



LOCAL ACTIVISTS  
/ COUNCILLORS

# END LEGAL LOAN SHARKING

## *Mini toolkit*

This mini tool-kit contains a draft letter, draft motion and draft press releases to use to lobby local councils. This should empower activists to take the End Legal Loan Sharking campaign to a local level. All local campaigners and councillors should feel free to adapt the text and motion for their own local circumstances and experiences.

**More details of the campaign can be found at [www.endlegalloansharks.org.uk](http://www.endlegalloansharks.org.uk)**

Any further questions contact  
[joe@compassonline.org.uk](mailto:joe@compassonline.org.uk) or 07796884487



compass

# SAMPLE LETTER

Dear Councillor [ ],

**Re: Please Take Action to End Legal Loan Sharking**

The problem of a lack of affordable credit has been exacerbated by the credit crunch and the recession. Banks have not been able to or chosen not to provide affordable credit for millions of people. This has meant a huge growth in the number of people using high cost credit (payday loans, pawnbrokers, home credit, rent to buy). The number of payday loan users has increased fourfold; the number of pawnbrokers has trebled in seven years.

High lending rates and debt repayments often have a devastating impact on local communities – unaffordable debt repayments are linked to rent, council tax and utility arrears, constraints on job seeking behaviour, poor diets, cold homes, mental health problems and house repossessions. This not only impacts on individual borrowers but in the end on local authorities, who end up picking up the pieces. The impact is felt through missed rent or council tax payments and the social fallout due to residents falling into inescapable cycles of debt and poverty.

To find out more please go to <http://www.endlegalloansharks.org.uk/>  
One economic journalist has labelled this lack of affordable credit a '1930s credit crisis'. The amount of money leaving poorer communities in debt repayments to high cost lenders dwarfs the level of Government spending going into these areas in the form of targeted regeneration funding.

Research carried out by Paul Jones at John Moore University, shows that far from borrowing money to pay for luxury or non-essential goods, people on low incomes need credit just to get by. They know they are paying well over the odds for credit but have no choice but to pay the high prices charged.

We need all levels of government to tackle this crisis. As a councillor I ask you to do adopt best practice such as that used by Cornwall and Stevenage councils to promote financial literacy and affordable lending. I have attached a draft motion which I would like you to put to the council. I have also attached a list of actions the council could take.

Kind Regards,  
[NAME]

P.S to find out more about Compass go to [www.compassonline.org.uk](http://www.compassonline.org.uk)

# WHAT YOUR COUNCIL CAN DO

## *Pass a Council Motion*

- 1 Council notes and welcomes the UK-wide campaign to end 'legal loan sharking'.
- 2 Council believes that the lack of access to affordable credit is socially and economically damaging. Unaffordable credit is causing a myriad of unwanted effects such as poorer diets, colder homes, rent, council tax and utility arrears, depression (which impacts on job seeking behaviour) and poor health.
- 3 Council further believes that unaffordable credit is extracting wealth from the most deprived communities.
- 4 Council would like to support the following motion:
  - a It is the responsibility of all levels of government to try to ensure affordable credit for all. This council therefore pledges to use best practice such as that used by Cornwall and Stevenage Councils to promote financial literacy and affordable lending. This will help to ensure that wealth stays in the local economy, it will improve the effectiveness of local regeneration initiatives and reduce pressure on public expenditure.
  - b This council calls on the government to introduce a cap on the total lending rate that can be charged for providing credit.
  - c This council calls on the government to give local authorities the power to veto licenses for high street credit agencies where they could have negative economic or social impacts on communities.

## *Other Actions*

We understand that you will be facing budgetary pressures over the next few years. Investing in financial literacy is a low cost way to ensure that wealth stays in the local economy.

There are a host of examples of where local authorities have successfully promoted financial literacy. For more information go to <http://is.gd/gPZrX>

Stevenage Borough Council has adopted a twin track approach in dealing with financial literacy and financial exclusion.

- 1 **Education** – This involves working with other organisations such as the CAB to host money advice events. These events can help people to plan their finances and explain the services which they can access. They also provide education around financial terms such as APR.
- 2 **Promoting Affordable Lending** – For most councils their local credit union is the main source of affordable credit. Stevenage Borough Council has provided financial assistance to their credit union. It has also promoted the credit union through its customer service centre, its children's centre and council publications.

## ***A checklist of what your council can do***

- Host local money advice events
- Provide financial assistance to your local credit union
- Promote your local credit union in council literature
- Provide access to council premises for your local credit union
- Provide financial assistance to your local Citizens Advice Bureaux
- Ensure your staff in social services, housing, consumer advice and other frontline services are trained to spot and help people having financial difficulties
- Promote financial education and affordable lending in schools
- Enforcement through trading standards against illegal loan sharking
- Conduct research into the level of economic literacy in your area and calculate the economic effect this is having
- Submit evidence to the BIS Consumer Credit and Personal Insolvency consultation (deadline 10/12/10). Please contact [joe@compassonline.org.uk](mailto:joe@compassonline.org.uk) or 07796884487 for assistance.
- Write to the Business Secretary and lobby the government to introduce a cap on the total lending rate that can be charged for providing credit
- Call on the government to give local authorities the power to veto licenses for high street credit agencies where they could have negative economic or social impacts on communities.

# SUGGESTED SUBMISSION

## ***Call for evidence on the Consumer Credit and Personal Insolvency Review***

Send your submissions to Peter Lovitt on [peter.lovitt@bis.gsi.gov.uk](mailto:peter.lovitt@bis.gsi.gov.uk), or by post to:

Peter Lovitt

Consumer and Competition Policy

Department for Business, Innovation and Skills

1 Victoria Street, London, SW1H 0ET

You must submit your evidence by 10 December 2010

### ***Suggested Submission:***

#### **Re: Consumer Credit and Personal Insolvency Review: Submission of Evidence**

Dear Peter,

Since the 2006 Competition Commission inquiry into Home Credit, the prevalence of high cost lending and the prices charged by home credit lenders have gone up in my community.

As the possible alternatives to caps, including the provision of better information to consumers and increased data sharing, have not had any effect on prices for home credit or door to door lending, I have no confidence that these measures will have any real impact in relation to other areas of the high cost market either. I therefore cannot see how the OFT's proposals from its recent High Cost Credit Review will achieve the desired effect of reducing the price of credit for lower income households within a reasonable time-frame.

Furthermore in 2006 the courts were equipped to define and over-rule lending agreements where it felt there were 'unfair terms'. This power is rarely used as a form of recourse and the few court cases that have been taken forwards have revealed that judges are not willing or able to challenge the pricing policies of high cost lenders.

I therefore urge you to look again at the idea of credit caps for all forms of credit and not just for credit and store cards. We also call on the government to grant local authorities new powers to authority planning committees to enable them to restrict the provision of premises for licensed consumer credit agencies within a local area.

Kind Regards,

[YOUR NAME]

[YOUR ORGANISATION]

# SAMPLE PRESS RELEASES

## 1 *Successful:*

### **Council pass motion to ‘End Legal Loan Sharking’**

A motion proposed by Cllr [NAME] at [CITY] Council was successfully passed on [DATE].

As evidence emerges that the number of payday loan users has increased fourfold and the number of pawnbrokers has trebled in seven years this motion will help to ensure that wealth stays in the local economy. Councillors argue that the motion will improve the effectiveness of local regeneration initiatives and reduce pressure on public expenditure.

Research carried out by Paul Jones at John Moore University, shows that far from borrowing money to pay for luxury or non-essential goods, people on low incomes need credit just to get by. They know they are paying well over the odds for credit but have no choice but to pay the high prices charged. Councillors have pledged to promote affordable credit through local credit unions and therefore halt the expansion of high cost lenders which are extracting wealth from our poorest communities.

Cllr [NAME] said: “I support the campaign to end legal loan sharking. ETC.”

**ENDS**

## **NOTES**

- 1 The motion passed read;
  - a It is the responsibility of all levels of government to try to ensure affordable credit for all. The council therefore pledges to use best practice such as that used by Cornwall and Stevenage Councils to promote financial literacy and affordable lending. This will help to ensure that wealth stays in the local economy, it will improve the effectiveness of local regeneration initiatives and reduce pressure on public expenditure.
  - b The council calls on the government to introduce a cap on the total lending rate that can be charged for providing credit.
  - c This council calls on the government to give local authorities more powers to be able to veto licenses for high street credit agencies where they could have negative economic or social impacts on communities.
- 2 For interviews and further information please contact xxxxx

# SAMPLE PRESS RELEASES

## 2 *Unsuccessful:*

### **FAO – Local news desks**

Date

### **[CITY] Council defeat motion to ‘End Legal Loan Sharking’**

A motion proposed by Cllr [NAME] at [CITY] Council was defeated by the ruling [PARTY] on [DATE].

As evidence emerges that the number of payday loan users has increased fourfold and the number of pawnbrokers has trebled in seven years this motion was designed to ensure that wealth stayed in the local economy.

Research carried out by Paul Jones at John Moore University, shows that far from borrowing money to pay for luxury or non-essential goods, people on low incomes need credit just to get by. They know they are paying well over the odds for credit but have no choice but to pay the high prices charged.

The ruling [PARTY] council has been criticised for giving a free rein to legal loan sharks and allowing them to extract wealth from our poorest communities.

Cllr [NAME] said: “I support the campaign to end legal loan sharking. ETC.”

Cllr [NAME] said, who seconded the motion, said: “ I am disappointed that this motion was defeated...”

**ENDS**

## **NOTES**

- 1 The defeated motion read;
  - a It is the responsibility of all levels of government to try to ensure affordable credit for all. The council therefore pledges to use best practice such as that used by Cornwall and Stevenage Councils to promote financial literacy and affordable lending. This will help to ensure that wealth stays in the local economy, it will improve the effectiveness of local regeneration initiatives and reduce pressure on public expenditure.
  - b The council calls on the government to introduce a cap on the total lending rate that can be charged for providing credit.
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- 2 For interviews and further information please contact xxxxx