COSLA

HSC Board Item 03

Scottish Illegal Money Lending Unit
ScotPulse Research Findings

Summary and Recommendations

The purpose of this paper is to provide members with an overview of the research conducted into illegal money lending in Scotland. This research was commissioned by the Scottish Illegal Money Lending Unit (SIMLU) and conducted by ScotPulse. The research was conducted in 2 waves in Summer and early Autumn 2024.

This paper invites Members to:

i. Note the results of the research;
ii. Provide feedback on the key findings;
iii. Consider the barriers to borrowers seeking help and suggest further work the Unit can undertake to encourage consumers to report loan-sharks;
iv. Note the follow up work relating to the research

References

N/A

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November 2024

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Purpose

1. The purpose of this paper is to provide members with an overview of the research conducted into illegal money lending in Scotland. This research was commissioned by the Scottish Illegal Money Lending Unit (SIMLU) and conducted by ScotPulse. The research took place in 2 waves during the Summer and early Autumn 2024.

Context

2. SIMLU is part of the Trading Standards Scotland (TSS) team based within COSLA, having transferred across from its previous host, Glasgow City Council in 2014. The team was formed in 2004 as part of one of the UK Government's pilot projects to tackle illegal money lending.

3. The team was originally established to purely look at cases of money lending, however, in 2008 the team started to look at what support was required for people who were borrowing from illegal money lenders to allow them to transition away from using illegal lenders. Prevention is pivotal in tackling illegal money lending and since 2017 the team has funded several initiatives through their allotted prevention fund that try and support people who may be vulnerable to using illegal lenders. Some of these will be highlighted later in the paper.

4. Since the Teams' formation in 2004, there has been several significant changes across the landscape of lending over that time. Initially, most money lending investigations surrounded public places such as post offices and public houses and were for relatively small amounts of money. Now many of the cases investigated are for amounts exceeding £1000 and over the past few years there has been less illegal money lending activity taking place in public due to technological advances such as instant messaging and social media. Further to this, illegal money lending was predominately a cash first operation, however, since the Pandemic in 2020 there has been a significant shift to bank transfers and the use of Money Transfer Companies to move money around. However, cash still does play a part in the operation of illegal money lending.

Policy Context

5. This is an extremely timeous piece of work, with the King's Speech stating that: "Securing economic growth will be a fundamental mission. My Government will seek a new partnership with both business and working people and help the country move on from the recent cost of living challenges by prioritising wealth creation for all communities."

6. The effect of the cost-of-living crisis continues to impact consumers in Scotland. Whilst many may have found the pressures of rising bills now reducing a little, a

considerable amount of consumers are left trying to recover from arrears, additional debt and depleted savings.

7. In September, the Scottish Government set out it's Programme for Government 2004-2005. Of the 4 main priority areas, 2 of these are directly impacted by illegal money lending, eradicating child poverty and growing our economy. Illegal money lenders force people to pay their debts to them first leaving people with less money to spend on essential items leaving a high chance of borrowers and their immediate family being caught in a poverty trap.

Research into Illegal Money Lending

8. The ScotPulse research follows on from the work conducted on behalf of Fair4All Finance in 2022 and 2023. The Fair4All research was conducted in two parts. The first part was based upon the lived experience of people who have borrowed from loan sharks across Great Britain. The second part was based on quantitative work being carried out by IPSOS again looking at the impacts across Great Britain.

9. In early 2022, Fair4All Finance commissioned research into illegal money lending. This research was conducted by We Fight Fraud, who would look at the lived experiences of people who are borrowing from loan sharks, and IPSOS who would look to develop some data into the amount of people borrowing currently in Great Britain.

10. The report into the experiences of people borrowing from loan sharks was published in the autumn of 2022 and focused on people from London, Preston, Port Talbot and Glasgow but also had some contributions from other parts of the country. These areas were identified in conjunction with the 3 Illegal Money Lending Teams. Their experiences showed the dire impacts of borrowing from illegal money lenders have on the borrower themselves but also on the impacts on affected others. This insight was of no surprise to staff of the 3 Illegal Money Lending Teams as officers had seen first-hand these impacts.

11. The second report was published in 2023, although some early results were included in the 2022 report. The research concluded that potentially, 7% of the GB population between 18-75 are or have very recently used a loan shark. This figure would translate to roughly 275,000 people in Scotland. Given that previous research in 2010 indicated that number was around 0.5% this is a significant increase in the past 14 years.

12. Whilst welcoming the research, SIMLU Officers were of the view that there was a need to specifically look at the issues that people in Scotland were facing in relations to their general financial health, accessing credit and illegal money lending.

13. It was agreed as part of the Team's 20th Anniversary plans that we would engage ScotPulse to carry out this work and for it to coincide with our campaign over the summer. In turn, this would allow for the research to ascertain respondent's views of our messaging. ScotPulse is the first online research panel just for Scotland. Owned by STV, they have been running since 2011 and have over 45,000 members from across Scotland. ScotPulse have previously conducted research for TSS on doorstep crime and the mis-selling of energy efficiency measures. This

research has previously been presented to the Trading Standards Scotland Governance Board.

14. The following sets out the key findings from both the pre and post wave research.

Key Findings – Pre Wave

15. The first wave of ScotPulse research identified that consumers cut back on using gas or electricity, missed meals and deferred certain payments until the following months as a response to the cost of living crisis. Some key findings from this question include that 61% said they have cut back on their gas and electricity to save money, 15% said they borrowed money to spend on bills with 11% adding that they borrowed money just to live.

16. It should also be acknowledged that our cohort of responders who stated that they were unable to work due to long term ill health or disability are more likely to cut back on their heating and electricity than other groups and they are also much more likely to miss meals. Similar findings are echoed in the post wave data. The data demonstrates the extent of inequalities people in our communities are facing and we must ensure that we are engaging with the most at risk to consider how best we can provide support.

17. The research highlighted that 291 responders have borrowed from one of the following: friends and family, the bank, credit union, payday lender, someone who visited their home, from someone online or an illegal money lender.

18. Some direct comments from responders on reasons for borrowing include:

    “I cannot afford to live anymore. Living paycheck to paycheck. Cannot afford meals.”

    “Kids needing new clothes or to pay someone else back.”

    “Because I had no money until I got paid.”

19. Unsurprisingly, 51% of people viewed their debt as having an adverse impact on their mental health. This is an area the Team is now following up with colleagues working on the mental health agenda for COSLA. Part of this work includes expanding on the annual ‘Talk Money Week’ campaign which launches on Monday 4 November. This year, the Team have extended this campaign by one week with an additional campaign - ‘Talk Mental Health’, given the links between money and mental health. COSLA colleagues leading on the mental health have been providing their advice and expertise on the messaging developed and will be encouraging their stakeholders to support the campaign.

20. Interestingly, 4% of respondents in the pre wave survey told how they knew of a loan shark/illegal money lender in their community with 3% coming across an illegal money lender online.

21. When asked if they themselves or their family had considered borrowing from an illegal money lender, 37 responded with yes, of this group, 15 went on to borrow from an illegal lender.

Key Findings – Post Wave

22. The post wave research took place after the illegal money lending campaign concluded and a different group of participants was sought to ensure as wide a research base as possible.

23. The 3 categories that respondents struggle to cover financially the most include discretionary activities – spend on Christmas, social activities and leisure – all with over 30% struggling. Around 30% are struggling to cover utilities and 25% are struggling with necessities such as food and bills.

24. Looking at specific groups, those who identified that they are unable to work due to illness, disability or caring responsibilities are significantly more likely to be struggling with utilities (62% compared to 30%); food and provisions (53% compared to 25%); and keep on top of bills (57% compared to 25%)

25. Female respondents are more likely to be struggling to pay for food and necessities than males.

26. Worryingly, 28 responders have borrowed from a work colleague. This indicates that there is potentially significantly more of in illegal money lending subculture within workplaces and that there is a need for workplaces to have facilities for staff to access advice and support in relation to debt and credit.

27. 11 responders have borrowed from an illegal money lender. Interestingly, 8 responded that they preferred not to say whether they had borrowed from an illegal lender. From this, it is assessed that they may have indeed borrowed from a loan shark.

28. Word of mouth is the most prominent method of finding out about an illegal money lender. This is something that has been common since the unit started in 2004. It is one of the main areas that has not seen a significant change in the past 20 years.

29. The average amount borrowed was just under £750 with most borrowers both receiving and paying back cash.

30. Of the 641 who borrowed from family or friends, 30 had to pay the money back with interest added. Building on this, 91 borrowed from a close friend, a family friend or someone they knew in the community. Borrowing from friends and family has been a common reference to hide the fact that someone is borrowing from an illegal lender. A total of 59 responders whom had borrowed from friends and family acknowledged that the person is lending to other as well, potentially an indication that is illegal money lending rather than a personal accommodation.

31. Finally, awareness of the Scottish Illegal Money Lending Unit has doubled since the first wave of the research. It was recognised that our messaging was encouraging people not to use illegal money lenders, which from a prevention point of view is an excellent outcome. However, our messaging was not deemed strong enough to encourage people to report. SIMLU conducts several campaigns throughout the year and given this feedback, Officers will undertake review of our messaging and our campaign calendar. Officers would welcome feedback from Members on how the Team can encourage reporting.

32. Members can find a copy of both the Pre and Post Wave questions below in Appendix A and Appendix B.

Next Steps and Future Work

33. As highlighted in paragraph 3, three new projects have been identified to be funded through the prevention fund allocation for 2024/25; Scottish Woman's Aid, the Lothian Centre for Inclusive Living and Saved by the Bell. Each of these projects links in with some of the findings of the research including the impact of economic abuse on women, the impact on those with a disability and who are unable to work due to illness as well as the importance of early intervention and prevention in its truest sense. The following sets out more detail on each of the projects.

Scottish Woman's Aid

34. The project seeks to improve policy and practice reform on coerced debt from the ground up, increasing and protecting women's financial independence. In order to understand coerced debt as experienced by survivors of domestic abuse SWA will research and develop their analysis over the course of the next year. Initial steps will involve research and evaluation of the preliminary findings from Fund to Leave so far.

Lothian Centre for Inclusive Living

35. The project is looking to provide disabled/people living with long term health conditions financial workshops that help income maximisation, raise awareness of illegal money lending, provide support and guidance whilst improving their financial literacy/capability. One in ten disabled people have been left in debt for the first time as a result of the cost-of-living crisis.

Saved by the Bell

36. Save by the Bell (SBTB) is a financial education project that aims to reduce poverty by advancing financial literacy among Dundee school students. It provides support and training to enhance their financial knowledge, awareness, and capabilities, thereby improving their financial futures.

Future Work

37. In addition, following a request from colleagues in the City of Edinburgh Council, the Team are preparing an overview of illegal money lending to be available to staff on the Council's intranet page. Local government is one of the biggest employers in Scotland and the Team are keen to ensure our messages about illegal money lending reach as many as possible.

38. Further to the publication of the Welfare Advice and Health Partnerships, Test and Learn Project, the Team are keen to engage with the Welfare Rights Advisors based within these centres. With the report highlighting that 89% of those seeking advice in this setting had never done so before, this is an extremely important client group for us to engage with.

Conclusion

39. As members will see from the report, preventing people from borrowing from illegal money lenders plays an important part in eradicating illegal money lenders and we are achieving that with our public messaging. However, we can also see that our

messaging is not having the same impact in encouraging people to report illegal money lenders.

40. Illegal money lending has implications right across our society and our policy areas. We will endeavour to reach across these areas to increase awareness of our work and how we can work together to support those people impacted by the results of this research.

<u>November 2024</u>

APPENDIX A – Pre-wave Questions

1. **Which of the following have you done in response to the rising cost of living?**

    - **Cut down on non-essential purchases (e.g. accessories, electronics)**
    - **Cut down on leisure activities (e.g. dining out, going to concerts)**
    - **Cut down on gas and/or electricity usage**
    - **Put less money than usual into savings**
    - **Taken money out of my savings**
    - **Paid for certain purchases using a credit card**
    - **Used a 'buy now pay later' payment plan (e.g. Klarna)**
    - **Borrowed money from family and/or friends**
    - **Deferred certain payments until next month**
    - **Deliberately missed meals**
    - **Borrowed from a bank**
    - **Taken money out of a pension**
    - **Borrowed from a credit union**
    - **Borrowed from a payday lender**
    - **Borrowed from someone who visited your home**
    - **Borrowed from someone online**
    - **Borrowed money from an illegal money lender (loan shark)**

2. **How would you best describe your financial situation?**

3. **Have financial struggles ever impacted your health?**

4. **Have you ever borrowed money from any of the following?**

    - **Bank**
    - **Friends/family**
    - **Loan company**
    - **Credit union**
    - **Loan found via internet (company or person)**
    - **Work colleagues**
    - **Doorstep lender**
    - **People from the community**
    - **Illegal money lender (loan shark)**
    - **Company based abroad**
    - **Other (please specify)**
    - **I have never borrowed money**
    - **Prefer not to say**

5. **What did you borrow the money for**

6. **Do you know of, or have you come across any illegal money lenders (loan sharks) online?**

7. **Have you, someone in your immediate family, or someone you know come across any illegal money lenders (loan sharks) within your community?**

8. **Where did you come across the illegal money lender (loan shark) online?**

9. **Have you or someone in your immediate family ever considered borrowing from an illegal money lender (loan shark)?**

10. **Did you / they go ahead and borrow from an illegal money lender (loan shark)?**

11. **Here are some questions about your / your family's experience of borrowing from an illegal money lender (loan shark).**

    - **Were you provided any paperwork for this loan?**
    - **Were you told the rate of interest at the start of the loan?**
    - **Was the original agreement ever changed?**
    - **Did the amount you were repaying ever increase?**
    - **Did you agree the method of payment prior to taking out the loan?**
    - **Was the loan paid off?**

12. **If you knew that a friend or family member or someone in your community had borrowed from an illegal money lender (loan shark), where would you go to seek advice?**

13. **If you knew that a friend or family member or someone in your community had borrowed money from a loan shark, would you report the illegal money lender (loan shark)?**

14. **If you encountered a suspected illegal money lender (loan shark), where would you report it to?**

15. **Why wouldn't you report a loan shark?**

16. **Would you consider borrowing from an unauthorised lender if it meant you received the money instantly?**

17. **Where would you seek advice?**

18. **Which, if any, of the following organisations would you go to for support and advice for money concerns?**

    - **Citizens Advice**
    - **Family/Friends**
    - **Bank/Building Society**
    - **StepChange Debt Charity**
    - **Advice Direct Scotland**
    - **Local Authority**
    - **Scottish Illegal Money Lending Unit**

19. **Have you ever contacted any of the following organisations for advice on money concerns?**

    - **Citizens Advice**
    - **StepChange Debt Charity**
    - **Advice Direct Scotland**
    - **Local Authority**
    - **Scottish Illegal Money Lending Unit**

20. **How was your experience of dealing with Scottish Illegal Money Lending Unit?**

21. **Before today, had you heard of the Scottish Illegal Money Lending Unit?**

22. **Do you believe illegal money lenders (loan sharks) are an appropriate part of lending across Scotland?**

23. **Do you think being a loan shark is a crime?**

24. **What more can be done?**

APPENDIX B – List of Questions Post Wave

1. **Over the coming months, in terms of your financial situation, how comfortable are you in the following categories:**

    - **Spend on food & provisions**
    - **Spend on utilities i.e. gas or electricity**
    - **Keeping on top of bills**
    - **Paying mortgage or rent**
    - **Spend on Christmas**
    - **Covering transport costs**
    - **Spend on leisure activities**
    - **Social activities**
    - **Childcare costs**

2. **Have you ever borrowed or are you considering borrowing money from any of the following?**

    - **Friends/family**
    - **Work colleagues**
    - **People from the community**
    - **Bank**
    - **Credit union**
    - **Loan company**
    - **Doorstep lender**
    - **Loan found via internet (company or person)**
    - **Company based abroad**
    - **Illegal money lender (loan shark)**
    - **Other (please specify)**
    - **I have never borrowed money**
    - **Prefer not to say**

3. **What was the relationship between yourself and the work colleague you borrowed from / considered borrowing from?**

    - **Wage advance / approved work scheme (i.e. work credit union)**
    - **Work Colleague**
    - **Senior Manager / Director**
    - **Line Manager / Immediate Boss**

4. **Have you ever borrowed from an illegal money lender (loan shark)?**

5. **The following questions are about your experience of borrowing from an illegal money lender (loan shark). Does the loan shark lend to other people?**

6. **Where did you find the illegal money lender (loan shark)?**

    - **Word of mouth**
    - **Through a friend**
    - **Knew them personally**
    - **Through family**
    - **Online community e.g. Facebook page, Reddit**

7. **How many times have you borrowed from the illegal money lender (loan shark)?**

8. **Are you willing to tell us how much you have borrowed from an illegal money lender (loan shark)?**

9. **Are you willing to tell us how much you have borrowed from an illegal money lender (loan shark)? Please enter the amount in the box below.**

10. **How often do you make repayments?**

11. **How did you receive the loan from the illegal money lender (loan shark)?**

12. **How did you pay back the loan to the illegal money lender (loan shark)?**

13. **Have you ever borrowed money from a friend or family member?**

14. **Did you have to pay interest when paying back the loan borrowed from you family or friend?**

15. **Does your friend or family member lend your money to others?**

16. **What is the relationship between you and the family member you borrowed money from?**

17. **Before today, had you heard of the Scottish Illegal Money Lending Unit?**

18. **Do you believe illegal money lenders (loan sharks) are an appropriate part of lending across Scotland?**

19. **Do you think being a loan shark is a crime?**

20. **Before today, have you seen the advertisement shown?**

21. **Where did you see the advertisement?**

22. **How clear are the messages in the ad?**

23. **What messages did you take from the ad?**

24. **Are you likely to talk about the advert with anyone?**

25. **Do you have any additional comments?**