

Management Scrutiny Committee

Focus Group: At What Cost – Money Lending?

Present: Cllrs Tate, Rolph, Miller, Walker, Watson, Wilson and Wood.

Also Present: Richard Reading (Principal Trading Standards Officer), Joan Reed (Strategic Change Manager), Alan Caddick (Head of Housing), Liz St Louis (Head of Customer Service and Development) and Justin Collins (Under Occupation/Mortgage Rescue Officer), Nigel Cummings (Scrutiny Officer) and Gilly Stanley (Scrutiny and Area Support Co-ordinator).

Notes

Members of the Management Scrutiny Committee attended a focus group meeting with a number of key council officers to discuss issues related to the policy review looking at high cost credit and illegal money lending. The main points from this discussion were as follows:

Sunderland is typical of many cities across the UK in relation to public borrowing and levels of debt. However it was noted that the North East region was suffering from higher levels of unemployment than the countrywide average.

It was identified that there were a large number of credit sources within the city including 8 traditional pawnbrokers and a number of weekly payment companies such as Brighthouse, Payday loan companies and the Credit Union.

The difficulty of getting evidence against loansharks was highlighted to the group and that this had been one of the contributory factors leading to the establishment of the Illegal Money Lending Team. The ILM's primary purpose is to gather information and intelligence against illegal money lenders which ultimately lead to court convictions. The importance of ensuring witnesses were safe and secure was also identified as paramount to this process.

Members were interested in getting further statistical information in relation to the financial overview of the city and its residents, in terms of debt, borrowing and income. This was seen by Members as vital to the progress of the review and would also help in a greater understanding of the situation in Sunderland. It was noted that qualifying unreported borrowing, debt etc would be more difficult.

The reluctance of witnesses to come forward was highlighted by the Mortgage Rescue Officer who reported that he had never had anyone come forward with information relating to illegal money lending.

Members of the Committee recognised the scale of the issue and the associated difficulties. It was stressed that this review needed to look at the transparency of the credit available and had the opportunity to highlight issues to the public as well as look at how, as a Council, we support and react to these issues.

The situation is a worsening one through the prevalence of payday loans and other avenues of quick access cash. The situation can only deteriorate with the rising cost of living, utility bills, increasing unemployment and limited job opportunities available. It was noted that the impact on the city as well as the potential debt issues could be huge. It comes back to the point raised earlier about how as a Council and a City we help people to overcome these issues.

The Credit Union in Sunderland has struggled in the past and suffers through a limited membership. This presents its own problems as this type of borrowing relies heavily on savers to generate the funds for borrowers the more savers, the more competitive the interest rates for borrowers. It was noted that the infrastructure of the credit union may require modelling differently and that it needed to run much more like a business.

The financial literacy of people was also highlighted and the importance of getting into schools and making young people more financially aware. It was acknowledged that people will make choices about their own financial situations but it was important to help or facilitate them to make more informed choices. One of the key issues is about how we get people to think differently about credit, debt and other financial matters.

The whole issue is a family learning issue and it was reported that the West Yorkshire Trading Standards team had held workshops with family groups to support people in financial awareness.

Rent/Mortgage arrears were often another cause that can lead people into debt and ultimately the potential to be homeless. Again it was highlighted that the earlier people can contact the Council the better the outcomes could be.

There is a clearly identifiable role for the information and guidance that the Council offers to its customers and it will be important in these financially difficult times to develop our customer services appropriately. It was also important to consider how we work in conjunction with the voluntary sector and the wealth of support networks that currently exist.

The stark reality around this issue is that if people are going to be worse off then they are going to be worse off, but it is important to look at how the Council and other organisations can help to mitigate these circumstances. There needs to be a positive outcome around affordable debt and money management.

The Members of the Committee thanked the Officers for their attendance and contribution to the policy review.