

UK Researcher uncovers the subterranean world of illegal moneylending

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The dangers of people turning to unofficial lenders due to the cost of living are revealed in new research undertaken by Lancaster University and have been released in a special session in the House of Commons.

Being declined for credit appears to be a key triggering factor to go on to borrow from illegal lenders in the UK, the report says. People were borrowing £3,000 on average, and generally they borrowed hundreds rather than thousands of pounds at a time.

The research shines a light on a harmful symptom of financial exclusion.

Specialist researchers We Fight Fraud, working with Lancaster University's Dr. Nicola Harding, spoke to eight illegal lenders and 287 [borrowers](#) about their experiences and the ease with which they found illegal lending in their community.

The research reveals a "subterranean world" where knowledge among a group of citizens on where and how to access small sums of credit is commonplace.

Few questions are asked of them on their ability to repay, and borrowers are generally aware that their lender is not operating legally.

"They are phlegmatic about this," says the research. "It is a means to an end—to access cash. They face intimidation and threats to repay, but in many cases view this as an occupational hazard. The potential harms are significant."

While researchers found that actual violence was rare, the pervasive threat of it was common.

The research also found:

- As the non-standard subprime market—that is, the segment of the financing business that relates to loans made to people or businesses posing a greater risk of default because of their poor credit history or limited resources—has shrunk, opportunities for

illegal lending have grown

- Debt is a uniting factor within the experiences of those borrowing from illegal lenders
- Those being lent to appear not to be the most vulnerable, but those in lower-wage full-time employment do
- This shift may be linked to the withdrawal of home-collected credit, also known as doorstep lending
- Illegal lenders' ability to provide 100% of funds sought was a factor in the borrower using the lender
- Borrowing from illegal lenders may be a digital literacy issue for some, with a lack of access to products offline

Dr. Harding said, "We undertook this research between June and December 2022, just as the emerging cost of living crisis was beginning to be felt. We were able to capture the expanding demographic of clients of illegal moneylenders as the study progressed.

"Average wages have increased to between £20k and 25k per year and more clients of illegal lenders are in full-time work than ever before, which suggests a significant link between the increased cost of living, withdrawal of home [credit](#) and subprime lending opportunities, and illegal lending.

"What is even more worrying are the links we found between illegal lending and serious financial crime, such as money laundering and the potential for terrorist financing."

Provided by Lancaster University

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