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Advice NI Briefing Paper

Illegal Lending – the story continues

May 2021

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1.0. Background

In 2019, the Consumer Council commissioned Advice NI to explore the human side of illegal money lending activity in Northern Ireland (NI). The result was our *'Illegal Lending – the human story'* report to highlight the impact illegal lending had on people who used the Independent Advice Network's money and debt services.

Then, in 2020 the world came to a standstill as the Covid-19 pandemic spread rapidly across globe, causing national lockdowns. The full ramifications of this catastrophic event have yet to fully unfold. With this in mind, the Consumer Council commissioned Advice NI to carry out a follow up report to assess if Covid-19 has had an impact on illegal lending. We were also asked to consider how Covid-19 has affected our debt services and what impact it has had on our clients.

2.0. Introduction

Advice NI is a membership organisation that exists to provide leadership, representation and support for independent advice organisations to facilitate the delivery of high quality, sustainable advice services. We have 69 member organisations operating throughout NI that provide information, advice and advocacy services on an extensive range of matters including social security, housing, debt, consumer and employment issues. Together, with our members we make up the Independent Advice Network[1]. We provide our members with advice and information management systems, funding and planning guidance, quality assurance support, and training from foundation to diploma level, social policy co-ordination and ICT development to ensure best practice, best value and effective advice services delivery.

[1] For further information on Advice NI's work including details of our members see our website for details www.adviceni.net

Advice NI also provides regional frontline advice services. All our services are delivered through an omni-channel approach and are aligned to the NI Advice Quality Standard's principles – independent, impartial, accessible, confidential, effective, accountable and free. Advisers meet the training requirements to be able to deliver a professional quality service.

In 2019/20, the Independent Advice Network dealt with 540,983 enquiries covering benefits, debt, housing and employment. For the same period the Debt Advice Service helped 5,071 people deal with over £52m in debt and the Business Debt Service helped 195 businesses deal with £8.2m in debt.

3.0. Methodology

Advice NI carried out a review of the statistics available on the impact of Covid-19 on NI and the economy. Data from our debt services from 2018-2019 and 2019-2020 was analysed, to see what trending issues were presenting and if there was statistical evidence to highlight an increase in illegal lending. It is important to note that we cannot analyse and compare the data like for like due to the impact Covid-19 has had on the service.

When we were initially approached by the Consumer Council it was not expected that Covid-19 restrictions would be ongoing and that government and financial support packages relating to Coivd-19 would still be available. Due to this, Advice NI postponed conducting our research until February 2021. At the time of writing, NI was in its third lockdown and further financial support for businesses and those on benefits had just been announced, including a further extension of the furlough scheme until September 2021.

During February 2021, the frontline debt advisers involved in our debt services were invited to participate in one-hour focus groups to discuss their experience of delivering debt advice during Covid-19. Five focus groups were carried out via Zoom. In keeping with the previous report, we decided not to speak directly to clients due to the sensitivities surrounding the topic. Advisers were asked to provide written anonymised case studies, which were discussed during the focus groups. After analysing the focus group data we have collated and outlined a number of pertinent themes.

4.0. Covid-19

Covid-19 has severely impacted face-to-face services throughout 2020 and the vast majority of the debt advice services operate locally through our member centres. Since March 2020, we have been primarily providing services through telephony and digital channels. Intermittently, some members were able to open their offices between lockdowns for those who urgently needed a face-to-face appointment.

The government continues to provide support to businesses and employees through loans, grants, benefit top-ups and the furlough scheme. The Financial Conduct Authority (FCA) has also made a number of provisions to allow lenders to support those who have mortgages, unsecured credit, overdrafts and high interest short-term credit.

Many are predicting a severe recession because of Covid-19. This will impact on the ability of those living in NI to access meaningful employment[2]. Since Covid-19, in Northern Ireland (NI) we have seen:

- *Increased job losses*: The number of people on the NI claimant count was 58,400 in December 2020, almost double the number recorded in March 2020[3].
- *Increased redundancies*: During 2020, the number of redundancies was the highest recorded since records began at 11,000[4].
- *Increased numbers accessing furlough*: NI saw a steady increase in people being furloughed since October 2020. The total number of people recorded as receiving furlough in December was 94,800[5].
- *Delays in issuing National Insurance numbers*: For many people this meant that they were working on emergency tax codes. For those receiving furlough payments it has caused further hardship.

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[2] The Guardian, [2021], https://www.theguardian.com/business/2021/jan/01/uk-economic-outlook-for-2021-Covid-surge-deepens-the-gloom#:~:text=The%20UK%20economy%20begins%202021,worst%20recession%20in%20300%20years.

[3] NISRA [2021], Labour Market Statistics, https://www.nisra.gov.uk/system/files/statistics/labour-market-report-january-2021.pdf

[4] Ibid

[5] Gov.UK, [2021], https://www.gov.uk/government/statistics/coronavirus-job-retention-scheme-statistics-january-2021/coronavirus-job-retention-scheme-statistics-january-2021#employments-furloughed-over-time-by-country-and-region

The Office for National Statistics[6] reported that April 2020 saw the UK economy shrink by 20.4%. The Money and Mental Health Policy Institute[7] highlighted that those with mental health problems were more exposed to hardship during the pandemic, with 18 per cent of those furloughed having a mental health issue. The Ulster University has estimated that 25% of those currently furloughed could be made redundant[8]. This would see unemployment rates increase to 13%. If these predictions are correct then sectors such as hospitality, accommodation, food, retail and the arts will be amongst those most affected. It is noteworthy that these sectors also tend to employ more females, young people and those on a lower income.

According to the Money and Pension Service (MaPS)[9] research, there are 267,000 people who are over-indebted in NI and in 2018 only 29% of those individuals sought advice. The advice sector is already warning of a debt crisis as MaPS now estimate that the demand for debt advice services will increase to 60% by the end of 2021[10].

There are also serious personal, social, health and economic impacts of such an unprecedented event like Covid-19. Government policy decisions, such as those made in relation to the balancing of public finances, could also negatively affect individuals and households.

5.0. Findings

5.1. A brief overview of debt and client issues

In total, there were five focus groups and 24 advisers participated, which is a response rate of 73 per cent. The debt service statistics showed that from April to December 2020, 2,341 people were helped to deal with nearly £14 million in debt covering 4,131 agreements.

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[6] ONS, [2020]; https://www.ons.gov.uk/economy/grossdomesticproductgdp/articles/coronavirusandtheimpactonoutputintheukeconomy/april2020

[7] The Money and Mental Health Policy Institute [2020]; https://www.moneyandmentalhealth.org/income /

[8] Ulster University, [2020]; https://www.ulster.ac.uk/__data/assets/pdf_file/0017/614132/UUEPC-Pathways-to-Recovery-after-Covid19-Paper-3-_05082020.pdf

[9] Money and Pensions Service, [2019], https://www.moneyadviceservice.org.uk/en/corporate/a-picture-of-over-indebtedness-in-the-uk

[10] Money and Pension Service, [2020], https://www.moneyandpensionsservice.org.uk/2021/01/20/helplines-forecast-a-call-about-debt-every-four-minutes-in-january/?cn-reloaded=1

Overall, our services have experienced a 35 per cent decrease in people accessing debt advice during April to December in 2020 compared to the same period the previous year. This was a direct result of the impact of the Covid-19 restrictions, which saw the closure of local face-to-face services. This was a trend similarly experienced by other UK debt providers[11]. Also, during this period the overall total debt decreased by 60%, which was a direct result of the ongoing financial support packages put in place during this time.

Table 1.0 highlights the top ten debt types for the period April to December 2019 and for the same period for 2020.

Table 1.0 Top ten debts for 2019 and 2020

	2019	**Total Debt**	**2020**	**Total Debt**
1	Credit Card	8,194,942	Credit Card	3,810,545
2	Mortgage Shortfall	6,942,800	Mortgage Shortfall	2,246,037
3	Personal Loan	4,410,521	Personal Loan	1,845,460
4	Mortgage	4,073,237	Bank Loan	860,406
5	Bank Loan	1,553,830	Credit Union	628,473
6	Benefits Overpayment	1,195,596	Benefits Overpayment	476,908
7	Credit Union	1,084,270	HMRC Debts	399,754
8	HMRC Debts	873,525	Mortgage	366,296
9	Hire purchase or conditional sale	839,182	Secure Loans	344,464
10	Rent Arrears	819,643	Rent Arrears	331,777

It is evident from the table that people who used our services in 2020, generally struggled with the same type of debts as they did before Covid-19. This correlated with feedback from the focus groups, where advisers said that clients were presenting with the same debt issues.

The biggest issue was credit cards, with advisers telling us that clients often rely on these to survive until their next payday.

The biggest decrease was clients struggling with mortgage debt. As seen in Table 1.0, mortgage debt decreased by 91 per cent in 2020 compared to the same period in 2019. The

[11] StepChange, [2021], https://medium.com/stepchange/exceptional-times-exceptional-measures-and-the-future-c9bd02c7e73e

advisers believed that this will be a major area for future concern, especially with the uncertainty surrounding job security and many people accessing the payment deferments who were not fully aware that they would have to repay at a higher amount than before.

Rates debt was another area of concern that was raised by advisers and although not detailed in Table 1.0, it decreased 86 per cent in 2020 compared to 2019. The advisers discussed their trepidation with how the Land and Property Services (LPS) would deal with future arrears. Many expressed how LPS were quick to make people bankrupt once the debt reached £5,000, which is the minimum amount of debt required before you are allowed to apply for bankruptcy.

Advisers anecdotally told us that there was an increase in one-off advice queries, that some clients were contacting the service to get an indication of potential future options. However, they were not willing to make decisions until they knew what was happening once their furlough and deferment payments ended. Advisers told us how many clients believed that they could start back where they left off, although some advisers were sceptical that this would be the case.

Table 2.0 shows the main issues advisers identified on client cases that presented to the service during 1 April to 31 December for 2019 and 2020. The percentage was calculated on the overall number of cases that these indicators were recorded, it is important to note that a number of indicators could be applied to a single case.

Table 2.0 Client issues in 2019 and 2020.

Client issues	2019	overall %	2020	overall %
No Savings	1,880	42.5	798	37.3
Low income	1,137	27.4	562	21
Over-committed	697	16.7	360	13.5
Deficit surplus income	518	11.7	206	9.6
Relationship breakdown	290	7	137	5
Reduced income	288	7	168	6
Addictions	155	3.7	185	7

The client issues presented in Table 2.0 were similar for both 2019 and 2020. The advisers explained generally by the time people come for debt advice they will already have exhausted their savings trying to service their debts. Therefore, it is not surprising it is one of the major issues facing clients, with approximately two fifths presenting with no savings in 2019 (42.5%) and 2020 (37.3%). Low income was the next highest category with 27.4% of clients presenting with this issue in 2019 compared to 21% in 2020. Being over-committed (16.7% in 2019 v's 13.5% in 2020) and having a deficit surplus income (11.7% in 2019 v's 9.6% in 2020) were also issues commonly experienced by clients. The advisers considered that these were the main factors driving people to rely on credit to pay for essentials. Many advisers explained how difficult it was, in these scenarios, to go through the client's budget as they will already have cut back to the bare minimum.

The next three areas were relationship breakdown (7% in 2019 v's 5% in 2020), reduced income (7% in 2019 v's 6% in 2020) and addictions (3.7% in 2019 v's 7% in 2020). Advisers commented in the focus groups that they were seeing a rise in clients presenting with addictions, gambling and relationship breakdown. They felt that Covid-19 had escalated these issues for people due to boredom and isolation. By way of an example, one group discussed how client's had now become more aware of their partner's spending habits leading to issues within the relationship.

Advisers agreed that the majority of their clients had already been struggling when Covid-19 hit. The pandemic was the final push for them to seek advice, as one adviser commented, *'it was just a matter of time before they came to the service. It was going to be Covid-19 or something else that would have made them contact us.'*

What was clear from the data and focus group feedback was that very few illegal lending cases were presenting to the service during 2020. Only one case was recorded from April to December 2020, however during the focus groups advisers discussed others that had presented in January and February 2021, which we have outlined below. We have also included adviser feedback on the issues they have dealt with during the pandemic. Similar to our previous report, we have broken this down into themes along with cases studies.

6.0. Illegal Lending cases

During focus groups, advisers discussed the illegal lending cases they had dealt with since Covid-19. Advisers agreed that clients only disclosed these debts as they had nowhere else to turn. The profile of cases remains similar to before, in that these clients were vulnerable and either had no other access to credit or had addiction issues. It is also notable that the vast majority of these cases were linked to lending from paramilitaries. As these cases had only recently presented to the service, no outcomes have been finalised. Advisers continue to work to find feasible solutions.

In one case the client lost his job, he had separated from his wife and began to suffer mental ill health. The client owed nearly £20,000 to a number of creditors. He had turned to illegal lending as he had no income and he borrowed £2,000 while he waited on his benefits coming through. He was advised to open a new bank account for his benefits payments. This would stop his bank, which was his biggest creditor, using their legal right of offset[12]. The client was hard to contact due to his mental health. Eventually, when the adviser was able to make contact with him, he told her that had tried to commit suicide. He was admitted to hospital and was referred to a psychiatrist. His friend had spoken to the illegal lenders on his behalf who have agreed that due to his circumstances they would *'leave him alone'* until he gets sorted. Since his attempted suicide his family are helping him with food and utilities.

Another example discussed, was a client with mental health issues and a drug addiction. The client owed over £25,000 to illegal lenders and another £5,200 to other various lenders including a priority lender. Due to the size of the debt, this client is under threat of serious harm and NIACRO is working with him to get him rehoused. He has been attending a community addiction support service. The client is not working, he is in receipt of benefits and therefore has limited resources to repay. In the past, he has accessed credit to try and pay off the drug debt but due to his addiction and the size of the debt he has not been able to bring the debts down.

[12] MoneySavingExpert [2021] Most banks have the right to transfer cash from your bank or savings accounts to pay off other debts held with them, such as credit cards or loans. It's known as the right to "'set-off", or to combine accounts.

In a similar case to the one highlighted above, the client agreed to take a punishment beating as repayment for the debt, only to discover a few weeks after the beating the illegal lenders had begun chasing him again for repayments.

Another case discussed was that of a property developer, who was left with substantial debt due to the 2008 property slump. The properties were all in joint names with his ex-partner. They were repossessed, which left a shortfall of nearly £400,000. His ex-partner went bankrupt, leaving the client solely liable. The client had also borrowed £30,000 in 2007 from an illegal lender and had been paying back sporadically over the past number of years. He continues to work with the adviser and is now also considering bankruptcy.

In the final case, the client was referred by the NI Housing Executive as they were under threat of eviction. The client would not disclose any detail but did say that he owed money to the local illegal lender, however he was not worried about them. His main concern was his rent arrears. The adviser discussed the possibility of a Debt Relief Order but the client has since disengaged with the service.

7.0. Themes

Hidden issue

During focus groups, advisers informed us that illegal lending continues to be a hidden issue. It was widely acknowledged that clients will disguise illegal debts by saying they owe family or friends. Most advisers highlighted that it was even more difficult to ascertain if someone had an illegal lending debt because advice was now being provided over the phone or digitally. They told us that over time it is easier for the adviser to build rapport and trust with the client during face-to-face interviews. They discussed how they are able to notice changes in the client's behaviour, their body language or a change in their tone of voice; then using these cues the adviser will probe and gently challenge the client about the debt. However, advisers said this was more difficult to do over the phone due to the lack of personal interaction, as well as interviews being shorter and with follow up being done via email, all of which made gathering information more difficult.

Unusual sources of credit

Advisers also discussed that clients were presenting with other unusual sources of credit. In some instances, they believed these were guises for illegal lending activity. One adviser highlighted a case of a local furniture store that was lending money suspiciously. They had dealt with a number of cases where the store had lent money to customers. In one case, the client approached the service after her relationship broke down. She had a total debt of approximately £4,000 to various lenders including doorstep and payday lenders. The client owed money to this furniture store, she had a physical lending card, there was no interest rate marked on it and no proper lending contract was signed. All the money she repaid was marked on manually. The client told the adviser that every time she paid money to them the balance didn't seem to come down. She had borrowed from them a few times. The adviser tried to contact the store to determine the details but was being ignored.

Advisers were also seeing a number of saving schemes emerge. This is when a group of people save an amount per month and every month one of the savers would receive the full amount collated. One case highlighted the client owed over £8,000 to various lenders. By the time she contacted the debt service she had her phone cut off and was being summonsed to court for having no TV licence. However, the adviser noted a monthly amount of £170 was being paid out to *'lotto savings'*. The adviser probed the client as this was a substantial amount. The client was upset because she had taken the money out she felt obliged to repay it as she didn't want to let other people in her local community down.

Advisers also highlighted the growth in online raffle sites, mainly through social media, which clients were spending more and more money on. Some were concerned that these could potentially be breeding grounds for scams and illegal lending activity.

Lack of access to affordable credit

The advisers all believed that illegal lending will become a bigger issue in the future due to further restrictions on access to credit. Both the statistics and advisers highlighted the number of clients who rely heavily on credit cards and other products but at the same time they have noticed access to certain credit products has virtually disappeared since Covid-

19 hit. One particular product that was highlighted was 0% balance transfer credit cards, which many use to juggle their credit. However, these have more or less been eliminated from the market since Covid-19. The advisers believed with so many using this to balance their finances it will cause an influx of people needing debt advice, as they are no longer able to keep up repayments due to increased interest payments.

Advisers also think that doorstep lending will increase going forward, especially since other forms of credit were getting harder to access. One example given was payday loans. In one case a disabled pensioner who owed £13,300, had six doorstep debts totalling £6,739 with 25 active accounts (multiple loans with some lenders). The client had been using local doorstep lenders for over 20 years to pay for household goods, and for Christmas and family expenses. The client stated she used the loans as a habit rather than out of necessity. To repay the loans, the client was using her benefit income and often went without food and heat. The issue only resolved when her son realised the extent of the problem. This client was approved for a Debt Relief Order and the debts have been cleared. However, it was concerning as the client could evidently not afford the credit, yet had easy access to it. This also highlights the ease of access of doorstep lending and the lack of financial understanding of accessing credit because of a behavioural pattern rather than necessity. Recent statistics from the Financial Ombudsman Service[13] show that affordability remains a huge issue for high interest and home credit lending. Home credit lending complaints increased by 46% in quarter three of 2020 with 84% of these being upheld.

Credit Unions have an important role to play in local credit, however advisers told us that many of their clients have already exhausted their credit with the Credit Unions and would therefore not be able to access any further credit. This is correlated by data in Table 1.0 were Credit Union debts ranked 7th for 2019 and 5th 2020.

Advisers raised concerns that illegal lenders may potentially capitalise on the fact that many will struggle to access mainstream credit and increase their community-based, doorstep lending. Many agreed that more needed to be done for those who have a low income, bad

[13] Financial Ombudsman Service, [2021], https://www.financial-ombudsman.org.uk/data-insight/quarterly-complaints-data

credit history or are vulnerable to access no or low interest-free credit. There were some schemes discussed but they were very limited, especially for those living in NI. Advice NI acknowledge the working being done by Fair4All in England on affordable credit[14] and the report by London Economics[15] on how these schemes could operate and be financed.

Creditor forbearance and insolvency

Creditor forbearance was discussed in all focus groups. The future of debt and the potential increase of illegal lending will depend on how creditors approach forbearance once Covid-19 alleviates. Whilst, the FCA has issued several guidance documents for firms to ensure tailored advice, there remains uncertainty around how lenders will approach this. If lenders become too heavy handed in their approach, many advisers think this will drive demand for illegal lenders. If the credit market tightens access to those with lower income and/or have poor credit scores, it will force people to access credit they previously would not have considered. One adviser commented, *'the government is only delaying the inevitable for many.'* The majority agreed that creditors would need to allow for some debt forgiveness as they will only be '*wasting time pursuing debt they will never recover*'. The vast majority believed that insolvency figures will increase dramatically over the coming years.

The advisers discussed how the proposed Debt Relief Order in England and Wales[16] threshold changes were welcome however these will take longer to implement in NI. Many debt organisations have called for a review of all insolvency measures to make it easier for people to access and have a fresh start. The advisers said that this would help prevent people having to seek out illegal lending if they could access better debt solutions.

Clients not understanding deferments

Another issue of concern for our advisers was the type of language used by lenders when initially promoting deferred payments. The term *'holiday´* led many to misunderstand the consequences of deferring payments, such as mortgages, credit cards and high interest

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[14] Fair 4 all Finance https://fair4allfinance.org.uk/activities/

[15] London Economic, [2020]; https://londoneconomics.co.uk/wp-content/uploads/2020/03/NILS-feasibility-study-report.pdf

[16] Insolvency Service, [2021]; https://www.gov.uk/government/consultations/debt-relief-orders/debt-relief-orders-consultation-on-changes-to-the-monetary-eligibility-criteria#:~:text=state%20your%20reasons.-,The%20Proposal,2%2C000%20(from%20%C2%A31000).

lending. Many did not fully understand that their repayments would increase once they began repaying again. One example highlighted was a case where a young man, living at home with his parents, on low income had taken out a guarantor loan of £12,000. His repayments were £230 per month. He decided he would defer the payments for six months. He did not need to as it was his sole debt and he was able to service the debt. However, once his repayments began the amount increased to £400 per month. It was his mother, who had contacted the service as her son could not afford the repayments and she was now liable to pay. The mother did not want her credit rating affected and has agreed to work out a plan with the son to pay the debt back. However, the adviser has suggested making a complaint on how the amount increased so dramatically and why he was not assessed for affordability. The client is now considering this.

The terminology lenders used has led to a lack of understanding and/or awareness people have when accessing these forms of financial reliefs. Many agreed at the focus groups that this will be a serious issue in the future, especially when people have to begin mortgage repayments after a deferment period. It also highlights the reliance people have on family and friends to support them.

Increase in social issues

Client issues were highlighted in Table 2.0 and there was a general agreement across the focus groups that these types of social issues will increase, especially mental health, gambling, addictions and relationship breakdown. Advisers believed that as increasing numbers of people face the prospect of losing their job, and being unable to cope with their debts, a detrimental ripple will impact other areas of their lives.

Advisers told us that clients don’t often admit to having a gambling problem and there are times clients don’t even recognise their own gambling behaviours. This was only being realised once the adviser checked bank statements, which prompted a discussion around gambling. With the closure of betting shops and bingo halls, bank statements provide clear insights about where a client was spending their money. Previously, this was less evident when the client would have used cash to gamble.

Advisers have dealt with increasing numbers of clients who have recently separated from their partners. Covid-19 has placed a strain on some relationships with couples being isolated together. In one example where a relationship had broken down, the client owed over £4,000 to eight catalogues. She told the adviser that this was the only way she could afford to buy things as she could not afford them outright. Client suffers from mental ill health difficulties and her ex-partner has refused to pay her debt for her this time as he could see how much she was spending.

Credit score

During April to December 2020 there was an increase of those aged 25-39 using the service. Interestingly, advisers commented that many younger clients would not consider insolvency or other options that would affect their credit score. These younger clients wanted access to credit in the future to be able to buy a home or a car. Many believed that they would be able to begin where they left off once Covid-19 restrictions ended. However, the advisers felt that some may be over optimistic and were burying their heads in the sand about their situation.

8.0. Conclusion and recommendations

This report highlights that illegal lending remains a serious, hidden issue in NI and that unlike other parts of the UK the threat of violence here is very real if someone is not able to repay the debt. Covid-19 has created a great deal of uncertainty for the future and as the research showed there are a number of serious factors that may potentially escalate illegal lending in the future. We have not yet felt the full impact of Covid-19 due to government and financial support schemes. However, as lending markets start to tighten further, it will give more opportunity for illegal lenders to exploit those who are financially vulnerable. Advisers discussed other forms of unusual credit that were beginning to present to the service, such as community lotto scheme, furniture stores and online raffles, all of which have potential for illegal lenders to take advantage off.

The illegal lending cases that were highlighted had similar traits to those discussed in our previous paper. In other words, the person was considered vulnerable as they suffered from poor health or were in a vulnerable situation. There were concerns around being able to identify these debts if advice services continued to be mainly provided by telephone or digital channels. This is something that we will have to monitor and develop more specialised training to ensure our advisers are equipped to confidently identify these lenders.

Covid-19 has created huge uncertainty around job security, which may mean an increase in redundancies and unemployment in the future. We believe this will mean an increase in the number of people seeking debt advice, many for the first time. We recommend that a review of the insolvency criteria is needed in NI. England and Wales have already begun this process and we advocate that there is no delay in undertaking the same process in NI. This will prevent people having to seek illegal lending in the first place, if they could access a measure that allows them to become debt free, this will reduce the need to source further credit.

Affordable credit remains one of the biggest issues surrounding illegal lending. Now, more than ever, something needs to be done to ensure people have access to lending that is accessible with low or no interest or charges attached for people in NI. Here, compared to other regions, illegal lending carries a very real threat of violence for people. However, with no other access to credit people may have no choice but to turn to illegal lending to survive. Fair4All is piloting work in this area but this does not currently extend to NI. We believe that measures should be taken to ensure that similar schemes are available to NI consumers that provide access to credit for those excluded from mainstream credit.

Education remains a vital function in bringing awareness to people on the pitfalls of all types of credit including illegal lending. From the cases we have highlighted, two in particular that accessed credit out of habit, resulted in the person not being able to eat or heat their home. The other example was someone, who did not understand the ramifications of deferring payments. More needs to be done not only to educate clients but also lenders on the consequences of poor communication, be aware of terminology that is being used and bad practice.

From this we can conclude that there remains a considerable amount of uncertainty surrounding the full impact of Covid-19. It is evident that those who may be more severely impacted are considered vulnerable and may have no alternative but to seek out illegal lending, unless something can be done to protect them.

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