



Research into illegal lending in Northern Ireland

Christians Against Poverty research into illegal lending in Northern Ireland

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Introduction

The Consumer Council for Northern Ireland, as part of its Stop the Loan Sharks campaign and to obtain information to inform future discussion and the direction of any future policy in this area, commissioned Christians Against Poverty (CAP) to help, with others, to provide a clearer picture of the position in Northern Ireland – firstly, to help establish if illegal lending is going on and, if it is, the extent of such lending, the areas in which it is happening and any patterns or fluctuations in lending and borrowing behaviours which can be ascertained.

About CAP

Christians Against Poverty (CAP) is a nationally recognised charity that works with over 500 churches across the UK to help the most vulnerable out of poverty. The services provided offer both practical and emotional support, are completely free and are available to all, regardless of age, gender, faith or background.

In Northern Ireland through a network of 40 local services involving 44 partner churches and many more supporter churches, CAP offers a range of services. These include a free face-to-face debt management service, with advice and ongoing support provided from CAP's head office in Bradford. In addition, CAP tackles the causes of debt and poverty through group services: CAP Job Clubs, CAP Life Skills (helping people to live well on a budget) and Fresh Start (dealing with habits and addictions) as well as face-to-face adult financial education across Northern Ireland, working with partner churches running the CAP Money Course.

CAP's Debt Centre model involves a new client ringing its freephone number, where its New Enquiries Team identify the local debt centre and arrange for a Debt Centre Manager or Debt Coach attached to that centre to call with the client.

The terms Debt Centre Manager and front line staff are used throughout this report and refer to the CAP trained local people who meet with clients, generally in their own home, who help the client gather and sort all relevant paperwork to send to head office where Debt Operations staff prepare a budget and advice with suitable routes out of debt for each client. On home visits frontline staff are accompanied by volunteers known as befrienders, who are there to provide additional support to the client throughout the process, dealing with the client as a whole person, not just someone with debts.

Methodology

During February and March 2019 we contacted frontline staff from CAP Debt Centres across Northern Ireland - 21 in total – and asked them, initially, to share stories from clients relating to illegal lending from approximately the past five years.

Frontline staff were also asked to think of clients who would be willing to speak to us directly, on the basis of total anonymity. We met with frontline staff in person and also conducted telephone interviews.

Although Debt Centre managers were able to provide a lot of useful stories and tell us some very powerful stories of clients who had faced issues involving illegal lenders, there were some difficulties in arranging to speak to clients directly. It was a recurring theme that clients were not very willing to speak to us, despite assurances about anonymity, and we have only managed to speak to three clients directly. This is something that could benefit from further work in the future.

Findings

Models of lending

Debt Centre managers who had encountered the issue, and other people we spoke to, advised that some illegal lenders are, perhaps surprisingly, very upfront about the amount to be repaid and how much interest will be added to a loan. In one case we were told by a borrower that they actually found the illegal lenders to be more transparent than another legal doorstep lender. (As is dealt with below, however, this person was also very clear as to the potentially serious physical consequences of not meeting the repayments.)

We were told of cases where the sum to be repaid on a £50 loan for one week was £60, increasing to £70 if the loan was over two weeks. This small loan amount for a short period appears to be a common model of borrowing.

As regards larger amounts and longer periods, one person we spoke to advised that they would have paid £1800 on an initial loan of £1000 taken over six months. This person advised that illegal lenders they dealt with would add arbitrary amounts by way of penalty if weekly payments were missed. They reported that this could be £50 or £100 on a first occasion and £300 if a second payment was missed.

Transparency on the part of the illegal lenders is not always the case, however, particularly where borrowers are more vulnerable. It is in cases involving vulnerable borrowers that we were told of scenarios where repayments are taken by an illegal lender regularly over long periods, with the debt seemingly never repaid or even reduced.

One borrower we spoke to, a vulnerable adult with an alcohol problem, had initially borrowed £20 to buy alcohol and, with interest added, and despite two years of making repayments, still owed £550. The illegal lender took the person's benefits when the borrower received them fortnightly, (a practice which will be mentioned again later), and, in a sadistic twist, also subjected them to physical and psychological abuse. He would slap or punch them "for sport" and threaten to put the borrower in "an early grave" even though they were paying regularly in this way - essentially preying on the person's vulnerability. This constant intimidation would happen even if they encountered each other on the street. In fact, threats were even made to the borrower when payment was made in full to the illegal lender, indicating that intimidation went beyond merely collecting payment.

In another case, a young person was suicidal due to a large illegal debt from buying drugs. The young person's parents were trying to pay each month and the illegal lender's stance was that, unless they could pay in full, they would have to keep paying this monthly amount. The debt would never be cleared by instalments as the illegal lender was unwilling to take account of these to reduce the debt. The illegal lender seems to have seen this borrower as the source of a steady flow of cash.

As mentioned, Debt Centre managers reported that loans are mainly, although not always, for small initial amounts, which then increase as interest and penalties are added. As also mentioned, penalties can range from £50 to several hundred pounds, at the illegal lender's whim.

In many cases, money borrowed just to be able to buy necessities. In one case we were told about, the borrower took a loan of £50 initially, which increased to £200, to buy petrol to take her child to a

hospital appointment and to buy some food for her children after child maintenance payments were not received from an absent father.

Trying to make repayments can then make it hard for a borrower to be able to survive. In one County Antrim case reported to us, a borrower was left with just £10 until his next benefits payment in two weeks, after paying an illegal lender £200 and a mobile phone company £140 (to avoid his phone being cut off). This can lead to a spiral of debt, as a borrower cannot meet his or her repayments and so borrows more to be able to do so.

There are some cases where a loan may be for a larger amount. In one case reported to us by a centre manager in County Antrim, a couple where the husband was in receipt of a good income, borrowed £3000 to travel to see a sick relation who lived abroad. They were repaying the loan by weekly instalments. They were able to afford the initial amount each week when the husband was working. Unfortunately, however, the husband lost his job and they started falling behind with their payments. With help from CAP and a local church the couple were able to agree with the illegal lender that payments could be frozen until the husband got a new job. When he found work, at a lower salary, the couple then also able to agree with the illegal lender a reduced repayment amount to reflect their new circumstances.

We also spoke to a small business owner who, despite his position, was not able to access borrowing from a bank or other reputable lender. This person managed cashflow issues by borrowing from, initially, one illegal lender but, when they had to borrow more to help a sibling, ended up with four different loans from four illegal lenders.

Illegal lenders will also, we were told, entice borrowers to borrow more than they ask for. One borrower mentioned to us only wanted to borrow £100 but the illegal lender told her that he could lend her £300. The borrower saw this as a kind gesture, with, seemingly, no real appreciation of the increased interest she would face as a result. She saw it only as the illegal lender facilitating her getting nice things.

We also heard that illegal lenders will seek to offer further loans to some people who are about to finish repayment, by praising them for being such a good customer. Faced with a combination of flattery and some underlying intimidation from an illegal lender, borrowers can find it hard to refuse such an offer, according to some centre managers.

Repayments are collected either by illegal lenders or their representatives calling to the door each week for payment or, quite commonly in East Antrim, borrowers having to call to illegal lenders' homes each week with payment. In nearly all the cases reported to us, payment involved this level of personal contact. This can increase pressure on a borrower who cannot make a repayment, as they face threats to make repayments or pressure to borrow more money to make up a shortfall. It also, potentially, leaves borrowers more open persuasion to borrow more money if they have repaid a loan, or are close to doing so.

In one, unusual, case we heard of however, an elderly couple who had paramilitary debt told their illegal lender, when he came to the door looking for payment, not to come back but to give his bank details so they could pay by standing order. He did so and they made payments in this way!

Borrowers

Debt centre managers reported that there is a cultural aspect to peoples' borrowing, in that it appeared in some cases to have become what some families have done for years, borrowing from the same illegal lender. In one particular case, three generations of the same family - grandmother, mother and daughter - had all borrowed or were borrowing from the same illegal lender.

CAP is aware that vulnerability is a multi-dimensional, complex issue (See *Stacked Against - Revealing the breadth and depth of vulnerability and the overwhelming nature of multiple complex needs* published by CAP March 2019) and people cannot be easily divided into those who are vulnerable and those who are not. Numerous factors including household circumstances, ill-health, addictions, disability and personal difficulties create vulnerability. Whether because of a greater need to fund addictions or, because it is easier to talk them into borrowing more and more, vulnerable people can be targeted by illegal lenders. In these cases, as mentioned above, managers reported that the borrowing can become much more long term, with the balance never really decreasing, as borrowers who find it hard to live after making payments are then tempted to borrow further to make ends meet.

Some of the cases we heard of in relation to vulnerable borrowers are set out above. We also heard of another vulnerable young person, who suffered from anxiety and depression, who owed £500, and was paying back £50 per week with no end date and no prospect of negotiation with the illegal lender to bring the matter to an end.

Given the main areas in which we found evidence of illegal lenders operating, it is perhaps not surprising that borrowers tend to be working class people, on low incomes or in receipt of benefits. This is not always the case, however, and one centre manager in County Antrim reported the story mentioned above of a couple on a good income who borrowed to visit a sick relative. Another manager, in another area of County Antrim, also told us of a borrower with gambling issues who, although he was in a good job with a good salary, borrowed to fund his gambling addiction after he had first spent money given to him by his mother. This borrower had his car set on fire and has been forced to leave his home as a result of intimidation due to non-payment.

Centre managers also told us of how borrowers' debt with illegal lenders has led to issues for borrowers' families. This is not just that family members may be intimidated or threatened, to enforce repayment, as mentioned below, but also that adult children's debt issues, linked, in a number of cases, to drug use and money owed for drugs, can impact on a parent's ability to progress with CAP and become debt free, as their children's happiness is very much their primary concern and weighs them down.

We heard of several families who raised money to pay off relatives' debts – in one Co. Antrim case paying a debt in full, following the sale of a house belonging to the son of a borrower, and, in another case, an instalment from a relative from outside of Northern Ireland which was enough to buy some time for a borrower under threat of violence.

Lenders

In practically all cases reported to us, illegal lenders were local people, living in the same community as the borrowers. In some cases, the illegal lenders have been there for years and, as reported above, have been carrying out this function for years.

This close proximity to borrowers results in illegal lenders and borrowers living in the same streets and often using the same local services as their customers.

One centre manager reported a conversation with an illegal lender who tried to justify his actions by explaining that he was performing a service to his community in lending to those who cannot access loans elsewhere. An illegal lender referred to below, who made threats against a borrower's elderly mother, was heavily involved in local community projects and even, at one stage, criticised paramilitary groups (one of which he later turned out to be involved with) to the borrower about some of their activities in the area.

Female illegal lenders are relatively common and, in cases reported to us, are often likely to keep Post Office or bank cards, withdrawing borrowers' payments by way of repayment.

As mentioned above, some illegal lenders are not prepared to consider a final payment, even if that were a possibility for a borrower, and prefer to keep receiving regular payments ad infinitum. Some are perhaps more reasonable than others. In a case mentioned above, a borrower with four loans from different lenders approached one of them to borrow £6000 to pay them all off, after a long period of juggling the various loans and "robbing Peter to pay Paul" to try to do so. The illegal lender said he could not lend this amount but told the other people involved. All four illegal lenders sat down together and agreed a payment plan for the borrower by which each was paid off in turn. Each illegal lender agreed to this and to freeze interest and charges in the meantime. In another case, the illegal lender checked a borrower's kitchen cupboards to confirm the borrower's story that he could not afford food and was living on Foodbank produce before agreeing to freeze interest payments.

In many cases reported to us, the illegal lenders are known to be local paramilitary figures. In many cases we heard of the borrowers know this to be the case because, as mentioned above, all parties live in the same area. Borrowers are therefore well aware of what this could mean if repayment is not made. They know the illegal lenders have the ability to harm them or their families. In many cases, however, they feel they have no option but to approach a local illegal lender in any case.

In cases where there is no actual knowledge of a paramilitary link, there is certainly a perception on the part of those we spoke to that others are a front for paramilitary groups, or definitely backed by such groups when it comes to enforcement action.

As mentioned below, illegal lenders can, therefore, use paramilitary connections to, at least threaten and sometimes use, violence to press for payment. This is not always a straightforward picture, however, as in some cases, given the drug habits and behavioural issues of some borrowers, frontline workers we spoke to mentioned the fact that, while punishment attacks may indeed be carried out for failure to repay, they could also be because of perceived general anti-social behaviour on the part of the borrower or even - in some cases in South/West Belfast - for alleged drug dealing by a borrower which is frowned upon by local republican paramilitary groups.

As stated, not all illegal lenders have paramilitary links. Although in the majority of cases we heard about such links are known or perceived, we were told of a case in Belfast where a person was being pressurised to repay a debt by working three jobs for the illegal lender and their extended family for no reward. Ironically this case involved someone who had allegedly stolen money they were meant to be collecting, and is evidence that not all illegal lending falls into clear categories.

Types of enforcement

As referred to, violence, threats and intimidation were all reported as being used by illegal lenders to enforce repayment.

In a County Antrim case mentioned above, a borrower had his car set alight and had to leave his home due to intimidation. Another borrower we spoke to reported receiving regular phone calls as well as people calling to his house to remind him of his obligations. This borrower reported that, because of community respect for his family, he felt he would have perhaps been given some more leniency than other people but, when he was unable to make repayments he still had men calling at his house in the middle of the night to enforce payment.

As mentioned, borrowers generally know what the illegal lenders are, and who or what they are connected to. They therefore know in these cases that threats regarding non-payment are credible. As said, however, often out of necessity, they borrow from them in any event.

Family members can also be threatened to increase pressure on a borrower.

In a case in Belfast, a man reported receiving threats due to money owed to illegal lenders by his brother, who has links with loyalist paramilitaries. This man is terrified, to the extent that he will not leave the house, and the threats have led to him suffering low moods.

In another case, in greater Belfast, a borrower's father reported several instances of men calling at the door to press his son for payment, pulling a knife on the father in one case. In a County Antrim case, a client reported that they had a family member who had been threatened, perhaps more subtly and by implication, as they reported a picture of the borrower's 90 plus year old mother being shown to them with a request for payment.

This same client also told us about people calling at their door, claiming to be from a certain paramilitary group – which claim the borrower believed – but who the borrower also recognised as family members of the illegal lender. They did not report these matters to the police.

“Security” is sought in some cases by illegal lenders. In one case, for example a family's television was removed by an illegal lender until a debt was repaid.

One manager in greater Belfast also reported a case where the illegal lender kept the logbook for a borrower's car, with it being made clear that the car would be forfeited in the event of default.

One of the most worrying types of enforcement, reported by several different Centre Managers, were cases, already mentioned, where the illegal lender would keep a borrower's Post Office card. The illegal lender withdraws the benefits each week, keeping a large sum and “allowing” the borrower an amount of money, in one case just £30.00 for the week, to live on for the week. This meant this particular borrower having to borrow more to manage to live until the next benefit payment. The role that Post Office staff play in this particular type of arrangement is unclear, whether they themselves are being intimidated into handing out payments to people other than the card holder, or willing participants.

In other cases reported to us, illegal lenders keep borrowers' bank cards (and PIN numbers). In one case in County Antrim, an illegal lender had possession of a borrower's card for so long, the borrower had forgotten the PIN by the time the card was returned to her.

Patterns

From people we spoke to, there was little by way of evidence of specific issues which led to increased lending. This is, perhaps, to be expected because, as mentioned, a lot of the lending reported is for smallish amounts, perhaps increased at intervals.

If there was a pattern to borrowing, it was reported to be around holiday times. Borrowers with children feel a real pressure to make sure the children have everything they “need” for Christmas. They will fund children's presents or something like a television for the house and, in some cases, then have to pay off loans until the next year when the cycle is repeated. It was reported that all holidays, even summer or Easter, will lead to people increasing borrowing, particularly but not exclusively those with children.

As mentioned, however, a lot of borrowing is very much short term smallish amounts to live or to close a gap created by repaying other loans and, beyond this, there is therefore no real pattern to this.

Extent

From the reports provided, the bulk of cases involving illegal money lending are linked to loyalist paramilitary groups. Having said that, however, as mentioned throughout this report, there are some exceptions to this and, from the reports we have gathered, this type of activity does seem to happen on both sides of the community.

From our interviews with centre managers, the geographic extent of confirmed illegal lending appears to be limited. East Antrim (Carrickfergus, Larne and surrounding areas), and to a lesser extent, the adjoining Newtownabbey and North Belfast areas, as well as Newtownards, appear to be the main areas where the issue has been most prevalent. It is perhaps surprising that the illegal lending activity CAP has encountered seems to be confined to these areas and does not seem to be more widespread, for example in greater numbers in Belfast or other provincial towns.

Such lending is, it seems, more prevalent in towns, with higher density housing estates, than in rural areas, and this is to be expected.

From our initial enquiries, based, admittedly only on the CAP Debt Centre network (which does however cover most of Northern Ireland bar some areas in the west), and the relatively small numbers of clients seen by CAP, we have perhaps been surprised at the number of reported instances throughout Northern Ireland.

CAP's North Belfast/Newtownabbey Debt Centre is a good example of an area that includes a number of both loyalist and republican working class areas, but staff there have given us details of less than a dozen reported cases in the last number of years, despite having seen 600 clients since it opened ten years ago.

Centre managers in other areas of Northern Ireland have said that they “know” it goes on in their area, but in many cases could provide no definitive client accounts or stories to support this. In some cases this “knowledge” or, more properly, assumption is based on front line staff’s work in deprived housing estates where paramilitaries operate openly, where clients will refer to “local” lenders but never to paramilitaries. In an estate in East Antrim a client referred to a lady who lived around the corner from her as “who you go to for a wee loan”. Although not clarified or confirmed, it appears that there was someone or something behind this illegal lender and this is the perception of other managers in areas where such activity was not widely reported.

Key themes/findings

It is perhaps interesting to note that there are female illegal lenders. This was reported to us in a number of cases. Female lenders seem more likely, from what we were told, to secure payment by accessing a borrower’s benefits by keeping their bank or Post Office cards, to facilitate access to a borrower’s benefits.

In most cases reported to us, people borrowed small amounts for relatively short periods, often to pay for necessities - particularly for their children - not luxuries in most cases.

Borrowers we spoke or heard of are mainly, although not exclusively, on low incomes or solely in receipt of benefits. In most cases they have no alternative, even if, as is often the case, they know the illegal lenders have links to paramilitary groups. Due to their own circumstances, their families cannot help them and they do not have access to any other sources of finance or credit.

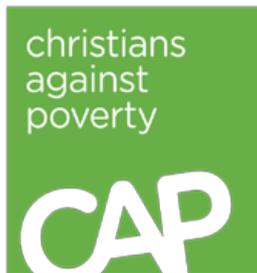
While exorbitant, interest rates and repayments are often made very clear up front to borrowers. This is not always the case however and, particularly in cases involving vulnerable borrowers, payments can simply continue forever, with the debt never decreasing.

Non payment can have potentially very serious impacts on borrowers - both physical and emotional - but can also impact on the wider family, who may also be threatened to enforce repayment. Parents also worry about children under pressure or threat from illegal lenders.

Conclusion

From the interviews conducted, and reports provided, illegal lending is an issue in Northern Ireland. Where it occurs, it can have a major impact on the physical and mental well being of borrowers and that of their families. As stated, although the best evidenced cases are mainly confined to certain geographical pockets, particularly in County Antrim, it is the view of people we spoke to that the issue is a much wider one. If this is the case, and illegal lending is more prevalent than is being reported, there are, potentially, a number of factors for this apparent under reporting.

These are issues which will need more work, both internally within CAP - especially with regard to how to identify cases where it could be or is a factor, warning signs, how to draw out more information from clients who are reluctant, to say the least, to talk openly about it and deal with it in a sensitive way - and, also, externally with other agencies in wider society - as regards education, making people aware of alternatives, and finding workable, sustainable alternatives. This is something which should be the subject of more discussion and debate amongst relevant bodies going forward.



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