



Unscrupulous Loan Sharks Target Vulnerable Tenants.

News release

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A hard hitting media campaign advising vulnerable social housing tenants not to 'get bitten' by loan sharks will be launched today by the membership body for housing associations in Wales.

Over 15,000 households are believed to have borrowed money from loan sharks, and Community Housing Cymru is keen to raise awareness of the scale of the problem and to educate tenants that borrowing even a small amount of money could mean paying back thousands of pounds in interest.

The campaign, which is being launched at the Senedd, will include emotive television adverts and provocative bus side posters, urging tenants to avoid borrowing from loan sharks and encouraging them to seek alternative ways to access credit.

Nick Bennett, Chief Executive of CHC, commented: "Approximately 60-70% of social housing tenants are financially excluded which means they can't access bank accounts, money advice or affordable credit. Individuals with a poor credit reference will find it difficult to borrow money at reasonable rates and some are even refused credit from the less risk adverse lenders. There have been a number of high profile court cases surrounding unlicensed loan sharks in the media recently, but while the media coverage and the condemnation of these unscrupulous lenders diminish, the circumstances that drive individuals to use these loan sharks remain."

Exclusion from all forms of legal credit can force people to get involved with these illegal money lenders, or loan sharks. Since illegal money lenders do not have any legal recourse, they often resort to violence and intimidation, which can be devastating for communities as well as the individuals who are at a much greater risk of losing their homes due to the extortionate repayments.

The Wales Illegal Money Lending Unit, set up in 2008 to tackle the problem of illegal money lending, claim that in areas where they have been successful in

removing loan sharks, social landlords saw a decrease in arrears as victims were once again able to pay their rent. Run by twelve trading standards officials with close links to the police, the unit has arrested 36 loan sharks and has identified around 700 loan shark victims in Wales so far. No one knows exactly how many loan sharks are operating around the country; it is, after all, a criminal activity and it's estimated that around 15,000 households are using them, but as the recession continues to bite, no one doubts that this number will rise.

Steve Tooby, Head of the Wales Illegal Money Lending Unit added: "We have recently seen an increase in calls from people identifying loan sharks targeting vulnerable people in our communities. Loan sharks often threaten and intimidate their victims. In the cases reported to us we really are making a difference, arresting the loan sharks and helping to support their victims. Remember that the debt to a loan shark is illegal and does not have to be paid. We really can help and I would encourage anyone who encounters a loan shark to call our hotline number in confidence."

Eviction through rent arrears is not the only way a loan shark victim can lose their home; often victims are forced to quickly flee the area, thus abandoning their home, or they are forced to move to protect their families.

While this campaign is focusing on loan sharks, the housing association sector also believes that licensed doorstep lenders are taking advantage of vulnerable families by offering them loans with crippling interest rates, but there is demand for these services as easy access to mainstream credit has dried up, people have been made redundant, or have had their wages decreased.

It is estimated that around 150,000 households in Wales owe money to a doorstep lender, with Wales recognised as an area where home collected credit is higher than the average.

Nick Bennett added: "Are doorstep lenders classified as loan sharks? Well, the Oxford English Dictionary defines loan sharks as 'a moneylender who charges exorbitant rates of interest.' For a £500 loan over 23 weeks taken with the Provident, the total interest you would have to repay would be £747.20, that's 545.2% APR. The difference between doorstep lenders and the loan sharks as we know them is that doorstep lenders are licensed and legal while loan sharks are unlicensed and illegal."

In the run up to Christmas, CHC are urging tenants to avoid borrowing from loan sharks and doorstep lenders and encouraging them to seek alternative ways to access credit. The housing association sector has been instrumental in setting up a new Community Development Finance Initiative (CDFI) in Wales. This initiative was partly funded by 18 CHC members who have contributed over £458k to the project, Social Finance who have invested £1.2 million loan capital and a contribution of £620,000 from the Department of Work and Pensions growth

fund. The aim of Moneyline Cymru is to provide money, advice and credit for people who are usually denied these from the mainstream outlets. Over the next month, five pilot high street shops will be in operation in south Wales and these outlets will give loans and financial advice to customers while setting up basic bank accounts for them along with a savings account at their local credit union. The outlets will be established in Pontypridd, Cardiff, Cwmbran, Newport and Bridgend.

Dr Brian Gibbons, Minister for Social Justice added:” I am very pleased to add my support to the campaign. I am very aware that the problem of illegal money lending will be more acute in the current financial climate and am committed to doing all I can to tackle the loan sharks in partnership with the Welsh Illegal Money Lending Unit, the police and third sector organisations like Community Housing Cymru. We can only tackle problems like this by working together, so I am delighted that this campaign is being launched today.”

For further information on the campaign and for details of organisations who can help, please visit Community Housing Cymru’s website, chcymru.org.uk. The 24 hour Illegal Money Lending hotline number is 0300 123 33 11.

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