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| CABINET MEETING – 20th JUNE 2012 EXECUTIVE SUMMARY SHEET – PART I | | | | | | | | | |
| Title of Report: Management Scrutiny Committee: At What Cost: The Effects of High-Cost Credit and Illegal Loan Sharks on Local Communities – Policy Review Final Report | | | | | | | | | |
| Author(s): Management Scrutiny Committee and Chief Executive | | | | | | | | | |
| Purpose of Report: To set out the recommendations of the Management Scrutiny Committee following the Committee's review of unlicensed and high-cost credit. | | | | | | | | | |
| Description of Decision: The Cabinet is requested to consider the Management Scrutiny Committee's Policy Review Final Report and endorse the recommendations contained within the report (attached as Appendix A). To assist the Cabinet in its consideration of the draft recommendations of the Scrutiny Committee, attached as Appendix B is the proposed Action Plan for the implementation of these recommendations which has been prepared in consultation with the appropriate Portfolio Holder. | | | | | | | | | |
| Is the decision consistent with the Budget/Policy Framework? *Yes/No | | | | | | | | | |
| If not, Council approval is required to change the Budget/Policy Framework | | | | | | | | | |
| Suggested reason(s) for Decision: The Committee has conducted a number of evidence gathering sessions exploring the key themes and scope of the review into unlicensed and high-cost credit in Sunderland. The recommendations aim to support and compliment the work of the illegal money lending team and the council in tackling sources of unlicensed credit and issues around high-cost credit. | | | | | | | | | |
| Alternative options to be considered and recommended to be rejected: The Scrutiny Committee has gathered detailed evidence and arrived at conclusions and recommendations which are intended to support and enhance the work being undertaken by a number of organisations including the council into the provision of credit. There are no alternatives to be considered. | | | | | | | | | |
| Impact analysed: <table style="width: 100%; border: none;"> <tr> <td style="text-align: right; padding-right: 10px;">Equality</td> <td style="border: 1px solid black; width: 60px; text-align: center; padding: 2px 10px;">N/A</td> <td style="text-align: right; padding-right: 10px;">Privacy</td> <td style="border: 1px solid black; width: 60px; text-align: center; padding: 2px 10px;">N/A</td> <td style="text-align: right; padding-right: 10px;">Sustainability</td> <td style="border: 1px solid black; width: 60px; text-align: center; padding: 2px 10px;">N/A</td> <td style="text-align: right; padding-right: 10px;">Crime & Disorder</td> <td style="border: 1px solid black; width: 60px; text-align: center; padding: 2px 10px;">Yes</td> </tr> </table> | | Equality | N/A | Privacy | N/A | Sustainability | N/A | Crime & Disorder | Yes |
| Equality | N/A | Privacy | N/A | Sustainability | N/A | Crime & Disorder | Yes | | |

**Is this a “Key Decision” as defined in
the Constitution? Yes/~~No~~**

**Is it included in the Forward Plan?
 Yes/~~No~~**

Scrutiny Committee:

REPORT OF THE MANAGEMENT SCRUTINY COMMITTEE AND THE CHIEF EXECUTIVE

MANAGEMENT SCRUTINY COMMITTEE: AT WHAT COST: THE EFFECTS OF HIGH-COST CREDIT AND ILLEGAL LOAN SHARKS ON LOCAL COMMUNITIES – POLICY REVIEW FINAL REPORT

1. Purpose of the Report

- 1.1 To set out the recommendations of the Management Scrutiny Committee following the Committee's review of illegal money lending and high cost credit.

2. Description of Decision (Recommendations)

- 2.1 The Cabinet is requested to consider the Management Scrutiny Committee's Policy Review Final Report and endorse the recommendations contained within the report (attached as Appendix A). Where there are any recommendations which have financial implications, these will be outlined in the Service Directorate's response.
- 2.2 To assist the Cabinet in its consideration of the draft recommendations of the Scrutiny Committee, attached as Appendix B is the proposed Action Plan for the implementation of these recommendations which has been prepared in consultation with the appropriate Portfolio Holder.

3. Background

- 3.1 At its meeting on 14th July, 2011 following discussions that had taken place at the Cabinet meeting held on 22nd June 2011 the Committee considered the possibility of a study into the effects on communities of high interest money lenders and illegal loan sharks.
- 3.2 The current financial climate in the UK means that organisations like the Citizen Advice Bureau deal with over 8,500 new debt problems each working day. Figures released by the Consumer Credit Counselling Service (CCCS) also indicate that their average client has to work until 4pm on a Wednesday, each week, just to earn enough money to repay their unsecured debts.

4. Key Points Arising from the Review

- 4.1 There are a number of ways to borrow money in the UK ranging from banks and building societies through to high-interest credit companies and ultimately the illegal money lending trade. Provident loans, payday lenders and right-to-buy credit are a popular choice for many people who often find it difficult to access the more mainstream routes. For those who struggle at the very bottom where all legitimate means of credit are exhausted there is the loan shark who is often well known in the community and frequently recommended by a friend.

- 4.2 High-cost credit providers have experienced a rapid rise in popularity due to the speed and ease they can provide to access money. Not only that but they are also creeping into the public's consciousness through heavy media advertising and an ever increasing high street presence. For many people these can be an ideal short-term solution to bridge a gap between paydays and unexpected expenses, for others it is a spiral into mounting debts and crippling interest charges. The OFT have recently announced it is to investigate 50 payday loan companies to see whether they are in fact deliberately targeting vulnerable groups of people.
- 4.3 The Illegal Money Lending Team operating in Sunderland is a positive step. To promote this in and around Sunderland the local authority has undertaken a month of action which has proved extremely positive. The campaign has had a lot of media exposure and this work will continue with the development of an action plan to continue some of the themes and outcomes that have been generated as a result of the month of action.
- 4.4 The local authority's benefits and welfare page on the council's website is a key resource for information, as well as the customer contact centres which can all help to provide support and signposting on a range of debt related issues. It is important that the local authority continues to promote the help available through its work with a range of partners. This can help to ensure that information around advice and guidance is targeted widely and importantly encompasses those most in need of support.

5. Response from the Directorate

- 5.1 The review has been both timely and helpful as it followed the agreement to develop a closer working partnership with the national IMLT and has dovetailed with the work being undertaken within the council and with key partners to manage the impact of the Welfare Reform Programme. The recommendations also fit in very well with the council's agreed approach to the provision of advice information and guidance contained within new Customer Access Strategy and the developing Digital Communications Strategy.

6. Reasons for the Decision

- 6.1 The recommendations are intended to support and compliment ongoing work related to unlicensed and high-cost credit within the local authority.

7. Alternative Options

- 7.1 There are no alternative options recommended.

8. Impact Analysis

8.1 Equalities

The proposals are designed to support improved service delivery for the varied and numerous communities the Council serves. Equality issues were addressed during the evidence gathering process and this is reflected in the focused recommendations.

8.2 Privacy Impact Assessment

The proposals have no immediate additional implications for the protection of privacy of the public. Any privacy issues which arise will be addressed through the delivery of the action planning process.

8.3 Sustainability

The proposals have no immediate implications for sustainability. Sustainability issues will be considered and addressed as part of the delivery of the action plan by Members and officers.

8.4 Reduction of Crime & Disorder – Community Cohesion / Social Inclusion

The proposals contained in the policy review along with the City Council's ongoing work with the Illegal Money Lending Team to remove loan sharks from within communities will have direct implications for crime and disorder. The policy review specifies the direct links between loan shark activity and other crime related issues. Evidence from external research conducted shows a causal link between the removal of loan sharks from an area to a drop in crime and disorder related offences. Any crime and disorder issues will be addressed as part of the delivery of the action plan by Members and officers.

9. Relevant Considerations / Consultations

- 9.1 The findings in the report are the result of consultation and evidence gathering by the Scrutiny Committee. Consultation has been carried out with relevant key stakeholders from across the Council and the City using a variety of techniques including focus groups, site visits, and presentations. The Committee also worked with key officers and the illegal money lending team in developing and producing a theatre performance and Q&A session around the theme of illegal money lending. Members also met with Tony Quigley, Head of the Illegal Money Lending Team in England, to discuss the work of the team and what their involvement means for Sunderland.

10. List of Appendices

Appendix A – Policy Review Final Report
Appendix B – Action Plan

10. Background Papers

Management Scrutiny Committee Agenda Papers 2011/12

