Innovation and Skills support the work of the Scottish Illegal Money Lending Unit to help victims of loan sharks through confidential reporting, and to investigate and prosecute illegal money lenders.

A BIS spokesperson commented:

“The work the unit undertakes in communities to protect them from loan sharks and educate them about managing their money is invaluable. Some consumers may struggle to access licensed credit due to a poor credit history, an inability to manage their finances or because their income is simply too low. Understandably some might turn to what they think is a friendly face, someone who seems to be trying to help but is actually a loan shark. Loan sharks cause immense misery, but also bring disrepute to legitimate lenders. It has always proven very difficult to bring them to justice because there are not enough reports from the public on their activity. Anyone who has information on these illegal activities should contact the Scottish Illegal Money Lending Unit.”

To report a loan shark in confidence, please call: 0800 074 0878 or text: 60003.

For more information, please visit www.stoploansharks.org.uk