

Written evidence from England Illegal Money Lending Team (CPM0020)

The England Illegal Money Lending Team (IMLT) work to identify, investigate and prosecute illegal money lending across England. IMLT supports the victims and communities affected by this crime and works to stop people using illegal money lenders in the first place.

Measurement and targets

- How should child poverty be measured and defined?

From an IML perspective, child poverty is usually caused through parental worklessness and / or low earnings, financial exclusion and lack of financial resilience, parental ill health and family instability etc., and can be factors that cause individuals to use illegal money lenders. Use of illegal lenders by this group will certainly end up in **absolute** poverty – either gradually over years or very quickly depending on the amount of money borrowed and demanded in return.

The threshold for relative poverty is set at 60% of the average median net household income (the threshold can fluctuate from one year to the next). The threshold for absolute poverty is set at 60% of the average median net household income (the threshold does not fluctuate over time).

When working with victims in poverty, the IMLT monitors housing tenure, employment, household income, dependants, mental health, carers, how many times credit has been applied for and refused, gambling addictions, drug & alcohol addictions, financial literacy, debt and access to mainstream financial services and these are factors that contribute to household and child poverty and impacts on the welfare of children.

- What were the advantages and disadvantages of having a set of targets for reducing child poverty?

It is not possible to know the extent of child poverty without taking family financial position into account and it is therefore important to commit to measuring the number of families struggling financially. From an IMLT perspective the income level will normally be a factor in understanding the financial position and low income families can be disproportionately affected. However, IMLT supports some families where the income bracket would be above the national average and it is the impact of the illegal money lenders demands and other life style factors that would cause the issue of financial difficulties. The position is not always attributable to low incomes therefore any targets or indicators identified should not be simply about raising income and should recognise that different circumstances could create a child in poverty situation. Any targets for reducing child poverty would need a strong baseline that does not simply measure increase in income, but measures financial resilience.

IMLT must be aware of the circumstances of the victims of loan sharks in order to get them the right type of help, and as such, exploring the issues that families face is a necessity to ensure that we play a key role in reducing financial hardships. This will go some way to contributing towards the reduction in the impacts of child poverty.

During 2019, 55% of the victims the IMLT supported were parents with an average of two children per family. The last estimate for the number of households affected by illegal lending is 310,000. This

means 170,500 families where being the victim of loan shark is having an impact on the children; in all likelihood forcing them into child poverty.

From IMLT stats: 67% of parents had family incomes of less than £20,000 although a third of the parents were in employment. According to CPAG (*Child Poverty Action Group*) 72% of children living in poverty have at least one person in the household who works). 49% of parents said their family went without food, fuel or rent to pay the loan shark. 24% of parents who said their family had used a food bank within the last year, 6% of parents borrowed for household bills such as gas and electric and a further 20% borrowed to buy things for their children such as clothes or to pay for school trips or childcare.

When someone is the victim of a loan shark they will pay the loan shark before anything else. This can mean that even people on above average incomes are plunged into poverty, with the loan shark taking most of their income every month. Loan sharks have been known to tell victims "Pay me, don't feed your kids". The IMLT has supported victims who borrowed £50 for school uniform and ended up paying £35,000 back forcing the family into extreme poverty.

- What is the impact of child poverty and how can it best be measured?

Children experiencing poverty are likely to experience a wide range of issues including poor diet and missed growth opportunities such as swimming, school trips & other social settings (these factors have led to parents borrowing from Illegal Money Lenders in attempts avoid alienating and excluding their children from accessing these opportunities). Children's health, physical and emotional cognitive development is negatively impacted leading to lower educational outcomes and behavioural issues as well in some instances stress and depression leading to psychological damage in adulthood.

Through identifying, arresting and prosecuting illegal lenders, IMLT plays a fundamental role in crime reduction, raising financial awareness and literacy amongst communities, ensuring illegal debt is written off for those affected and supporting victims. This allows IMLT to measure successful outcomes by reducing household debt and some impacts of child poverty as a result.

According to CPAG (Child Poverty Action Group) 9 out of 30 children in classrooms (30%) were living in poverty in 2018-19, the IMLT have provided assemblies and educational packs to schools and have received information from children about illegal lenders. The IMLT have had a case where a victim borrowed to buy food for her family – she was 12 years old!

Child Poverty could be identified through research using data in respect of unemployment within households, financial resilience, low incomes, unmet basic needs such as clothing, food and hygiene through educational monitoring and reviews. Increase in mental health issues, material deprivation.

- What links can be established for children between financial hardship, educational under-achievement, family breakdown and worklessness?

All of the above factors can contribute to child poverty, however we do not consider this to be an exhaustive list and each case identified can have different contributing factors. Use of Illegal money lenders is a significant issue for indicating and subsequently creating increased child poverty

The pressures of being a victim of a loan shark, often with no one knowing what is going on, can cause family breakdown. Some loan sharks use the threat of telling a partner about a loan to coerce people into paying without questioning the amount. The IMLT has seen cases where children have been withdrawn in school because the “Money man” is due that night and they will have to hide behind the sofa while he hammers on the door. 12% of victims meet the loan shark at their workplace, and may miss work due to the pressure of repayment.

Joint working

- How effectively does the Department for Work and Pensions work with other Government departments, particularly the Department for Education and the Treasury, to reduce child poverty?

IMLT cannot comment on the effectiveness of the collaboration as we have not been involved in the discussions.

- How effectively does the Department for Work and Pensions work with local authorities and with support organisations to reduce the numbers of children living in poverty and to mitigate the impact of poverty on children?

There were certain requirements on local authorities (LAs) in the past to assess the needs of children living in poverty in their area and producing a child poverty strategy. Local authorities are critical in supporting families through genuine hardship.

IMLT has worked to train frontline staff at DWP to refer people to the team if they are the victim of a loan shark. The IMLT and DWP have produced podcast training for staff who could not attend face to face sessions. Removing loan sharks from communities helps reduce child poverty by increasing the amount of money available to families in need. A strategically led requirement on staff to report illegal lending may help advance the amount of intelligence received from DWP.

- What would be the merits of having a cross-government child poverty strategy. How well has this worked in the past?

A strategy should have a commitment to work together across communities and across debt agencies, charities and policy makers, among other things, to prioritise the Agenda, close gaps in educational fulfilment and improve opportunities for households. A strategy needs to include all the factors that impact on child poverty, not just focusing on low income households but looking at the financial resilience of all households..

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