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Management Scrutiny Committee
Sunderland City Council
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To the Management Scrutiny Committee

Illegal Money Lending and High Cost Credit review submission

Thank you for your invitation to give evidence to the Committee's review into the supply of credit and financial services in the city. While I do not feel that it would be useful to the Committee for me to give oral evidence, I welcome the opportunity to make a written submission.

Unlicensed lending has been, and probably will continue to be, a long-standing problem – particularly for families on low incomes who lack both the knowledge of alternatives and the means to secure credit from mainstream sources, such as high street banks.

Legislation is in place to protect those who either knowingly or unknowingly borrow money from an unlicensed lender. As they have no legal basis to pursue repayment, unlicensed lenders often use harassment, intimidation, and violence to compel repayment – all of which are criminal offences.

It would be useful if the Council or its partners could distribute this information, together with information on debt advice services and licensed, low-cost lending options such as credit unions available in the local area, to those who are most at risk of being targeted by unlicensed lenders. These households could be identified using indicators such as households dependent on out-of-work or disability benefits, as well as using existing untargeted means of distributing information, such as mailings to families with children. Additionally, information could be distributed in council buildings, and education sessions including debt advice could be delivered through facilities such as Children's Centres and professionals who work with the kind of households who may be at risk.

One of the biggest issues on the national level is the proliferation of high-interest 'payday' lenders, operating both over the internet and through retail premises. High interest rates and seemingly lax vetting is resulting in more and more

Recent research by R3, a group which represents debt advisors, showed that nearly a third of people who took out payday loans had to get another to pay it off, and that around three and a half million people in the UK are expected to take one out during the first half of this year.

Labour MP Stella Creasy is currently leading a campaign in Parliament for a cap on the cost of credit, and more generally to highlight the practices of high-interest lenders. While the proposals do not appear to be gaining any traction with Ministers, the campaign has been well reported, and has hopefully raised awareness of the pitfalls of high interest loans. While it is not within the purview of the Council to back such a campaign, I believe that it would be a useful time to capitalise on that heightened awareness by embarking on the kind of information/education drive detailed above.

Where possible, I also feel that it would be beneficial to the residents of Sunderland if payday lenders were discouraged from citing walk-in shops in the City centre and other commercial areas within the authority, where this can be achieved within statutory guidance on planning and business rates etc. Although a new outlet may provide a limited number of jobs, I feel strongly that having outlets of this kind readily available to residents will only serve to encourage take-up of high-cost credit, and therefore the number of residents who find themselves with unsustainable debts.

However, as the growth area in this industry is online, there are clearly limits to what the Council can do to limit exposure of residents to such options, particularly given the aforementioned marketing tactics. Once again, I feel that the most useful steps that the council can take is providing accessible advice both on debt management and the range of lending options available locally.

I hope that this submission is helpful to the review process. Please contact me on sharon.hodgson.mp@parliament.uk for any further questions or clarifications.

Yours sincerely

A handwritten signature in black ink that reads "Sharon Hodgson". The signature is written in a cursive, flowing style.

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