

# The Last Resort: identifying and supporting victims of illegal lending



# Supporting victims of illegal lending



**Over a million people are estimated to be borrowing from illegal lenders and this figure could increase as the cost-of-living crisis develops.<sup>1</sup> This lending can be hugely harmful to victims, destroying their finances and affecting their personal lives and mental health. Tragically, over ten percent of people who have borrowed money illegally have attempted to take their own lives, with the vast majority doing so whilst in debt to an illegal lender.<sup>2</sup>**

Banks, lenders, and debt collection agencies are extremely likely to come into contact or serve customers who are victims of illegal money lending.

For example, we know that 40% of those who borrow from illegal lenders were previously turned down for credit and most have existing regulated credit debt.<sup>3</sup> It is therefore important that firms understand what illegal money lending looks like, its impact, and how to support those customers affected by it.

Customers borrow from illegal lenders for a variety of reasons but there is one common similarity amongst victims – they are some of the most vulnerable in society. Illegal lenders prey on this vulnerability, making victims' lives worse whilst acting as the lender of last resort. As with other types of vulnerabilities, firms should look to support customers affected by illegal lending, and this piece provides considerations for firms on how to do this.

## The England Illegal Money Lending Team

For this piece and to raise awareness of illegal money lending, the Lending Standards Board (LSB) engaged with the [England Illegal Money Lending Team \(IMLT\)](#). The IMLT is the organisation responsible for combating illegal money lending, protecting victims, and prosecuting offenders in England.<sup>4</sup>

Funded in part by the FCA levy on those firms conducting consumer credit activities, the IMLT provided the LSB with a vivid picture of illegal lending and discussed how banks, lenders, and debt collection and purchaser firms could help.

Illegal money lending in Scotland, Wales, and Northern Ireland is covered by separate entities for jurisdictional reasons. Scotland and Wales is covered by the [Scottish Illegal Money Lending Unit](#) and the [Wales Illegal Money Lending Unit](#). In Northern Ireland, victims are advised to contact [Advice NI](#). Northern Irish residents are also told to report any illegal lender to their [local Trading Standards office](#) and to the police, if the loan shark threatens or uses violence.<sup>5</sup>

<sup>1</sup> The Centre for Social Justice, [Swimming with Sharks](#), p.14

<sup>2</sup> The Centre for Social Justice, [Swimming with Sharks](#), p.39

<sup>3</sup> The Centre for Social Justice, [Swimming with Sharks](#), p.66

<sup>4</sup> Stop Loan Sharks, [Who we are](#)

<sup>5</sup> nidirect, [Dealing with Loan Sharks](#)

# 1.1

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## What is illegal lending?

Illegal lending can be described as any money lent and charging interest outside of those activities covered by the law and the FCA. It is a criminal offence, sentenceable to prison sentences of up to two years. However, illegal money lending can occur alongside other serious criminal activity or offences, such as assaults, blackmail, or even rape.<sup>6</sup> Because of the very nature of illegal money lending, it is difficult to get an accurate picture of the number of victims affected. For some time, it seems that the number was underestimated, with more people impacted than had gone reported or was suspected. The Centre for Social Justice estimates that

there are now approximately 1.1 million people who are borrowing money from illegal lenders.<sup>7</sup>

How these illegal lenders operate can vary greatly although there are some common themes, especially when it comes to initial contact with loan sharks. In many situations, the lender is known to the eventual borrower. It can be that the lender is introduced by friends of the borrower, and this sort of approach can help engender an initial feeling of trust.<sup>8</sup> Alternatively, illegal lenders may target certain events or locations such as casinos to identify potential victims.

<sup>6</sup> The Centre for Social Justice, [Swimming with Sharks](#), p.28

<sup>7</sup> The Centre for Social Justice, [Swimming with Sharks](#), p.4

<sup>8</sup> The Centre for Social Justice, [Swimming with Sharks](#), p.62





victims of illegal lending may not consider themselves to be victims at all, especially not initially. The victim may think of the lender as doing them a favour, due to not being able to get credit or borrowing anywhere else.

This can create a challenge when discussing illegal lending as there are numerous reasons a victim may not want to disclose any unregulated borrowing. This may include a feeling of shame or embarrassment at having to borrow in such a manner, a fear of reprisal, or worry that their last remaining source of credit could be removed.

### **The cost of illegal lending**

In terms of cost, the IMLT explained borrowing was often 'double bubble.' This means paying back double the amount you borrow, often within tight time frames. If customers are unable to make their repayments, then high levels of charges or rollover payments can be added. The impact of illegal lending goes beyond purely the financial. The Centre for Social Justice's research describes the 'devastating consequences for a debtor's finances, mental health, and physical wellbeing.'<sup>11</sup>

Given that illegal lenders may lend within social groups or communities, with some initially considered 'friends' of the borrower, there can be a personal pressure to repay. Lenders also use a variety of tactics to ensure repayment. Examples include frequently visiting a victim's home to demand repayment, to threatening that criminal associates or gangs will get involved. The range of methods used to ensure repayment is harrowing, with intimidating behaviour and peer pressure going through to bodily harm and sexual assault.

<sup>9</sup> The Centre for Social Justice, [Swimming with Sharks](#), p.44

<sup>10</sup> The Centre for Social Justice, [Swimming with Sharks](#), p.51

<sup>11</sup> The Centre for Social Justice, [Swimming with Sharks](#), p.20

### **Who borrows illegally?**

Many people can fall victim to illegal lending but there are some common factors that can make some more vulnerable to it. These include unemployment, certain types of housing (for example, those in social or privately rented accommodation), and those with outstanding debts to legitimate credit providers and services.<sup>9</sup> There are also different reasons that people may turn to illegal lending.

A majority of victims initially borrowed for everyday costs, with the second most common reason being to pay for a celebration. Many people deal with increased money worries and financial challenges running up to Christmas, and so now is a particularly pertinent time to consider how firms can recognise and support victims of illegal lending.<sup>10</sup>

It is worth noting how some

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## How can firms help?

- Raise staff awareness
- Establish customer's circumstances
- Ask the question
- Signpost -  
Illegal Money Lending Team

### Raise staff awareness

Registered firms already have to train their staff on an array of topics to deliver their products and services in a compliant, appropriate way. With this in mind, there is a limit to what can be added to training courses or be reasonably expected of staff. However, there are opportunities to raise awareness of certain areas, including illegal lending, through innovative and engaging sessions or resources outside of BAU training requirements.

In relation to illegal lending, firms should think about what, if any, information is currently available to staff. It is likely that many staff will have little knowledge of the topic or may not consider it as something they may encounter within their roles. By raising awareness of what illegal money lending is, how customers are affected, and why it matters in relation to their role, firms better equip their colleagues to recognise signs of illegal lending.

The message about illegal lending may be spread using various methods, from having informal drop-in or lunch and learn sessions, to having readily available information on intranet pages. This has the advantage of being

accessible as and when needed by staff. Having a named point of contact, potentially someone who has had additional training on illegal lending, could be valuable.

In terms of accessing accurate and verified information on illegal lending, the IMLT has resources available through its [website](#). Members of their team have also previously conducted training at some registered firms to raise awareness. The IMLT offers free training for firms and other organisations, and contact details are included at the end of this piece.

### Establish the customer's circumstances

When supporting potentially vulnerable customers or those in financial difficulty, it is vital that firms get a clear and accurate picture of the customer's situation. This will often include understanding their income and expenditure or it could be related to the customer's health and wellbeing (depending on the individual context). Illegal money lending has a clear and direct impact on the finances of victims and also has the potential to greatly affect other aspects of their lives. For this reason, illegal money lending should not be something registered firms consider as too niche or rare when thinking about steps to support customers.

For example, it may be that a customer has completed an income and expenditure assessment (I&E) several times but consistently goes further into debt or misses payments. This alone indicates that there are expenses of some type that are not being accounted for. It could be that there is borrowing happening 'beneath the surface' and the customer is having to make repayments they have previously not disclosed.

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practicing the adviser's response.

The key here is for the adviser to understand why they are asking probing questions and for them to be able to explain this to the customer. The ultimate reason this is important is that an accurate picture is needed of the customer's situation, in order to find the solution that is right for them. If information goes undisclosed, it is likely that the outcome will be inadequate or the opportunity for support missed.

### **Signpost - IMLT**

If customers are identified as being potential victims of illegal money lending, they should be signposted to the IMLT or the equivalent agency in their country. This is crucial due to the skills and expertise required to break the cycle of illegal borrowing and to investigate any offences. By providing details on how to access further information on illegal lending, such as the IMLT's website [www.stoploansharks.co.uk](http://www.stoploansharks.co.uk), firms can help those who may be unaware of where to turn or even that any help is available.

Many registered firms have internal intranet sites or other resources that staff can use to look up information that has been verified and reviewed. This can include having lists of organisations that may be suitable for customers to be signposted towards. Firms should review any such information to check that there is content on illegal money lending. This will help advisers who may need guidance on what to do and promote consistency in relation to signposting. By having staff who understand what illegal lending is and who know how to respond to signs of it, registered firms will continue to play an important part in supporting the most vulnerable.

However, some victims have reported that they did not tell a debt advisor about the illegal lending because they 'were never asked.'<sup>12</sup> Simply asking the right question at the right time could have a hugely positive impact on the end outcome.

As when discussing potential vulnerabilities or financial difficulties, advisers can find it awkward to ask what they deem overly personal questions. The LSB has seen this during call listening and shadowing exercises, with advisers skipping over opportunities to probe seemingly out of a desire to avoid 'awkward' conversations. One method of improving customer conversations and the confidence of advisers is to use role playing practice sessions. This can involve a manager, trainer, or colleague disclosing information (for example, about having borrowed money from a friend or having gambling losses) and

### **Ask the question**

Asking questions such as whether the customer has borrowed money from a friend, family, or anyone else, can help start the conversation about illegal lending. As previously stated, victims could have various reasons to not disclose any borrowing.

<sup>12</sup> The Centre for Social Justice, [Swimming with Sharks](#), p.82

If you have any questions about this piece or if there is any other way we can help you or your organisation, please contact us at [insight@lstdb.org.uk](mailto:insight@lstdb.org.uk) or using the details below.

We would also appreciate your feedback on this piece. To provide this, please use the QR code below.



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