

Report to: Community Protection Panel Cabinet
Date: 21 January 2008 24 January 2008
Subject: Illegal Money Lending Project
Report of: Director of Environmental Services
Contact officer: Alan Blundell (ext. 5027)

Purpose/summary: To seek approval for a major regional initiative to investigate and prosecute where possible illegal money lenders operating in the area.

Alternative options considered and reason for selecting the one recommended: N/A

Recommendation/decision: To approve, by virtue of Section 19(1) of the Local Government Act 2000 and Regulation 7 of the Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2000 and any other enabling powers, the discharge of an Executive Function, namely the enforcement of Part III of the Consumer Credit Act 1974, to officers of Birmingham City Council subject to agreed terms and conditions.

That the Director of Environmental Services be authorised to determine the terms of any such agreement; to enter into it on behalf of Wigan Council; to terminate the agreement; and, subject to the agreement of the Lead Member for Community Protection, to extend it.

Key Decision: This report does not involve a key decision. The decision made as a result of this report will be published within 48 hours and cannot be actioned until seven working days have elapsed, i.e. before 5th February 2008.

Risks/Implications:

Financial: There are no direct financial implications as all costs incurred by the specialist unit in delivering the project will be funded by HM Treasury.

Staffing: There are no direct staffing implications associated with delivering the project, although existing staff will assist as required. This will be provided through existing resources.

Policy:
 Equal Opportunities - has a Diversity Impact Assessment been conducted? Yes

Wards affected: All wards have the potential to be affected

Property Implications – Does the proposal involve a reduction, addition or change to the Council’s asset base or its occupation? No

If yes have the property implications been agreed with the Corporate Property officer? N/A

Does this proposal have significant implications for the Council and the local population? No

Does this proposal involve a new policy or procedure or significant changes to an existing policy or procedure? No

Has the Director of Legal and Property Services confirmed that the recommendations within this report are lawful and comply with the Council’s Constitution?

Yes

Has the Director of Finance and IT confirmed that any expenditure referred to within this report is consistent with the Council’s budget?

Yes / No *
(no expenditure implications)

Are any of the recommendations within this report contrary to the Policy Framework of the Council?

No

* delete which applicable

For Cabinet reports only:

Categorisation of the report:	
Discussion leading to a decision	
Monitoring	
Sharing for corporate understanding	

Discussion	
Decision	X
Information	

Tracking/Process:

	Consultation	Ward Members	Partners
Panel	Overview & Scrutiny	Cabinet	Council
Community Protection Panel, 21 January 2008		24 January 2008	

Proper Officer M. Kimber

Date 7.1.08

1 Background:

1.1 General

- 1.1.1 The primary legislation governing the Consumer Credit industry is the Consumer Credit Act 1974, and this is enforced within each local authority by the Trading Standards Service. The Act is based upon a licensing regime and all consumer credit and consumer hire businesses (with some exemptions) must possess a licence issued by the Office of Fair Trading (OFT). The OFT must be satisfied that the applicant is a fit and proper person before issuing the licence.
- 1.1.2 To operate a consumer credit business without a license is a criminal offence and carries a maximum penalty of a £5000 fine and/or 2 years imprisonment. The OFT can also issue warnings, add conditions to licences, and can revoke a licence if satisfied that the licensee has acted inappropriately.
- 1.1.3 Illegal money lenders (commonly referred to as loan sharks) are unlicensed lenders, and as such operate outside of the regulatory regime. They prey on the most vulnerable members of society, and often resort to intimidation and violence in order to secure payment.

1.2 The Illegal Money Lending Project

- 1.2.1 Two pilot Illegal Money Lending teams were originally established in 2005 in Birmingham and Glasgow, their remit being to determine the extent of the problem, and to investigate and prosecute those persons carrying on the activity.
- 1.2.2 In December 2006, the DTI and the Treasury announced a joint initiative to extend the work of the 2 pilots to other areas of the country and to provide funding up to March 2008. This funding was very recently extended to March 2011, and is provided from the Financial Inclusion Fund administered by the Treasury and managed by the Department for Business, Enterprise and Regulatory Reform (BERR). This clearly identifies the Government's support for the continued work in this area.
- 1.2.3 Following representation from Trading Standards authorities in the North West, a successful bid was made to enable the Birmingham team to roll-out the project across the whole of the North West region.
- 1.2.4 The specialist unit has the necessary resources, specialist knowledge and expertise to investigate offences of this nature. They can conduct 24 hours surveillance, arrange emergency accommodation for victims, and have a dedicated legal support team.
- 1.2.5 To further support victims of illegal lenders and to support their access to legitimate credit sources, two Financial Inclusion Partnership Officers (FIPO's) will be based within the North West to work with local authorities and partner agencies.

1.3 Project Objectives

1.3.1 The objectives of the project are

- To obtain a greater understanding of the scale and impact of illegal moneylending in the North West,
- To create a climate where victims of money lending can come forward, confident that prosecutions will be taken and convictions obtained, without fears of reprisals,
- To change the perception that illegal money lending is rarely prosecuted,
- To develop ways of replacing the illegal lenders with legitimate sources of credit for their victims, through education and advice.
- To enable local advice and enforcement officers to acquire additional knowledge and operational expertise in this area.

1.4 Key statistics for the project up to 1 February 2007

1.4.1 Phase 1 of this nationally funded project covered a population of 5,267,337, incorporating 14 local authorities (none of which were in the North-West region), Outcomes from Phase 1 included:

- Over £2 million in Illegal Debt written off,
- Over 1000 victims helped,
- Cash seized to date - £36,170.
- Proceeds of Crime Act proceedings ongoing for over £1 million,
- 12 guns taken off the streets,
- Many of the offenders were falsely claiming benefits,
- Counterfeit goods to the value of over £100,000 recovered.

2 Proposals:

2.1 In order to enable residents of the Borough to benefit from this regional project, it is necessary to authorise the discharge of functions under Part III of the Consumer Credit Act 1974 to officers of the specialist unit. Authorisation would include the investigation and instituting of proceedings relating to illegal money lending.

3 Conclusions:

3.1 Illegal moneylenders invariably target low-income households and the most vulnerable members of society. This can result in their activities having disproportionate implications for the most deprived areas. Duly authorised officers from the specialist team will supplement Trading Standards resources, at no additional financial cost to Wigan Council, in relation to any illegal money lending activities that may be occurring within the Borough.

Diversity Impact Assessment form

Section: Trading Standards

Policy/Service Area: Consumer Credit (Illegal Money Lending)

Person Completing Form: Julie Middlehurst

Date:
27/12/2007

Do any of the below groups suffer specific disadvantage (please indicate)

	Yes	No		Yes	No
Race			Disability		
Ethnicity			Gender		
Age			Religion		
Class	Yes		Sexual Orientation		

Is there evidence of disadvantage or associated problems?

There is evidence that illegal money lenders tend to operate in areas where there is a high proportion of rented accommodation, and that the majority of people who use them are in receipt of income support or other benefits

How was the information collected and/or who have you consulted with?

2 pilot Illegal Money Lending Teams were established in 2005 to determine the extent of the problem. The evidence gained in these areas forms a basis for assessment.

Action Plan – *What specific actions are planned to tackle any disadvantage identified?*

Wigan Trading Standards Service will work in partnership with the specialist illegal money lending team to address any issues regarding illegal money lenders operating within the Borough, providing local intelligence and officer support when required.

Is the policy in line with current equality legislation and relevant codes of practice?

Yes

Timescale	
Responsibility	
Comments	

Are the actions specified included in any other documents/plans?

Departmental Service Plan	
Section/Team Plan	
Other (Specify)	

Date for further review
