

Loan Sharks factsheet

GCSE Home Economics – Money Matters

A Consumer Council factsheet

Loan Sharks



The Consumer Council

Introduction

Borrowing money is something most of us will do at some stage in our lives. Perhaps it's a mortgage to help us buy a house, a bank loan for a new car or a credit deal with a trader to help us buy a new washing machine. But what do you do if you can't get this type of credit and you still feel you need to borrow money? Well, more and more people are now going to a moneylender and while many moneylenders may be fair and honest, unfortunately, some are not. It is these 'loan sharks' that you should try to avoid.

What the Law Says

The Consumer Credit Act 1974 says it is unlawful for a person to run a money-lending business unless they are properly licensed by the Office of Fair Trading. However, it can be difficult to prove that a person lending money is actually running a business within the meaning of the Act. Loan sharks do not normally apply for a licence.

Useful Information

If a person can't get a loan from a legitimate, licensed source, there's normally a good reason for it. Usually it means that their present income and debt would cause real problems for them repaying any new loan.

Loan sharks will lend the money even when everybody else has turned that person down and they'll also charge a very high rate of interest.

This results in the person struggling to repay the loan and often taking out another loan to repay the first one. Then, they might feel desperate enough to take out another loan to repay the second loan and find themselves getting deeper and deeper into debt.

If the person then gets behind with their repayments things can turn nasty, including physical threats to the individual or their family. There are cases of loan sharks demanding people's social security benefit book. All of this and threatening letters or phone calls are against the law, as is being harassed at home or at work.

People that experience this situation should complain to the police service and contact Consumerline on 0845 600 62 62 for further advice.