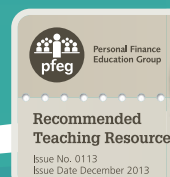


# Lessons in safer lending and borrowing, 11-19 years



Stop Loan Sharks

## Introduction

These materials have been produced by the England Illegal Money Lending Team (IMLT) for use with students aged 11-19. They want to ensure that young people fully understand about the dangers of using illegal money lenders (loan sharks) and believe that this is best achieved as part of a wider financial education programme that teaches about borrowing money safely and managing money effectively. The earlier this process starts the better.

The activities have been developed so that they can be delivered in many areas of the curriculum such as maths, English, art and design, drama and PSHEe and citizenship as well as delivering many core learning objectives in the pfeg financial education planning framework.

### The resource and how to use it

All the activities are based on real life scenarios and are designed to be used as a vehicle for exploring a range of issues; deciding how to spend our money;

safer lending and borrowing; considering the choices we make when thinking about how to manage and fund our lifestyles; the costs and benefits of individual choices particularly the dangers and potentially horrendous consequences of using loan sharks and how to choose more appropriate alternatives and make better financial decisions.

The activities also signpost or allow discovery of possible routes out of difficult financial situations. The activities are structured in a manner that will enable students to consider and develop their own attitudes to money.

The materials have been created to extend students financial knowledge and understanding so that they are able to make better informed and rational decisions about their own financial needs in the future.

## This resource comes in three parts:

### TEACHER GUIDANCE:

This booklet provides a step by step guide to a sequence of lessons. These are presented as eleven core activities designed to be used with students from ages 11-19. You can use these as presented or in a manner that is suitable for the age and needs of your students.

#### Age 11-14: Sam's Tale: A story about borrowing

Activity 1: How does money make us feel?

Activity 2: Where does money come from?

Activity 3: All about borrowing  
Activity 4: Safer lending and borrowing

#### Age 14 -16: A game of numbers

Activity 5: A game of numbers  
Activity 6: What does it really cost?

Activity 7: A new iPad for Ben:  
The true cost of borrowing

#### Age 16-19: How much will it cost?

Ice breaker: A lucky find

Activity 8: Needs and wants

Activity 9: Things change

Activity 10: Things get worse  
Activity 11: Light at the end of the tunnel

### STUDENT RESOURCE

**SHEETS** – are located at the end of this pdf document.

The resource references a video "Mike's story". This can be found at [http://www.youtube.com/watch?v=4YqeJgE\\_PUQ](http://www.youtube.com/watch?v=4YqeJgE_PUQ)

# Sam's Tale: A story about borrowing

## Intended Age Range

11-14 years old

## Curriculum relevance

PSHEe citizenship

English mathematics drama

## Activity learning outcomes (linked to pfeg Financial Education Planning framework 11-19 years)

Managing risk and emotions  
associated with money

- Risk and reward

How to manage money

- Borrowing money and  
managing debt

Becoming a critical consumer:

- Financial products

By the end of the sessions students will be able  
to understand:

- Their own attitudes to money,
- That poor decisions about money may lead to  
problems with health and well being,
- That people need to take responsibility for their  
financial choices,
- The need to manage money in order to avoid  
debt,
- That there is a need to evaluate risk before  
entering into any borrowing situation,
- That credit often means debt,
- The dangers of using loan sharks and how to  
avoid them through knowledge of safer lending  
and borrowing options.

## Activity overview and task breakdown

A story about borrowing

Activity 1: How does money make us feel?

Activity 2: Where does money come from?

Activity 3: All about borrowing

Activity 4: Safer lending and borrowing

These activities will enable students to:

- Examine our attitudes towards money to help  
students understand how we can get into  
difficult situations with money.

## Resources required

- Examine where money comes from to encourage students to appreciate the need to manage money well.
- Learn about appropriate ways to pay for things we want or need.
- Explore the language around credit and debt.

Sam's tale in four parts

Emotions Ball and statement cards with emotive words and phrases that can be money related

Where does money come from recording sheet

Borrowing vocabulary cards. Information cards about forms of borrowing

Fact sheets about the Illegal Money Lending Team and Credit Unions

## Vocabulary

Borrow, credit, debt, interest, payments, credit union, legal, illegal, bank, building society, credit agreement, bank loan, store card, credit card, payday loan, door step lender, loan shark, overdraft, social fund.



# Activity 1

## Sam's tale part 1: How does money make us feel?

### Teacher led/whole class activity



30 minutes



Sam's tale part 1, emotions ball or statement cards.



This is the first part of a story based on a real life experience of a person who fell victim to a loan shark. The story as it unfolds will enable you to explore a range of issues around the money choices we make in order to better equip the students to make good financial decisions and to be in control.

Read the first part of Sam's tale to the class. You can ask a member of the class to read it if you prefer.

The story has key words highlighted. Ask the students to identify any words they don't understand e.g. loan, benefit.

#### Sam's tale: A story about borrowing.

I knew this guy called Mike. I had known him since 2008 as he's from around here and my mates know him as well. In fact I got to know him through a mate of mine. I remember being round at my mate's house and Mike was there. He was always saying to me things like "When are you going to get a **loan** from me then? When are you going to come to me for a **loan** then?" I laughed it off and said, "No way you must be crazy, I don't do **debt**." I said.

Later that year my circumstances changed. I was struggling for cash. I had just lost my job at this clothes shop where I worked full time and I had started to claim **benefit**. I was around my friend's house one day and he - Mike that is - was there and he said to me - ready for me to **lend** you some cash yet?

I was that fed up at losing my job. I said "Yeah, go on then." I wanted to cheer myself up and go and get something new to wear. I **borrowed** £300 and he said I could **repay** him at £20 a week and I'd owe him a total of £680 all together; and I didn't need to worry about a load

of fancy paper work as he would keep a record of everything.

He gave me the cash there and then. I remember that he had a clear wallet with the cash inside it and a black book, as big as an iPad, where he kept all the names and addresses of all the people who owed him money. I made my first repayments to Mike no problem. £80 at £20 each week for the first 4 weeks, no problem.

Then I was ill for a few weeks because I was having a pretty rubbish time and couldn't find work. When I got better, I saw Mike again when my payment was due and he said he had added another £300 to my loan because I had missed payment dates.

I said that was unfair but he said that was the way it was and I had to pay. If I didn't repay he said I might not like the consequences. He wasn't joking I could tell. He then said I could borrow some more if I wanted to add to the loan.



Stop the story at the end of part 1 and ask the students:

Are there any words you don't know the meaning of? If there are then clarify these before you move on.

Ask the students to work in groups of three or four and give them five minutes to discuss the following:

- How did Sam feel about money?
- Why did Sam borrow the money?
- What was the connection between Sam's feelings and the decision to borrow the money?



### How do we feel about money?

Money can arouse many emotions and young people need to be able to manage their feelings in relation to a wide range of issues if they are to understand their own behaviour around money and how it affects their decisions.

Because this is a sensitive issue it is important to reinforce before you start the activity that students should only share thoughts that they are comfortable to share.



When does money make you feel...

Use the words in the student resources to start this activity, either using cards or sticking these onto an **emotions ball**.

If you are using an emotions ball then pose the question above and then throw the ball to a student. When the student catches the ball they must read out the word (emotion) nearest to their thumb. As teacher you now need to complete the original sentence using the word chosen. For example, 'When does money make you feel sad?' The student may respond, 'When I don't have enough'. Continue the activity with the students passing the ball on until each member of the class has had an opportunity to respond. You can do the same activity using the words on cards and asking the students to take a card and respond in the same way to the sentence using the word on their card.



Ask the students to think about their feelings about money and think about whether they are different to those of Sam.

- Do they understand how Sam got into this position?
- How do they feel about Sam's decision?
- Would they have made the same decision or a different decision?

Finally ask, 'What should Sam do now?'



After the groups have discussed these issues try to draw out the following:

- That Sam felt that having money and spending it would make you feel better.
- That Sam did not think ahead about the feelings that might be associated with owing money.

Should Sam borrow more? Discuss with students the advantages and disadvantages of Sam doing this and introduce the idea that if Sam had saved some money then borrowing would not have been necessary at the point Sam became unemployed.

#### **Advantages**

Gets the lender off your back for a while longer.

#### **Disadvantages**

You owe more money and may get into more difficulty.

The interest rate is high and no way of knowing how much more they might add on.  
No way of knowing if what you owe is correct.

Finally in the debrief, ask the students what Sam should do now and record these ideas before moving on to the second part of the story. The students will come back to these issues in more detail later.

## Activity 2

### Sam's tale part 2.

### Where does money come from?



60 minutes



Sam's tale part 2,  
'Where does money come  
from?' recording sheet



You can now read the second part of the story, or get a student to read it, and find out what Sam decided to do next.

The story as it continues highlights more key words. Ask the students to identify any words they don't understand e.g. debit card, overdraft, debt, interest.

#### Sam's next move...

I said, "No way am I **borrowing** more." But I had no way to raise the cash as I couldn't have an **overdraft** at the bank so my **debit card** was no use. I didn't have a **credit card** so I asked around my family and managed to borrow £700. They were really good and said I could pay it back without any **interest**. I paid Mike the £700 and I said that was it and that, as far as I was concerned, my **debt** to him was paid off." "You and me are done now," I said. He said, "Yep and see you around." So I thought that was fine. I just had to get on with paying my family back. That was back in June/July last year.

I didn't see Mike for ages. Then in the January a friend said that she had seen him and that he said I still owed him money. I couldn't understand this but left it because I thought she must have got mixed up as I knew we had settled up.

I was around again at my mate's house where I had first met Mike and he was there and said I owed him money because he had added **interest** to the original payment that I hadn't settled. He wanted another £300. I said, "No way, you must be joking." But I didn't have any **loan agreement** as proof either way. He laughed at first until he realised I wasn't joking. Then he got really nasty when he realised that I was serious. Then I said "I have paid you £780 and, as far as I am concerned, we are straight."



Stop the story at the end of part 2 and ask the students: Are there any words you don't know the meaning of? If there are then clarify these before you move on.

Ask the students to work in groups of three or four and give them five minutes to discuss the following:

- Was it a good idea to borrow from the family?
- Is there any other way Sam could have got the money?
- What do you think happens next...?



### Where does money come from?

This activity gets the students to stop and to think about ways in which they can get income and what that income may pay for. This introduces the idea that wherever money comes from, it still needs to be managed carefully in order to avoid overspending. This will also lead them to think about situations where borrowing may be appropriate but that there are different types of borrowing and they need to learn about those to avoid dangerous situations.



Ask the students to work in groups of three or four and get them to think of all the places where money might come from. You can ask them to think about where they get money from to spend on the things they want and where adults get money from. Is it different?

We have provided a sheet for them to record these ideas and then to think about the advantages and disadvantages of the different ways we might get our income. We have provided examples overleaf but the students may think of many more.



This is also a good point to introduce the idea that saving for the things we want can help us to avoid being in debt. To do this we need to be able to manage our money from whatever source it comes.

Where money comes from	Pros	Cons
Pocket money	Regular payment You don't always have to do anything for it	Might not be much May have to do chores to get it
Saturday job	Good experience Extra money to get the things I want	Takes up leisure time at weekend May not pay that well Stops me studying for exams
Part-time work	You can earn even if studying or still at school	You often only earn the minimum wage
Full-time work	Potentially good earnings and possibility of increased earnings	You may not be able to work full time
Winning the lottery	Could be a lot of money	The chances of winning are very small
Interest from savings	This is additional to income if you are able to save	It is not a reliable or regular source of income
Benefits	These can help you live if you are unable to find work	They are much less than paid employment and your income is fixed
Get money from family (gifts for birthdays or short term advance for something)	Good to get extras from family especially if you are studying. Family probably wouldn't charge you interest	This may not be a very regular source of income or something you can rely on
Student loan	Can enable everyone to have the opportunity to study Can be paid back in small amounts	Can take a long time to pay back. Start working life with a debt
Borrow it (Just touch upon this here if students raise it. Forms of borrowing will be handled in more detail later)	This can help us sometimes if we can afford to repay	Not all forms of borrowing are safe and can encourage us to spend more than we have

Further information on minimum wage rates can be found on [www.gov.uk/national-minimum-wage-rates](http://www.gov.uk/national-minimum-wage-rates)



When the students have had time to think about the different places money can come from and shared their ideas about the pros and cons of this bring the class back together and return to the questions about Sam.

Even though Sam had been made redundant was there any other way Sam could have got the money?

Could Sam have saved money previously and avoided this situation?

Ask the students to think about their ideas about where money comes from – what would have been realistic for Sam? If the students do not mention borrowing it then you can bring this into the discussion and proceed to the next activity about borrowing... If they do raise borrowing as a place where money comes from you can then say that they are going to find out more about forms of borrowing.



## Activity 3

### All about borrowing

#### Teacher led/whole class activity



45 minutes



*Borrowing vocabulary cards, fact cards about borrowing.*

Ask the students to work in groups of three or four and get them to sort out the set of borrowing vocabulary cards. Ask them to select the words and phrases associated with borrowing.

Check they have chosen the key cards for borrowing, these are shaded yellow.

BANK LOAN	STORE CARD	CREDIT CARD
PAY DAY LOANS	CREDIT AGREEMENT	LOAN SHARK
CREDIT UNION	OVERDRAFT	CATALOGUE
CRISIS LOAN	FRIENDS AND FAMILY	LEGAL MONEY LENDER
DEBIT CARD	ILLEGAL MONEY LENDER	
TAX	CURRENCY	RECEIPT
PAY SLIP	NATIONAL INSURANCE	SHOP
NATIONAL LOTTERY	SCRATCH CARD	WAGES

When the students are satisfied that they have sorted all the words connected with borrowing, ask them to think about what they know about each of these forms of borrowing. They can use the facts cards to help them to sort out what they know. Overleaf are examples of the facts cards the students can use.

<p><b>BANK LOAN</b></p> <p>Money borrowed from a bank.</p> <p>These loans usually have a lower rate of interest than other types of loan.</p> <p>You normally borrow a fixed amount, repayable by set monthly instalments over an agreed period of time, called the term of the loan.</p> <p>You'll usually be charged a fixed rate of interest and sometimes extra fees.</p>	<p><b>STORE CARD</b></p> <p>This is a credit card linked to a particular shop or store.</p> <p>They provide credit (debt) when you cannot get it anywhere else.</p> <p>Normally they charge a much higher rate of interest if you do not pay off the balance each month.</p>	<p><b>CREDIT CARD</b></p> <p>This is a card often owned by a bank or other financial organisation.</p> <p>You can use this card in any store that accepts it. It provides credit (debt) and you can pay back as much or as little as you want but you pay interest on the unpaid part.</p>
<p><b>PAYDAY LOANS</b></p> <p>Many companies make loans available through high street shops and internet sites. The loans they offer are often for small amounts over short time periods. These loans are relatively easy to obtain, but interest rates are very high.</p>	<p><b>CREDIT AGREEMENT</b></p> <p>This is a loan agreement offered in a shop or other place where you want to buy something and is often for bigger items like cars or furniture.</p> <p>It usually has a higher interest rate than a bank loan and there can be extra charges for setting it up.</p>	<p><b>LOAN SHARK</b></p> <p>People who lend money without the correct legal permissions are breaking the law. They are known as loan sharks. Loan sharks often work from home, charge very high rates of interest and don't give you much paperwork to confirm the arrangements they have made with you. Loan sharks often take other illegal action to collect the money they have lent you like threatening to harm you or take things that belong to you.</p>
<p><b>CREDIT UNION</b></p> <p>A credit union is a self-help co-operative or community bank whose members save so that they can borrow money when they need to at a low interest rate.</p>	<p><b>OVERDRAFT</b></p> <p>You can ask a bank to agree that you can take more money out of your bank account than what's in there. This is called an agreed or authorised overdraft. You'll be charged interest every day on the amount you overdraw.</p> <p>You may also have to pay an administration or arrangement fee for this.</p>	

<p><b>LEGAL MONEY LENDER</b></p> <p>The law says that lenders have to have the correct permissions to be able to lend money. You can find out whether a lender has the correct permissions by checking the Financial Conduct Authority website at <a href="http://www.fca.gov.uk">www.fca.gov.uk</a></p> <p>If someone offers to lend you money on the doorstep, it's a good idea to ask them if they have the correct permissions and ask to see their paperwork.</p> <p>If they don't have it, they are operating illegally and you should avoid borrowing from them.</p>	<p><b>ILLEGAL MONEY LENDER</b></p> <p>People who lend money without the correct permissions are breaking the law. They are known as <b>loan sharks</b>. Loan sharks often work from home, charge very high rates of interest and don't give you much paperwork to confirm the arrangements they have made with you. Loan sharks often take other illegal action to collect the money they have lent you like threatening to harm you or take things that belong to you.</p>	<p><b>CATALOGUE</b></p> <p>Mail order credit is usually interest free although the catalogue company may charge interest for more expensive items being paid for over a longer period. Goods bought in this way may be more expensive than those bought in high street shops.</p>
	<p><b>FRIENDS AND FAMILY</b></p> <p>When you borrow from the family they don't normally charge you interest.</p> <p>If you don't pay the money back it can cause problems between family members, or you may lose a friend.</p>	<p><b>CRISIS SUPPORT</b></p> <p>Every local authority or local council has to provide a crisis support scheme for people that may have suffered a disaster or crisis and are unable to get money from anywhere else.</p> <p>Crisis support will usually be for food, clothing, fuel for heating and expenses for emergency travel to cover short term periods of crisis or disaster. These are not usually cash payments but may be in the form of vouchers.</p>



Bring the class back together and ask them to share one example per group:

- Which form of borrowing they think is the best way to borrow and why?
- Which form of borrowing they think is the worst way to borrow and why?

This should bring out the fact that we should know how much we are borrowing and that there are some forms of borrowing that are safer than others.

Next take them back to Sam's tale. What kind of borrowing do they think Sam was involved with? Do they think it was safe? What do you think happens next?

Have a brief discussion around their views on this and then return to the story for the next instalment to find out what kind of borrowing Sam had got involved in.

## Activity 4

# Sam's tale the final parts: Safer lending and borrowing

### Teacher led/whole class activity



**90 minutes**

(3 shorter activities of 30 minutes that can be used in one session or more)



*Sam's tale final parts, illegal money lending information, credit union information, 'Getting your message across' planning sheet*



You can now read the short third part of the story or get a student to read it. Find out what happened next to Sam.

#### **Things go from bad to worse**

He then said (Mike I mean) I had to pay for my friend's **loan** as well. I said "You have got to be joking." I said "There is no way I am going to pay for that." That is when he changed.

He got up and walked towards me and he said "Get your watch off." I said "No way," and then he grabbed me round

the throat and I panicked because I couldn't breathe but he kept squeezing. I remember my friend kicked out at him but it didn't make any difference. Then he sort of threw me across the room and I banged my side really badly. He said I had to pay the money no matter what and it would carry on like this until I did pay.



Break the story at this point for a discussion with the students.

This is a short activity to get the students to do two things:

1. Think about what kind of borrowing Sam had engaged in. Get them to think back to the types of borrowing they have just been learning about.
2. Get the students to name it (illegal money lending/loan shark). Based on what they know now about that they should consider what Sam should do next...



## Sam's tale: The final chapter...

You can now read the final part of the story, or get a student to read it, and find out how Sam resolved the situation.

I heard my friend on the phone calling the police. When he heard that he ripped the phone from the wall and then walked out warning me he would get his money.

After that I went to hospital and I had a cracked rib so was in pain for another six weeks.

Since that time I didn't go back to my friend's house, in fact I avoided the whole area. The police did come back then and took a statement from me and my friend. But Mike even threatened me after that saying that if I didn't drop the charges against him then it would get nasty. He even offered my mate money to tell him where I lived. So we dropped the charges.

I believed he still might find me, I was really scared he would find me. When I used to leave the house I'd look out for him. He really affected my life completely.

The turning point was when my mate spotted an article in the local newspaper about a **loan shark** who had been taken to court and prosecuted by a group known as the Illegal Money Lending Team.

I had heard about loan sharks but to be honest I had never really thought Mike was one as he knew my mate so I thought he was OK. I never realised what he was really about and neither did she I think.

She said I should go to them because I couldn't carry on looking over my shoulder all my life. I realised she was right, so I called the **confidential hotline**. I couldn't believe it. I wished I had done it sooner.

I had felt so stupid thinking it was only me who had ever done such a crazy thing and that no one would have any sympathy for me. How wrong could I have been. Once I had phoned them (the team that is) they supported me in every way so that I could tell my story and they would have evidence to prosecute Mike and put him into prison.

This is the first time in four years that I have been able to walk down the street not looking over my shoulder. People should know that if they are in the same boat there is a way out.

The great thing is that through the team they have helped me to get advice about **managing my money** and budgeting for stuff because I had always really struggled to manage my money before, even when I was working. I now have a **credit union** savings account and, if I ever do want to borrow, I can borrow small amounts from them every so often when I really need to.

## Discussion

Were you surprised about what happened to Sam?

How could Sam have avoided this situation in the first place?

How common do you think this is that people borrow in this way?

How can people avoid borrowing from illegal money lenders/loan sharks?



## More on safer lending and borrowing

Now give the students the two fact sheets about Illegal money lending and credit unions.

Ask them to record ten key points that would have helped Sam avoid the situation and to have borrowed money more safely.

### Extension question:

What more do people need to do to be able to manage their money well and to avoid borrowing from loan sharks?

#### Key points about loan sharks you can use to support students

- Most loan sharks start out friendly, but their behaviour changes when payments are missed.
- Few loan sharks advertise; they are often heard of by word of mouth.
- Most loan sharks offer little or no paperwork.
- Many loan sharks will refuse to tell you how much you owe, how long you will be paying off the debt or what the interest rate is.
- Many loan sharks will increase the debt and add additional amounts.
- Many loan sharks take items as security including passports, bank cards or benefit cards.
- Many loan sharks resort to intimidation, threats and violence. REMEMBER if you have borrowed from a loan shark you have not committed a crime, they have.

#### Key points about credit unions you can use to support students

- A credit union is a self-help co-operative where members pool their savings to provide each other with credit at a low interest rate.
- Credit unions ask you to save so that they have money to lend to people. It also encourages people to manage their money better.
- Credit unions can lend smaller amounts of money than most banks and other lenders will.
- If you borrow from a credit union you will always know the amount you have to repay.
- They can offer loans for different periods of time depending on your circumstances.
- Most credit unions charge low rates of interest.



Using their ten key points about safe borrowing ask the students to think about how they could convey this important information to others. You can help them with ideas such as:

- Writing a script and acting out a play about the dangers of using loan sharks.
- Producing a short video for Facebook/YouTube
- Producing a leaflet that could be taken home to parents.
- Developing a campaign for the school website about the dangers.

Using the planning sheet in the student resources, ask the students to plan what they would like to do. This will ensure they cover the essential things but will also throw up where they might need to find more information.

### Extension activities

This discussion will lead on to the students being able to think about the skills they need to manage money and will enable the teacher to build on this knowledge to develop these core financial skills. These can be addressed partly using the KS4 materials if appropriate.

### Student reflection activity

This activity could be used at the end of the series of activities to get the students to reflect on what they have learned.

Use an applet like <http://www.wordle.net> and ask students to input the key words in bold from Sam's story, or the emotions ball idea, to create a graphic that will emphasise the most/least significant things they have learned. For example:

Safer lending and borrowing

Relevant borrowing solutions

Key facts about loan sharks and how to avoid them.

**Example:**



# A game of numbers

## Intended Age Range

14-16 years old

## Curriculum relevance

PSHEe, citizenship, English, mathematics, computing (ICT)

## Activity learning outcomes (linked to pfeg Financial Education Planning framework 11-19 years)

How to manage money

- Planned borrowing and saving and budgeting

Becoming a critical consumer

- Using information and advice to make financial decisions, comparing financial products

Managing risk and emotions associated with money

- Managing risk

By the end of the sessions students will be able to:

- understand that people need to take responsibility for their financial choices
- understand the need to manage money in order to avoid debt
- understand that there is a need to evaluate risk before entering into any borrowing situation
- understand how to calculate the cost of borrowing and the risks associated with different kinds of borrowing, e.g. loan sharks, pay day loans, banks, borrowing from friends
- know where to go to get information, help and advice about money management and safer borrowing
- understand the dangers of using loan sharks and how to avoid them through knowledge of safer lending and borrowing options.

## Activity overview and task breakdown

A Game of Numbers

Activity 5: A game of numbers

Activity 6: What does it really cost?

Activity 7: A new iPad for Ben:

The true cost of borrowing

## A game of numbers (continued)

### Resources required

### Vocabulary

These activities will enable students to:

- Apply this knowledge to a range of circumstances that will introduce the idea that borrowing is not all bad but there are good and bad choices when it comes to borrowing. They will do this by learning about how to examine/calculate the cost of credit and the dos and don'ts.
- Use their new knowledge to solve some money problems for a range of people. This will enable them to show what they have learned about safe borrowing.

A game of numbers cards

Calculating APR worksheets and case study

APR, flat rate, loan sharks, interest, balance, credit, debit

## Activity 5

### A game of numbers



25 minutes



A game of numbers cards



Use the following card sort activity to start more detailed work on illegal money lending.

Cut up the cards into sets. Arrange the students in groups of three or four and give a set of cards to each group. Ask them to match the statement cards with the cards with the statistics on. Some will be easy to match as there are clear clues; they can work out or guess the others.

Use the statistics as a basis for discussion.

The statistics will provide a lot of room for reflection and provide links to skills they have learned or will learn with the activities that follow. The learning opportunities associated with these figures and facts are in red.

131,000% APR	<p>The highest charge for credit charged by a loan shark has been found to be 131,000%.</p> <p>Do we know what APR is and how it is calculated?</p>
310,000	<p>The number of people thought to be affected in the UK by borrowing from loan sharks.</p> <p>What skills do we need to avoid using illegal lenders?</p>
2 years	<p>The maximum prison sentence for being found guilty of illegal money lending (being a loan shark).</p> <p>Why this practice is illegal and the difference between legal and illegal lenders.</p>
£5,000	<p>The maximum fine for being found guilty of illegal money lending (being a loan shark).</p> <p>Why this practice is illegal and the difference between legal and illegal lenders.</p>

25%	<p>The percentage of older people borrowing from loan sharks.</p> <p><b>Why might older people be in debt or in danger of using loan sharks?</b></p>
1 in 5 or 20%	<p>1 in 5 people arrested in 2012 for illegal money lending were women.</p> <p><b>We should not always stereotype loan sharks as only men as women have been found to be loan sharks too.</b></p>
214 years	<p>The Illegal Money Lending Team in England have secured 329 prosecutions for lending without appropriate permissions leading to a total of 214 years worth of prison sentences.</p> <p><b>Help is available and loan sharks can and are brought to justice so it is worth reporting them.</b></p>
329	<p>The Illegal Money Lending Team in England have secured 329 prosecutions for lending without appropriate permissions and related activities.</p> <p><b>Where to go for help and advice.</b></p>
25,000	<p>The Illegal Money Lending Team have helped over 25,000 victims of loan sharks.</p> <p><b>Where to go for help and advice.</b></p>
£64 million	<p>Over £64 million has been taken off criminals as a result of the work of the England Illegal Money Lending Team.</p> <p><b>Where to go for help and advice.</b></p>

### Extension activities

You can challenge more able students to research missing data by giving them a card with just an explanation for which they need to find the data.

## Activity 6

### What does it really cost?

#### Group activity



45 minutes



Facsimile £10 note,  
APR summary sheet



This activity is designed to extend the students' thinking about the cost of borrowing and will enable them to:

- identify the types of credit available
- understand that credit facilities are actually potential debt and not available cash to spend
- understand all the risks in relation to borrowing
- understand the difference between manageable and unmanageable debt (good debt, bad debt)



First of all ask the students to think about how people pay for large purchases:

- a house
- a car
- white and brown goods like TVs, laptops, washing machines etc.



What do you need to look out for?

How would you know how much interest you would pay on a loan?

Who and where should they borrow it from? Think back to all the options we discussed earlier and the risks associated with each.

We keep talking about interest and APR but what do things actually cost and what are the key questions to ask?

APR stands for Annual Percentage Rate. It represents the total amount a loan will cost across a one year period. It is calculated by 'compounding' interest which in a nutshell, is adding interest upon interest. That is, when an interest payment is added to the principal and then the whole thing (principal + interest) attracts interest.

It is shown as a single percentage but includes the interest rate charged and any other fees to show the overall cost of a loan over the whole year. It is a legal requirement for this rate to be shown on all credit and loan products.

Calculating the APR can be complicated, however, it is always quoted by legitimate lenders and can be used by those who want to borrow money to make an easier and fairer comparison when looking at the different financial products available to them. In other words they can compare 'like with like'. Because the whole rate of borrowing is calculated in this way, the APR is considered to be a clear and fair way to compare the cost of a loan or credit offer.

If you have a savings account with a bank and deposit some money, the bank will pay you extra money for saving with them. If you however need to borrow money then whoever lends you the money will expect you to pay back more than you borrowed from them in the first place. How much extra depends on the interest rate that is set.

The next activity helps students to understand in a simple way how APR works. The important thing is that they are able to understand what to look for when comparing products and to ask the right questions rather than to do very complex mathematical calculations.





## Understanding APR...

Form the students into groups and give them a bundle of facsimile £10 notes.

Ask them to look closely at the notes and identify what words relate to making a payment. 'I promise to pay the bearer on demand'... Discuss the use of the word DEMAND. What does this mean? What other ways can we use to show we owe someone money? Do they know what an IOU is?

You are going to use the £10 notes to explain APR and how it is calculated. Students can work in groups or you can do this as a whole class exercise.

Present the students with the following situation:

- You have borrowed £100 for one year (12 months) to purchase a mobile phone.
- You will be charged £20 interest for the year to borrow the money.
- The £100 borrowed and £20 interest will be paid in equal monthly instalments for 12 months.

N.B. The facsimile banknotes that form part of the student resources sheets have been authorised by the Bank of England for your use.

Under section 18(1) of the Forgery and Counterfeiting Act 1981 it is a criminal offence for any person, without the prior consent in writing of the Bank of England, to reproduce on any substance whatsoever, and whether or not on the correct scale, any Bank of England banknote or any part of a Bank of England banknote. The Bank of England also owns the copyright in its banknotes.



Ask the students:

What is the rate of interest? Most will answer 20%. £20 is 1/5 or 20% of 100.

Now give each group a bundle of facsimile £10 notes, 12 per group.

Ask them to use the £10 notes to go through the process of repaying the loan at the rate of £10 per month. Appoint yourself as the bank/debt collector and ask each group to pay you back £10 each month.

Start them off by saying: 'It's 1st January, repay £10 of your loan... Then... It's 1st February pay another £10', carry on in this way.

Stop the class after they have paid £10 for 4 months on 1st April and ask them the following questions:

- how much have you paid so far? The answer should be £40
- how much do you still owe? Answer should be £80
- for how long did you owe £120? Answer should be one month

Get the students to think about what is happening with the shape of this loan? The conclusion you want them to arrive at is that as you repay the loan month by month the amount you owe (the balance) is going down.



Now ask them:

When you get to the 12th payment how much have you borrowed for the whole year?  
The answer should be £10.

If the rate of interest was 20% this assumes that you borrow £100 for the whole year.

APR is a complicated sum that takes into account the fact that you start to repay immediately. It is very complicated to work out precisely but APR is approximately twice the flat rate of interest, i.e. 40% not 20%. So when % interest rates are advertised it is important to compare like with like. You compare advertised flat rates or APR rates. You need to ask lenders to tell you what the APR is if they only give you the flat rate.

The table here is an illustration of how the loan reduces over time and how APR takes this into account. Show them this on the white board once you have done the activity.

Month	Amount owing	Re-payment	Balance outstanding or amount still owed
1st January	£120	£10	£110
1st February	£110	£10	£100
1st March	£100	£10	£90
1st April	£90	£10	£80
1st May	£80	£10	£70
1st June	£70	£10	£60
1st July	£60	£10	£50
1st August	£50	£10	£40
1st September	£40	£10	£30
1st October	£30	£10	£20
1st November	£20	£10	£10

The final payment of £10 in December completes 12 equal monthly payments to sum of £120.00



Ask the students, 'Now you have explored APR, what information would you look for in order to decide what the best borrowing deal would be for you?'

Response: You want the students to say that they need to compare like with like and to ensure that they are comparing all APR figures, and that the length and repayment schedules are similar.

Ask them if they need to see the information in writing and why?

Response: That it is a legal requirement and also it enables the consumer to see the cost of additional charges that are added on to make the capital amount.

Ensure that the students have understood the principles behind calculating credit deals and also that it is essential to be able to compare like with like.

It is also essential to have information in writing to be able to work out the best deal for you and to avoid any risky borrowing.

## Activity 7

### A new iPad for Ben: The true cost of borrowing.



60 minutes



*A new iPad for Ben, loan comparison table with some blanks, loan comparison table completed.*



This activity aims to encourage students to think seriously about how credit works and how one might choose an appropriate credit option. It will help them to differentiate between different types of credit on offer and make an informed decision about the use of credit for making purchases. It also asks the students to think about the true cost of borrowing and the risks associated with not having all the information you need.

Ask the students to read the scenario sheet, 'A new iPad for Ben'.

Ask them to work out the cost of the different options for Ben using the loan comparison table.

#### **A new iPad for Ben**

Ben is desperate to get an iPad. All his mates have one and he has seen an offer but it will cost him £500 for the one he wants. The company doing the deal say they are offering an interest rate of 24% with payments of £12 a week for a year.

He is also chatting to a guy in the pub who offers to lend him the money, Ben only needs to pay it back at £20 a week.

What does he need to ask to know how to work out the best deal?

What are the benefits of the options on offer?

What other options might Ben have?

What deal would you go for?

What risks might he be taking with the different options?



Ask the students to read the information in the case study and then using the information on the loan comparison tables ask them to work out what they consider to be the best solution.

Ben's iPad	Loan company
Cash Price (a)	£500.00
Deposit (b)	0.00
Amount borrowed (c)	£500.00
Payments of £12.00 x 52 weeks (d)	£624.00
Interest paid (e)	£124.00
Interest as a % (f) <b>(e divided by c multiplied by 100 = g)</b>	24.80%
Interest Per year (g)	24.80%
APR is twice the flat rate. (g x 2)	49.60% APR

If you have time give the students the loan comparison table with some blanks to work out the interest Ben might pay if he chose a doorstep lender or credit union. You can ask the students to work out the interest paid for each loan amount by filling in the missing data.

If you have less time then you can give them the completed chart and ask them to interrogate the data to work out the cheapest option for Ben and the amount saved in interest if he chose a credit union loan.

With all that information, ask them to think about which is the best deal for Ben.

Amount borrowed Credit Union (26.8% APR)	52 weekly payments	Total interest	Total paid back	Amount borrowed Doorstep (172.2% APR)	52 weekly payments	Total interest	Total paid back	Interest saved if you choose the credit union
£100	£2.17	£12.84	£112.84	£100	£3.50	£82.00	£182.00	£69.16
£200	£4.34	£25.68	£225.68	£200	£7.00	£164.00	£364.00	£138.32
£500	£10.84	£63.68	£563.68	£500	£17.50	£410.00	£910.00	£346.32
£1000	£21.68	£127.36	£1127.36	£1000	£35.00	£820.00	£1820.00	£692.64



### Discussion

Ask them if there are any options missing from the scenario? Are there any other ways that Ben could borrow money responsibly?

What is the difference in the cost of borrowing between a typical credit union loan and a legal doorstep lender?

What is the true cost of all these options? Is it just about the money? What might happen if Ben chose to borrow from the guy in the pub? Think back to Sam's tale.

How does this compare with the cost of borrowing from a loan shark? Again, think back to Sam's tale?



As a result of what they have learned ask the students to think about how they could advise others about the best ways to borrow and help them to be aware of some of the risks associated with borrowing and in particular the dangers of using loan sharks.

You could suggest the following:

- produce a booklet/leaflet that will educate people about safe borrowing that could be made available at the library, Citizens Advice Bureau
- a social media solution offering advice
- a poster summarizing the things you need to think about when borrowing
- record their own radio show/TV show on YouTube
- put on a play for other students or parents
- produce a poster campaign to educate people about safe borrowing.



### Extension activity

Students could be asked to find examples of credit deals that are on offer from a range of lenders – credit unions, banks, shop credit deals, payday loan companies – and work out the true cost of borrowing.

They can then present these findings as a blog or web article where they can summarise the 'best deals' from their research.

Students could create their own comparison table like the one in the activity to show the best deals.



## How much will it cost?

### Intended Age Range

### Curriculum relevance

### Activity learning outcomes (linked to pfeg Financial Education Planning framework 11-19 years)

#### How to manage money

- paying, borrowing and saving & financial planning and budgeting

#### Becoming a critical consumer

- Seeking financial advice and choosing financial products

#### Managing risk and emotions associated with money

- Identifying and reducing financial risk

#### Understanding the importance money plays in our lives

- Links between life choices and financial planning

### Activity overview and task breakdown

### 16-19 years

PSHEe, law, business studies, general studies, citizenship, ethics, economics, English, mathematics, critical thinking

By the end of the sessions students will be able to:

- recognise the need for financial planning and prioritisation
- understand that people need to take responsibility for their financial choices
- understand the need to manage money in order to avoid debt
- understand that there is a need to evaluate risk before entering into any borrowing situation
- understand that credit costs money, know how that is expressed and ways to compare the costs of different types of credit
- understand the dangers of using loan sharks and how to avoid them
- understand that help is available and know where to go to look for it.

### How much will it cost?

Ice breaker: A Lucky Find

Activity 8 Needs and Wants

Activity 9 Things Change

Activity 10 Things Get Worse

Activity 11 Light at the End of the Tunnel

## Resources required

## Vocabulary

These activities will enable students to:

- Examine their own attitudes towards money
- Practice financial planning and prioritisation
- Understand the importance of financial planning
- Help students understand how easily we can get into difficult situations with money.
- Become familiar with some of the language around credit and debt.

Facsimile £10 notes

Scenario Cards

Flash Cards

Examples of credit agreements

Types of credit sheet

Video clips in two parts

Case studies in two parts

Annual Percentage Rate (APR),

Total Charge for Credit (TCC),

Total Amount Payable (TAP),

credit, debt, lender, manageable and unmanageable

debt, interest payments, risk, credit union,

legal and illegal money lenders, bank,

building society, credit agreement, bank loan,

store card, credit card, payday loan,

doorstep lender, loan shark, overdraft

## Ice breaker A lucky find

### Teacher led – individual or group activity



10-20+ minutes



£100 in facsimile  
£10 notes



The purpose of the following quick session is to start students thinking about financial issues and decision making.

It allows them to begin exploring their attitudes to money and start using some of the vocabulary associated with financial issues.

The activity could be carried out in groups or individually.

The activity is intended as a quick introduction; however, it could be extended if it starts to expose interesting issues for discussion, for example, if used as part of an ethics or philosophy course, or a law course.



#### Discussion

Create a suitable number of envelopes containing £100 using the facsimile £10 note template.

Divide the class into groups and give each group an envelope.

#### Scenario

One day while walking along the street you find an envelope containing £100.  
What will you do with it?



#### Issues to explore

Would you keep it or hand it in?

Will you spend or save it?

How much of it would you save or spend?

What sort of things might you buy?

Different ways of saving (Security and return)

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### Extension

Would your decisions change if you found £20 or £1,000?

Would your decisions change if you had worked for the money?

Or, been given the money as a gift?

This activity could be linked to discussions about:

- property and ownership
- morality
- opportunity cost

## Activity 8

### Needs and wants

#### Teacher led – individual or group activity



30-40+ minutes



Scenario cards  
Flash cards



This activity allows students to see that managing money involves making choices and planning for the future. It introduces language and considerations with which they will need to be comfortable as they move into adulthood and independence.

The activity is designed to be carried out in groups and will involve considerable discussion and negotiation to reach an agreed decision.

The activity is based upon a student going off to college for the first time and making decisions about how to spend their 'allowance'. This is a realistic scenario that many students will shortly find themselves in and applies equally to students who will be moving into other forms of independent living.

It involves making choices about different ways of 'spending' a budget.

The cards have been set up in such a way that it is possible to spend all the available money on the choices. Equally, if sensible decisions are made, there is some slack to allow for other ways of using money such as savings, insurance, donations to charities, etc.



#### Group Discussion

Divide the class into groups of three or four; it would be valuable at this stage to try to mix the groups so that different views and attitudes can be expressed within each group to generate discussion and the need for compromise and agreement.

Distribute a scenario card, a set of spending cards and plain paper to each group.

Explain that each group needs to choose one card from each coloured set.

If they have money left over from their allowance they can make a list of other things they might choose to spend their allowance on.

Pose the following scenario to the class:

## Scenario

You are just off to college for the first time.

You will have an allowance of £300 per week.

Using the supplied cards choose how you will spend this money.



## Issues to explore

Living within your means.

What happens if you don't?

Hierarchy of needs.

Identifying and prioritising needs over wants

Can it wait?

Do I really need it?

Rainy days?

Could they stick to a budget of this sort?

If not, why not?

## Extension

Would your decisions change if your allowance was £200 or £500?

What would you do less/more of?

How can you supplement the allowance?

Jobs, loans, etc.

This activity could be further extended and linked in to discussions about:

- how to make decisions and choices.
- motivational theory
- saving and borrowing
- risk and return
- different types of property tenure, pros and cons.
- opportunity cost
- espoused theories v theories in use. (Walk the walk as well as talk the talk.)

## Activity 9

### Things change

#### Teacher led group activity



30-40+ minutes



Things change scenario cards,  
types of credit sheet



This activity explores what happens when unforeseen events come along that need to be paid for.

The purpose of the exercise is to identify possible sources of short-term financial help and to consider availability and the cost of credit.

Students may well come up with many different sources, e.g. use savings (how many in the previous exercise put some money aside for savings?) or borrow from 'Bank of Mum and Dad' or other family members. While this may be available to some it is not always possible and the purpose of this exercise is to steer them towards third-party sources.

Another option may be to borrow from friends – the same considerations apply as to 'Mum and Dad'. Borrowing from friends can also be fraught with danger. Students will explore where this may lead later on.



#### Group Discussion

Divide the class into groups of three or four. It would be valuable at this stage to try to mix the groups so that different views and attitudes are represented within each group to generate discussion and the need for compromise and agreement.

Distribute a scenario card to each group.

Each group needs to identify as many types of credit as they can think of to deal with the situation on the card. As a preparation activity students could be asked in advance to bring in as many different examples of credit as they can find.

Pose the following scenario to the class:

### Scenario 9.1

You had decided not to buy insurance as you have other needs for the £5 per week it would cost.

One evening during a violent thunderstorm, a power surge causes your TV, Playstation and laptop computer to be destroyed.

You have no savings and need the laptop for your course/work.

What will you do?



### Issues to explore

What types of credit are there?

In the resources is a short fact sheet looking at different types of credit, more information can be found online at [www.thesite.org](http://www.thesite.org) and [www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk).

One issue that may need exploring here is the difference between debit and credit cards: one is paying for goods and services using funds you already have, the other is a method of borrowing money from someone else to fund purchases for which there will be a charge, i.e. one is credit one is not.

How easy are these cards to obtain?

How much do they cost?

Insurance – is it worth it?

### How can you compare loans?

The Annual Percentage Rate (APR) is a measure of the rate of interest the lender charges and can be used to compare loans if all other things are equal, e.g. length of loan and repayment schedule.

Calculating APRs involves a complex calculation balancing the net present value of what is borrowed against the net present value of all repayments. Students do not need to know this, only that the APR can be used to compare similar loans. More information on APRs can be found in Activity 5 (p.26). Information on APRs can also be found at [www.moneysavingexpert.com/banking/interest-rates](http://www.moneysavingexpert.com/banking/interest-rates).

The Total Charge for Credit (TCC) is a measure of how much the total charge for a loan will be.

To find out how much you will repay overall add the TCC to the amount borrowed this is known as the Total Amount Payable (TAP).





All forms of credit are regulated by the Financial Services and Markets Act.

Agreements will always set out the costs both in terms of the APR (Annual Percentage Rate of charge) and in the case of fixed term agreements TCC (Total Charge for Credit) and TAP (Total Amount Payable).

They will also clearly show how much has been borrowed, and the size and frequency of payments.

APR is a reflection of the risk the lender feels they are taking in lending money to the debtor. The lowest levels are only available to people who are considered the lowest risk – people with well-paid jobs, low levels of debt, lots of assets and a long unblemished credit history.

Lenders now legally have to consider whether a borrower can afford a loan they are being given, so credit is even harder for young people to obtain.

TCC is a combination of the cost of credit, APR and the length of the agreement. It is another way of measuring the cost of an agreement. Longer agreements usually have a lower APR but you may end up paying out more money in the long run for borrowing the same amount, but the payments are smaller individually. The issue is choosing an agreement that is affordable.

The temptation for many people going into debt is to borrow money over as long a period as possible as this pushes down the monthly payment. However, this means the debt lasts for a long time and costs a great deal (albeit inflation may reduce the value of the debt). This ties up money and will prevent you using this money for other purposes (savings/better debt).

Hand out scenario 9.2 and discuss.



### Scenario 9.2

You are offered the chance to borrow £10,000 as a separate loan at 12% APR for 5 years or at 6% APR as an extension to your mortgage which has 25 years left to run; which is the best to choose?

#### **Which is the best to choose?**

£10,000 borrowed at 12% over 5 years costs £3,300 in interest (TCC)

£10,000 added to a mortgage at 6% over 25 years costs £9,200 – almost three times as much!

Although the monthly payments will be much higher to pay off the loan, the total paid out is lower – this may of course be partially offset by inflation.



### Issues to explore

APR is a measure of the rate of interest the lender charges and can be used to compare loans if all other things are equal.

TCC is a measure of how much the total charge for a loan will be. To find out how much you will repay overall add the TCC to the amount borrowed.

Students may choose to use credit cards which are extremely flexible and offer the chance of making very small monthly payments. However, credit cards do not give you free money; it all has to be paid back including interest on any unpaid interest, which soon adds up and can make the loan last a long time.

Hand out scenario 9.3 and discuss.



### Scenario 9.3

You owe £3,000 on a credit card at a rate of 17.9% APR. The minimum repayment is 2% per month.

#### **What is the minimum repayment at the beginning?**

£60

#### **How long do you estimate it will take to pay off?**

2 years?

5 years?

10 Years?

Or longer?

The answer is 40 years!

#### **How much interest do you estimate you will pay?**

The answer is £6,300 making a total of £9,300

#### **Still think credit cards are a good source of credit?**



### Issues to explore

Different types of credit have different characteristics.

What is good in one situation may not be good in another.

Flexibility is great but will have to be paid for.

### Extension

Is borrowing good or bad?

What sort of things might you want to borrow for?

What sort of things might you want to save for?

How can you supplement the allowance jobs/loans.

This activity could be further extended and linked to work around:

- risks v cost
- compound interest
- legal controls on borrowing
- the role of the EU in UK law making
- how to calculate APRs, the use of 'sigma notation'
- attitudes to lending/borrowing in different cultures and religions
- marketing – differentiation and product customisation
- time value of money
- effect of time on the value of assets and liabilities.

## Activity 10

### Things get worse

#### Teacher led group activity



30-40+ minutes



*Things get worse scenario cards, Mike's story part 1 on disc, case studies part 1*



This next exercise asks students to consider what can happen when things go badly wrong and people become desperate for quick cash. They can reach the point where normal types of credit are not available or have been exhausted and the only place to turn is to the loan shark.

Other solutions that the students will offer will include all those identified in activities eight and nine; mum and dad, other family and friends, etc. While valid, these will not always be available and the purpose of this exercise is to look at the dangers of loan sharks.

Loan sharks may often pose as friends looking to 'help you out'.

However they soon become predatory.

The case studies offer a warning about loan sharks and the devastating costs that can be associated with using them.

They also show how readily people can be sucked in when times get hard and an 'easy way out' is on offer.

Loan sharks are criminals who often deal in other illegal areas e.g. drugs and prostitution. In a Channel 4 programme, 'Skint', an ex-drug addict with a young son living in Scunthorpe was shown discussing trying to bring her son up and escaping her previous lifestyle. She described how other addicts and dealers were offering her cheap or free drugs; free drugs if they could use her flat, offering to 'see her right', and asking whether she wanted a loan!

**N.B.** The following case studies are all true. The details are quite harrowing and discretion may need to be exercised when introducing them to some students.

### Group activity

Students should get into their groups of three or four.

Distribute scenario 10.1 to each group.

Each group needs to consider what they would do in the following situation:



#### Scenario 10.1

You have been supplementing your allowance with a part time job, however the cafe where you were working has gone bust owing you £500 in back wages that you have already spent.

You have no savings what will you do?



#### Issues to explore

If you need emergency cash how much would you be willing to pay? Answers could be as an APR or TCC.

How long do you think you might have to hold the debt for?

Solutions that the students will offer may include all those outlined above such as mum and dad, other family and friends. They may also suggest selling assets, taking out another student loan.

#### Hand out scenario 10.2

#### Scenario 10.2

A 'friend' offers to help you out. Peter says he will lend you £750, 'Just so you have a little extra to tide you over'. This can be paid back at £50 a week.

Good idea?



### **Watch Mike's story part 1 on video**

This can be found at <http://vimeo.com/stoploansharks/mikesvideopart1>



### **Points to draw out**

Mike paid out over £90,000 for an initial loan of £250.

After 17 years the loan shark still claimed that Mike owed him £9,000.

He was attacked in front of his children in his own home.

Mike tried to kill himself.

The loan shark threatened Mike's wife and children.



### **Look at Anne's story part 1 and Jayne's story part 1 with the students**

Jayne's loan shark raped her and tried to force her into prostitution.



### **Loan Sharks are recognisable by:**

- a lack of correct permissions required by law to lend money as a business
- little or no paperwork
- vagueness about terms
- arbitrary charges added on
- high interest rates (although these can also exist in legal agreements)
- intimidation and threats of violence.

### **Extension**

What went wrong for Mike, Anne and Jayne?

Who is to blame?

# Activity 11

## Light at the end of the tunnel

### Teacher led group activity



10+ minutes



Mike's story part 2 on disc,  
case studies part 2



This final part of the lesson could either take place as a discussion or as a research exercise by groups or individuals.

Students should be asked to think whether there is any where they could go for help, advice and assistance.

The activity offers the chance for discussion of concerns they may have and to provide hope that no situation is impossible.

There is also the opportunity to invite outside speakers from some of the agencies that may provide help.

The main source of help is The Illegal Money Lending Team. They are based in Birmingham but have a nationwide presence and remit to tackle illegal money lending.

Other possible agencies who could be contacted initially include your local Trading Standards Service, the Money Advice Service, Citizens Advice and the Police.



#### Question

Where can people who have become a victim of loan sharks go for help?

Watch Mike's story part 2.

This can be found at <http://vimeo.com/stoploansharks/mikesvideopart2>

Look at Anne's story part 2 and Jayne's story part 2

What lessons can be learned from these stories?



### Points to draw out

Loan sharking is a crime.

Borrowing from a loan shark is not against the law.

Illegal agreements usually will not be enforced by the courts.

Loan sharks usually go to jail.

Money paid out can be recovered.

Money not returned to victims is used to fund work against illegal money lenders.

The IMLT can offer counselling and signposting to legal sources of funds.

### Extension

The morality of borrowing.

Saving and borrowing.

Sources of credit.

The cost of debt.

This activity could be further extended and linked to discussions about:











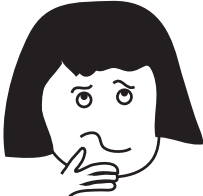




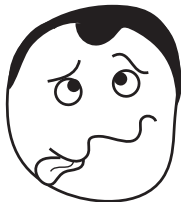

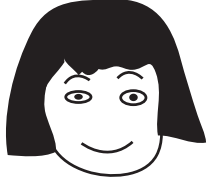

- legal system, deterrence and punishment.
- enforcement agencies.
- debt relief inc bankruptcy.



# How do we feel about money?

The table contains cards you can use for the emotions ball activity. These can be cut up and used as cards or slipped into the emotions ball's pockets.



<b>SAD</b> 	<b>HAPPY</b> 	<b>MAD</b> 
<b>WORRIED</b> 	<b>FRIGHTENED</b> 	<b>FED UP</b> 
<b>DELIGHTED</b> 	<b>CONCERNED</b> 	<b>JEALOUS</b> 
<b>ANNOYED</b> 	<b>PUZZLED</b> 	<b>PLEASED</b> 
<b>UPSET</b> 	<b>AMAZED</b> 	<b>GOB SMACKED</b> 
<b>STUPID</b> 	<b>CLEVER</b> 	<b>SAVVY</b> 
<b>MIXED UP</b> 	?	?

## Sam's tale part 1.

### How does money make us feel?

# Sam's tale: A story about borrowing

I knew this guy called Mike. I had known him since 2008 as he's from around here and my mates know him as well. In fact I got to know him through a mate of mine. I remember being round at my mate's house and Mike was there. He was always saying to me things like "When are you going to get a loan from me then? When are you going to come to me for a loan then?" I laughed it off and said, "No way you must be crazy, I don't do debt." I said.

Later that year my circumstances changed. I was struggling for cash. I had just lost my job at this clothes shop where I worked full time and I had started to claim benefit. I was around my friend's house one day and he – Mike that is – was there and he said to me – ready for me to lend you some cash yet?

I was that fed up at losing my job. I said "Yeah, go on then." I wanted to cheer myself up and go and get something new to wear. I borrowed £300 and he said I could repay him at £20 a week and I'd owe him a total of £680 all together; and I didn't need to worry about a load of fancy paper work as he would keep a record of everything.

He gave me the cash there and then. I remember that he had a clear wallet with the cash inside it and a black book, as big as an iPad, where he kept all the names and addresses of all the people who owed him money. I made my first repayments to Mike no problem. £80 at £20 each week for the first 4 weeks, no problem.

Then I was ill for a few weeks because I was having a pretty rubbish time and couldn't find work. When I got better, I saw Mike again when my payment was due and he said he had added another £300 to my loan because I had missed payment dates.

I said that was unfair but he said that was the way it was and I had to pay. If I didn't repay he said I might not like the consequences. He wasn't joking I could tell. He then said I could borrow some more if I wanted to add to the loan.



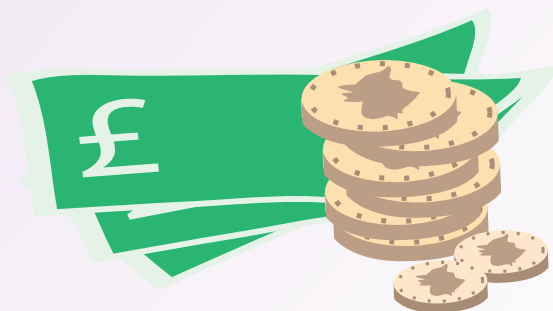
## Sam's tale part 2.

### Sam's next move...

I said, "No way am I borrowing more." But I had no way to raise the cash as I couldn't have an overdraft at the bank so my debit card was no use. I didn't have a credit card so I asked around my family and managed to borrow £700. They were really good and said I could pay it back without any interest. I paid Mike the £700 and I said that was it and that, as far as I was concerned, my debt to him was paid off." "You and me are done now," I said. He said, "Yep and see you around." So I thought that was fine. I just had to get on with paying my family back. That was back in June/July last year.

I didn't see Mike for ages. Then in the January a friend said that she had seen him and that he said I still owed him money. I couldn't understand this but left it because I thought she must have got mixed up as I knew we had settled up.

I was around again at my mate's house where I had first met Mike and he was there and said I owed him money because he had added interest to the original payment that I hadn't settled. He wanted another £300. I said, "No way, you must be joking." But I didn't have any loan agreement as proof either way. He laughed at first until he realised I wasn't joking. Then he got really nasty when he realised that I was serious. Then I said "I have paid you £780 and, as far as I am concerned, we are straight."






# Where does money come from?

## Recording sheet

**First:** Think of all the places where you might be able to get money and record them in the left hand column of this table. You may work alone or in groups.

**Next:** Think of the advantages and disadvantages of each way that we can get money.

Where money comes from 	Advantages 	Disadvantages 

## Borrowing pupil checklist

Did you get all the borrowing cards? These are the ones highlighted in yellow. Check with the table below.

<b>BANK LOAN</b>	<b>STORE CARD</b>	<b>CREDIT CARD</b>
<b>PAY DAY LOANS</b>	<b>CREDIT AGREEMENT</b>	<b>LOAN SHARK</b>
<b>CREDIT UNION</b>	<b>OVERDRAFT</b>	<b>CATALOGUE</b>
<b>CRISIS LOAN</b>	<b>FRIENDS AND FAMILY</b>	<b>LEGAL MONEY LENDER</b>
<b>DEBIT CARD</b>	<b>ILLEGAL MONEY LENDER</b>	
<b>TAX</b>	<b>CURRENCY</b>	<b>RECEIPT</b>
<b>PAY SLIP</b>	<b>NATIONAL INSURANCE</b>	<b>SHOP</b>
<b>NATIONAL LOTTERY</b>	<b>SCRATCH CARD</b>	<b>WAGES</b>

# Facts cards for all about borrowing

<p><b>BANK LOAN</b></p> <p>Money borrowed from a bank. These loans usually have a lower rate of interest than other types of loan.</p> <p>You normally borrow a fixed amount, repayable by set monthly instalments over an agreed period of time, called the term of the loan.</p> <p>You'll usually be charged a fixed rate of interest and sometimes extra fees.</p>	<p><b>STORE CARD</b></p> <p>This is a credit card linked to a particular shop or store.</p> <p>They provide credit (debt) when you cannot get it anywhere else.</p> <p>Normally they charge a much higher rate of interest if you do not pay off the balance each month.</p>	<p><b>CREDIT CARD</b></p> <p>This is a card often owned by a bank or other financial organisation.</p> <p>You can use this card in any store that accepts it. It provides credit (debt) and you can pay back as much or as little as you want but you pay interest on the unpaid part.</p>
<p><b>PAYDAY LOANS</b></p> <p>Many companies make loans available through high street shops and internet sites. The loans they offer are often for small amounts over short time periods. These loans are relatively easy to obtain, but interest rates are very high.</p>	<p><b>CREDIT AGREEMENT</b></p> <p>This is a loan agreement offered in a shop or other place where you want to buy something and is often for bigger items like cars or furniture.</p> <p>It usually has a higher interest rate than a bank loan and there can be extra charges for setting it up.</p>	<p><b>LOAN SHARK</b></p> <p>People who lend money without appropriate permissions are breaking the law. They are known as loan sharks. Loan sharks often work from home, charge very high rates of interest and don't give you much paperwork to confirm the arrangements they have made with you. Loan sharks often take other illegal action to collect the money they have lent you like threatening to harm you or take things that belong to you.</p>
<p><b>CREDIT UNION</b></p> <p>A credit union is a self-help co-operative or community bank whose members save so that they can borrow money when they need to at a low interest rate. This is something you all have in common such as living or working in the same area.</p>	<p><b>OVERDRAFT</b></p> <p>You can ask a bank to agree that you can take more money out of your bank account than what's in there. This is called an agreed or authorised overdraft. You'll be charged interest every day on the amount you overdraw. You may also have to pay an administration or arrangement fee for this.</p>	

<p><b>LEGAL MONEY LENDER</b></p> <p>The law says that lenders have to have the correct permissions to be able to lend money. You can find out whether a lender has the correct permissions by checking the Financial Conduct Authority website at <a href="http://www.fca.gov.uk">www.fca.gov.uk</a></p> <p>If someone offers to lend you money on the doorstep, it's a good idea to ask them if they have the correct permissions and ask to see their paperwork. If they don't have it, they are operating illegally and you should avoid borrowing from them.</p>	<p><b>ILLEGAL MONEY LENDER</b></p> <p>People who lend money without the correct permissions are breaking the law. They are known as <b>loan sharks</b>. Loan sharks often work from home, charge very high rates of interest and don't give you much paperwork to confirm the arrangements they have made with you. Loan sharks often take other illegal action to collect the money they have lent you like threatening to harm you or take things that belong to you.</p>	<p><b>CATALOGUE</b></p> <p>Mail order credit is usually interest free although the catalogue company may charge interest for more expensive items being paid for over a longer period. Goods bought in this way may be more expensive than those bought in high street shops.</p>
	<p><b>FRIENDS AND FAMILY</b></p> <p>When you borrow from family or friends they don't normally charge you interest.</p> <p>If you don't pay the money back it can cause problems between family members or you may lose a friend.</p>	<p><b>CRISIS HELP</b></p> <p>Every local authority or local council has to provide a crisis support scheme for people that may have suffered a disaster or crisis and are unable to get money from anywhere else.</p> <p>Crisis support will usually be for food, clothing, fuel for heating and expenses for emergency travel to cover short term periods of crisis or disaster. These are not usually cash payments but may be in the form of vouchers.</p>

## Borrowing vocabulary cards



<b>BANK LOAN</b>	<b>STORE CARD</b>	<b>CREDIT CARD</b>
<b>PAY DAY LOANS</b>	<b>CREDIT AGREEMENT</b>	<b>LOAN SHARK</b>
<b>CREDIT UNION</b>	<b>OVERDRAFT</b>	<b>CATALOGUE</b>
<b>CRISIS LOAN</b>	<b>FRIENDS AND FAMILY</b>	<b>LEGAL MONEY LENDER</b>
<b>DEBIT CARD</b>	<b>ILLEGAL MONEY LENDER</b>	
<b>TAX</b>	<b>CURRENCY</b>	<b>RECEIPT</b>
<b>PAY SLIP</b>	<b>NATIONAL INSURANCE</b>	<b>SHOP</b>
<b>NATIONAL LOTTERY</b>	<b>SCRATCH CARD</b>	<b>WAGES</b>



## Credit unions: the facts



### What is a credit union?

A Credit Union is a financial co-operative which is owned and controlled by its members and is a local alternative to banks or building societies.

They encourage people to save and to budget their money. They offer smaller, affordable loans.

### How does a credit union work?

As co-operatives, credit unions are founded on the values of self-help, responsibility and self-organisation. Their priority is to serve their members' interests.

They are run 'by the members, for the members', so credit union members have a real say in how their union operates.

Each year credit union members elect a board of directors to represent their interests. The board then employs a manager or chief executive officer (CEO) who is responsible, with employees and volunteers, for the day-to-day management of the credit union.

The money saved by members is pooled together and used to offer low interest loans. This is how they can offer an alternative source of credit at a fair rate of interest.

Members are encouraged to save for the future and in return, they receive affordable credit and access to low cost loans.

The interest received on the loans pays for the administration of the credit union with any surplus being put into reserves and, when possible, paid back to the members in the form of a dividend.

For this reason both savers and borrowers are essential to a successful credit union.

All money saved in a credit union is protected by the Financial Services Compensation Scheme.

Credit unions can also help members to manage their finances and many work in partnerships with local money advice agencies or other bodies to make sure people get the information and guidance they need.

You can find out more about credit unions from the Association of British Credit Unions (ABCUL) at [www.abc.ul.org](http://www.abc.ul.org)

You can find a local credit union by going to [www.findyourcreditunion.co.uk](http://www.findyourcreditunion.co.uk)

## Getting your message across: the dangers of loan sharks

### Student planning sheet

**First of all you need to think about:**

**What key messages do you want to get across?**

(Think about the key messages around safer lending and borrowing)

**Who is your audience?**

(other pupils, parents, your community?)

**How do you want to get your message across?**

(a play, a leaflet, poster campaign, school website?)

**Who can help you?**

(teachers, local credit union, IMLT?)

**Do you need more information?**

(What more do we need to know? Is there information you need to check to get your facts right?)

**OK – Get started!!!!**

## Illegal money lending: the facts



### What is a loan shark?

Many organisations lend money and many people want to borrow that money. All organisations who lend money have to have the correct permissions to lend money legally and that is given to them by the Financial Conduct Authority (FCA).

This is a government body that is there to make sure that all traders whether big or small do things properly and do things correctly so that the public is protected.

So, to lend money lawfully you have to have the correct permissions from the FCA. People who lend money without this permission are breaking the law. They are known as illegal money lenders or loan sharks.

Loan sharks often work from home, charge very high rates of interest and don't give you much paperwork to confirm the arrangements they have made with you.

Loan sharks often take other illegal action to collect the money they have lent you, such as threatening violence or taking away your credit cards or valuables.



### How to avoid loan sharks

#### Checking a lender has the correct permissions.

If you borrow money from someone who doesn't have these permissions you haven't broken the law, they have. You can find out whether a money lender is legal by checking the Financial Conduct Authority website at:

<http://www.fca.org.uk/consumers/protect-yourself/unauthorised-firms>

#### What to do if you or someone you know owes money to a loan shark

If you think a money lender is operating illegally, in England or in Scotland, you can speak in confidence to the Illegal Money Lending Hotline on 0300 555 2222. If you are phoning from Scotland your call will be diverted to the Scottish Illegal Money Lending Project. You can also call the Project direct on 0800 074 0878.

In England and Scotland you can also email the Illegal Money Lending Team, email [reportaloanshark@stoploansharks.gov.uk](mailto:reportaloanshark@stoploansharks.gov.uk) or text loan shark and your message to 60003.

# Safer lending and borrowing

## Sam's tale: the final chapter...

I heard my friend on the phone calling the police. When he heard that he ripped the phone from the wall and then walked out warning me he would get his money.

After that I went to hospital and I had a cracked rib so was in pain for another six weeks.

Since that time I didn't go back to my friend's house, in fact I avoided the whole area. The police did come back then and took a statement from me and my friend. But Mike even threatened me after that saying that if I didn't drop the charges against him then it would get nasty. He even offered my mate money to tell him where I lived. So we dropped the charges.

I believed he still might find me, I was really scared he would find me. When I used to leave the house I'd look out for him. He really affected my life completely.

The turning point was when my mate spotted an article in the local newspaper about a loan shark who had been taken to court and prosecuted by a group known as the Illegal Money Lending Team.

I had heard about loan sharks but to be honest I had never really thought Mike was one as he knew my mate so I thought he was OK. I never realised what he was really about and neither did she I think. She said I should go to them because I

couldn't carry on looking over my shoulder all my life. I realised she was right, so I called the confidential hotline. I couldn't believe it. I wished I had done it sooner. I had felt so stupid thinking it was only me who had ever done such a crazy thing and that no one would have any sympathy for me. How wrong could I have been. Once I had phoned them (the team that is) they supported me in every way so that I could tell my story and they would have evidence to prosecute Mike and put him into prison.

This is the first time in four years that I have been able to walk down the street not looking over my shoulder. People should know that if they are in the same boat there is a way out.

The great thing is that through the team they have helped me to get advice about managing my money and budgeting for stuff because I had always really struggled to manage my money before, even when I was working. I now have a credit union savings account and, if I ever do want to borrow, I can borrow small amounts from them every so often when I really need to.



**Discuss in your groups:**

**Were you surprised about what happened to Sam?**

**How could Sam have avoided this situation in the first place?**

**How common do you think this is that people borrow in this way?**

**How can people avoid borrowing from illegal money lenders/loan sharks?**

## Safer Lending and borrowing

### Sam's tale: things go from bad to worse... the next chapter

He then said (Mike I mean) I had to pay for my friend's loan as well. I said "You have got to be joking." I said "There is no way I am going to pay for that." That is when he changed.

He got up and walked towards me and he said "Get your watch off." I said "No way," and then he grabbed me round the throat and I panicked

because I couldn't breathe but he kept squeezing. I remember my friend kicked out at him but it didn't make any difference. Then he sort of threw me across the room and I banged my side really badly. He said I had to pay the money no matter what and it would carry on like this until I did pay.

**What kind of borrowing has Sam got involved with?**

**Do you know what this type of borrowing is called?**

**What should Sam do next?**

## A game of numbers

<b>131,000% APR</b>	<b>The highest charge for credit charged by a loan shark.</b>
<b>310,000</b>	<b>The number of people thought to be affected in the UK by borrowing from loan sharks.</b>
<b>2 years</b>	<b>The maximum prison sentence for being found guilty of illegal money lending (being a loan shark).</b>
<b>£5000.00</b>	<b>The maximum fine for being found guilty of illegal money lending (being a loan shark).</b>
<b>25%</b>	<b>The percentage of older people borrowing from loan sharks.</b>
<b>1 in 5 or 20%</b>	<b>The number of people arrested in 2012 for illegal money lending who were women</b>
<b>214 years</b>	<b>The total length of prison sentences secured by the England Illegal Money Lending Team for lending without the appropriate permissions</b>
<b>329</b>	<b>The number of prosecutions secured by the England Illegal Money Lending Team for lending without the correct permissions</b>
<b>25,000</b>	<b>The number of victims of loan sharks helped by the England Illegal Money Lending Team</b>
<b>£64 million</b>	<b>The amount of money taken off criminals as a result of the work of the England Illegal Money Lending Team</b>

# What does it really cost?

## Understanding APR summary sheet

You have borrowed £100 for one year (12 months) to purchase a mobile phone.

You will be charged £20 interest for the year to borrow the money.

The £100 borrowed and £20 interest will be paid in equal monthly installments for 12 months

**What is the rate of interest?** .....

Start repaying your loan.

**It's April now so how much have you paid so far?** .....

**How much do you still owe?** .....

**For how long did you owe £120?** .....

What is happening to the shape of this loan?

Month	Amount owing	Re-payment	Balance outstanding
1st January	£120	£10	£110
1st February	£110	£10	£100
1st March	£100	£10	£90
1st April	£90	£10	£80
1st May	£80	£10	£70
1st June	£70	£10	£60
1st July	£60	£10	£50
1st August	£50	£10	£40
1st September	£40	£10	£30
1st October	£30	£10	£20
1st November	£20	£10	£10

What happens in December?



## What does it really cost?

Facsimile £10 note. Re-produce this so that you have at least 12 per group.





## A new iPad for Ben scenario sheet

Ben is desperate to get an iPad. All his mates have one and he has seen an offer but it will cost £500 for the one he wants. The company doing the deal say they are offering an interest rate of 24% with payments of £12 a week for a year.

He is also chatting to a guy in the pub who offers to lend him the money. Ben only needs to pay it back at £20 a week.

What does he need to ask to know how to work out the best deal?

What are the benefits of the options on offer?

What other options might Ben have?

What deal would you go for? Use the table below to calculate what Ben would pay.

What risks might he be taking with the different options?

**Can you work out how much Ben's loan really costs?**

### Ben's loan sheet

Ben's iPad	Loan company
Cash Price (a)	£500
Deposit (b)	0
Amount borrowed (c)	£500
Payments of £12 x 52 weeks (d)	
Interest paid (e)	
Interest as a % (f) (e divided by c multiplied by 100 = g)	
Interest per year (g)	
APR is twice the flat rate. (g x 2)	

**Did you calculate the cost to Ben if he borrowed from the loan company?**

**What was the APR finally?**

## Loan comparison table completed

Did you calculate the interest paid correctly? Use this completed table to check.

Amount borrowed Credit Union (26.8% APR)	52 weekly payments	Total interest	Total paid back	Amount borrowed doorstep (172.2% APR)	52 weekly payments	Total interest	Total paid back	Interest saved if you choose the credit union
£100	£2.17	£12.84	£112.84	£100	£3.50	£82.00	£182.00	£69.16
£200	£4.34	£25.68	£225.68	£200	£7.00	£164.00	364.00	£138.32
£500	£10.84	£63.68	£563.68	£500	£17.50	£410.00	£910.00	£346.32
£1000	£21.68	127.36	£1127.36	£1000	£35.00	£820.00	£1820.00	£692.64

## Loan comparison table with blanks

Work out the total interest paid if Ben were to borrow from the credit union or a doorstep lender. Then work out how much interest Ben would save if he chose to use a credit union.

Amount borrowed credit union (26.8% APR)	52 weekly payments	Total interest	Total paid back	Amount borrowed doorstep (172.2% APR)	52 weekly payments	Total interest	Total paid back	Interest saved if you choose the credit union
£100	£2.17		£112.84	£100	£3.50		£182.00	
£200	£4.34		£225.68	£200	£7.00		364.00	
£500	£10.84		£563.68	£500	£17.50		£910.00	
£1000	£21.68		£1127.36	£1000	£35.00		£1820.00	

# Needs and wants

## Scenario

"You are just off to college/starting a new job for the first time.

You will have an allowance/earn £300 per week."

How will you spend your money?

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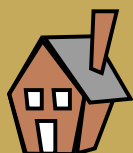
## Spending cards

Accommodation



**Live in digs**  
**£75**

Accommodation



**Shared house**  
**£100**

Accommodation



**Own flat**  
**£150**

Entertainment



**Stay in**  
**£10**

Entertainment



**Odd night out**  
**£40**

Entertainment



**Party monster**  
**£100**

**Clothing**



**The necessary  
£10**

**Clothing**



**An occasional  
treat  
£40**

**Clothing**



**The best  
£75**

**Study Materials**



**Beg or borrow  
£5**

**Study Materials**



**The second  
hand shop  
£20**

**Study Materials**



**I want my own  
£40**

**Trips home**



**Once a term  
£5**

**Trips home**



**Once a month  
£20**

**Trips home**



**Every  
weekend  
£60**

**Food**



**Pot noodles  
for me  
£30**

**Food**



**Cook for  
myself  
£50**

**Food**



**Pizza, kebab  
and curry  
£80**

# Things change

## Scenario 9.1

You had decided not to buy insurance as you have other needs for the £5 per week it would cost.

One evening during a violent thunderstorm, a power surge causes your TV, PS3 and laptop computer to be destroyed.

You have no savings and need the laptop for your course/work.

What will you do?

## Scenario 9.1

You had decided not to buy insurance as you have other needs for the £5 per week it would cost.

One evening during a violent thunderstorm, a power surge causes your TV, PS3 and laptop computer to be destroyed.

You have no savings and need the laptop for your course/work.

What will you do?

## Scenario 9.2

You are offered the chance to borrow £10,000 as a separate loan at 12% APR for 5 years.

or

6% APR as an extension to your mortgage which has 25 years left to run.

Which is the best to choose?

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You are offered the chance to borrow £10,000 as a separate loan at 12% APR for 5 years.

or

6% APR as an extension to your mortgage which has 25 years left to run.

Which is the best to choose?



**Scenario 9.3**

You owe £3,000 on a credit card at a rate of 17.9% APR. The minimum repayment is 2% per month.

What is the minimum repayment at the beginning?

How long do you estimate it will take to pay off?

2 years  
5 years?  
10 years?  
Or longer?

How much interest do you estimate you will pay?

**Scenario 9.3**

You owe £3,000 on a credit card at a rate of 17.9% APR. The minimum repayment is 2% per month.

What is the minimum repayment at the beginning?

How long do you estimate it will take to pay off?

2 years  
5 years?  
10 years?  
Or longer?

How much interest do you estimate you will pay?

# Types of credit

Credit involves one person lending another something of value – cash, goods or services - in return for payment back over time.

It comes in many forms and with many different names or labels.

Credit type	
<b>Loans</b>  Bank Loan Building Society loan Credit Union Payday loan Door step lender Wonga/Quick quid Pawn/pawnbroker	This type of credit involves borrowing money from a lender in return for promising to make payments over time to pay off the amount loaned. This may be secured or unsecured
<b>Credit</b>  Credit sale Conditional loan Hire purchase Interest free Personal Contract Plan (pcp) "Buy now pay later"	This type of credit involves the debtor receiving goods or services in return for promising to make payments over time to pay off the amount loaned
<b>Cards</b>  Credit cards Store cards Barclaycard American Express Charge accounts	This type of credit involves the debtor receiving cash, goods or services up to an agreed limit in return for promising to make regular payments over time. New items can be added on and the agreement continues indefinitely
<b>Other</b>  Overdraft Provident check Catalogue agreements	These types of credit have some similarities to those above but also differences, e.g. catalogues are like store cards by mail order

N.B. A debit card is not a form of credit as you are spending money you already have.

# Things get worse

## Scenario 10.1

You have been supplementing your allowance with a part time job; however the cafe where you were working has gone bust owing you £500 in back wages that you have already spent.

You have no savings what will you do?

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## Scenario 10.2

A 'friend' offers to help you out. Peter says he will lend you £750, "Just so you have a little extra to tide you over". This can be paid back at £50 a week.

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# Mike\* 17 fell into a loan shark trap:

Aged 17, Mike\* was keen to buy his first car. When Peter\* offered to lend him £250, Mike agreed and began paying it back in instalments until the loan was repaid. It was only then that Peter mentioned additional interest. Mike wasn't expecting this and found it difficult to repay, so Peter offered him a further loan to pay off the first.



This became a cycle and continued over the next two decades, which Mike described as, "Sheer hell". He was trapped in a never ending spiral of debt, and struggled to get by, despite working two jobs. He would make large repayments but his outstanding balance would never drop below £9000.

**Over the years Mike paid a staggering £90,000 to the loan shark, all from an initial loan of £250.**

This had a hugely detrimental impact on Mike and his family. The loan shark attacked Mike in front of his children, he lost his home as he couldn't pay the mortgage; he also lost three jobs due to depression. Aged 33, he suffered a stress-related heart attack.

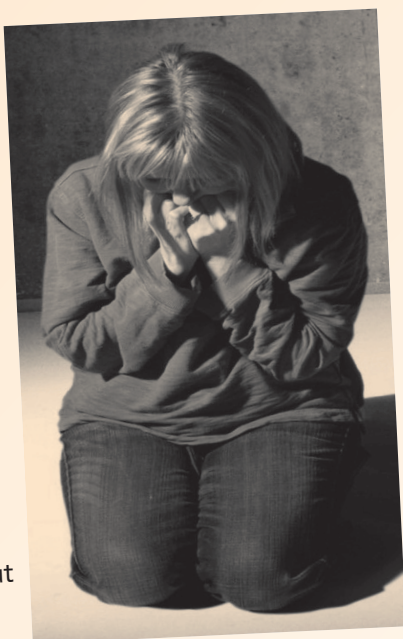
On more than one occasion, Mike attempted suicide.

"You wouldn't wish it on anybody", he said. "It affected my relationship with my wife. If I wasn't at work I was home arguing, and it affected the kids. They had nothing. Every Friday and Saturday he was sat outside my work. If I finished late he would text saying, 'its payday where are you' It was a living nightmare."

**\* Names have been changed.**

# Chloe's\* Mum, Anne\* fell into a loan shark trap:

It was coming up to Christmas, and Anne was worrying about affording presents for her two young children. Spotting an advert in her local paper for unsecured loans, she decided to call the number.



A man answered, and told her he would be able to lend her £150, but it would need to be secured on something. He came to her home and took her passport, explaining that this would be returned once she had repaid in full. He explained that she would need to repay £15 each week plus an extra £10 a week in interest. She knew this was steep but she was desperate and believed she would be able to pay back within a few months with her wages from working in a shop.

In the January, Anne fell ill and was unable to work. As a result of this she defaulted on a couple of payments. She was resting at home with her six year old daughter when the loan shark barged in with two other men, demanding to know why she hadn't paid. They pulled electrical items out of her living room, claiming the loan was secured against these.

**Anne was terrified. "There was nowhere to go" she said "I wasn't even safe in my own house. I was screaming, crying, pleading with him not take my stuff. To think, that my little girl had to see that."**

A few days later she received a note from the loan shark through her door, to tell her that an extra £100 had been added to the debt for the 'bailiff' visit. From that point onwards, she paid the loan shark religiously retaining the post office slips as proof of payment. However the loan shark still appeared at her door, alleging she'd missed payments. He would turn up late at night and on one occasion Anne had to hide, as he tried to climb in through her kitchen window. For every visit he would add an extra charge of £80 to £100.

**This continued for five years, with Anne paying back around £5000 on the loan of £150.**

**\* Names have been changed.**



# Single mum, Jayne\* fell into a loan shark trap

Single mum of two, Jayne, worked in the local pub, but pulling pints never earned her quite enough to pay the bills.

After confiding in one of the regulars about her troubles, she was given a number for someone who could help her out.



Dave offered her a £500 loan. He would come to her home and collect £25 a week as repayment. Jayne signed a piece of pink paper to agree to this, convinced that he must be legitimate because he had paperwork.

However Jayne then moved home and was not able to work. Her priority was to feed the kids, so she asked Dave if she could have a break in the payments. He said no but offered her another loan for £1500, landing her in more financial hot water.

Dave had a proposition for her; he had some work she could do, not bar work, but working topless in a massage parlour and offering 'extras'. She was not willing to get involved, but as her situation grew worse through desperation and fear of what Dave may do to her, she gave him a call.

**This is when he came to her home and raped her. After this she still continued to pay what she could. She fell into deep depression and was admitted to hospital.**

Jayne said, "I deeply regret ever taking a loan out with this man. The last few months have been a nightmare. I have never felt in such a helpless situation".

**\* Names have been changed.**

## Mikes story part 2

Mike\* became indebted to a loan shark at 17. For years he handed over large sums of money every week and suffered verbal and physical abuse.

The turning point was when Mike spotted an article in his local paper about a loan shark who had been prosecuted by the England Illegal Money Lending Team.

Peter was now threatening to harm Mike's wife and, realising he couldn't take any more, Mike called the confidential hotline.

From that point forwards he was supported and Peter was prosecuted and imprisoned.

*"I wish I'd known there was somewhere to go years ago" Mike said "The Team were fantastic, they offered so much support, and every promise they made they delivered. It was such a relief when I found out Peter was arrested and then put in prison. I nearly broke down when the Team rang to say."*

Mike is now looking to the future, and has a message to anyone in the grips of a loan shark.

*"I would tell anyone who is borrowing from a loan shark to be confident to stand up and speak out. The Team will support you the whole way. Even a year later the Team are always there for me, regularly in touch and always on the end of the phone."*

*Life is absolutely fantastic now. We don't have to worry about money anymore and I'm happier than I've ever been. We're going on holiday as a family for the first time in 17 years – I can't imagine ever being able to do this before. Contacting the Team is the best thing I could ever have done. I'm living the life I should be living."*

**Illegal money lending is a crime, and debts to illegal money lenders are not legally enforceable.**

**Call the England Illegal Money Lending Team in confidence on 0300 555 2222, Lines are open 24/7.**

**Text 'loan shark + your message' to  
Email  
Text 'loan shark + your message' to  
Log-on to**

**60003  
reportaloanshark@stoploansharks.gov.uk  
60003  
www.direct.gov.uk/stoploansharks**

\*Name has been changed

## Anne's story part 2

Loan sharks will trap people in a spiral of debt, and resort to the most extreme bully tactics to enforce repayment. Anne\* from Manchester learnt this the hard way when she fell into an illegal money lenders trap:

Anne fell into debt when she borrowed money from a loan shark to help her through some difficult times.

The England Illegal Money Lending Team caught the loan shark and discovered Anne was not alone in her experience. The loan shark had around 900 'customers' who he was harassing for payments he believed to be due.

He was given a lengthy custodial sentence and stripped of the £270,000 he had extorted.

Anne said, "It was such a weight off my shoulders. It had got to the point where my nerves were shot and I was too frightened to answer the door. I'd realised he was never ever going to go away. If he hadn't been arrested, I'd probably still be paying him now".

**Remember illegal debts are not enforceable in law.**

**If you have borrowed from an illegal lender, you have not committed a crime - they have.**

**Most loan sharks will appear friendly at first, but their behaviour can quickly change.**

**If you believe you have borrowed from a loan shark, contact the England Illegal Money Lending Team in confidence as we can help;**

**To report a loan shark:**

**Call the 24/7 confidential hotline**  
**Email**  
**Text 'loan shark + your message' to**  
**Log-on to**

**0300 555 2222**  
**reportaloanshark@stoploansharks.gov.uk**  
**60003**  
**www.direct.gov.uk/stoploansharks**

\*Name has been changed



## Jayne's story part 2

However her story does have a positive ending: a leaflet was posted through her door and she contacted the England Illegal Money Lending Team.

From that moment on she was supported 100%. Now the man who lent her money is behind bars and Jayne is going from strength to strength.

"The Stop Loan Sharks Team have supported me through an emotional time. I was enrolled in counselling to help with my confidence and self esteem and now have savings for the first time in my life through the local credit union. I have received budgeting and debt counselling advice from the Citizens Advice Bureau and am now in full-time employment, doing a level 2 NVQ and off benefits. I now no longer just exist but live my life and look forward to the future. I am happier than I've ever been."

**Under no circumstances should you ever go to an illegal money lender. They can destroy your life and leave you living in misery. As Jayne's story shows loan sharks often start out being friendly, but can quickly change.**

**Remember:**

- **Loan sharking is illegal and will not be tolerated.**
- **Illegal loans are not enforceable in law.**
- **Loan sharks prey on the vulnerable trapping them in a spiral of debt.**
- **They rarely offer paperwork and can add random amounts to the debt.**
- **They could take items as security such as passports and bank cards - this too is illegal.**

**If you have any information about loan sharks operating please call us in confidence at any time of the day on 0300 555 2222**

**Alternatively:**

**Text 'loan shark + your message' to  
E-mail**

**60003  
reportaloanshark@stoploansharks.gov.uk**

**For more information visit [www.direct.gov.uk/stoploansharks](http://www.direct.gov.uk/stoploansharks)**

**\*Name has been changed**

# Illegal Money Lending Team (IMLT)

## Feedback for teaching resource packs

**1. Pack used:**

Age 5 -11 ☐

Age 11 - 19 ☐

Both ☐

**2. Name of school or organisation:**

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**3. Type of organisation:**

Primary ☐

Secondary ☐

6th Form College ☐

Special school ☐

Other ☐

**4. Curriculum focus:**

Maths ☐

PSHEe ☐

Citizenship ☐

Drama ☐

Humanities ☐

Other:

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**5. Age range:**

5 - 7 ☐

7 - 9 ☐

9 - 11 ☐

11 - 14 ☐

14 - 16 ☐

16 - 19 ☐

Other Organisation, please state:

**6. How often do you use the resources?**

Once ☐

Once a term ☐

Once a year ☐

Other:

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**7. How many students on each occasion? \_\_\_\_\_**

**8. How would you rate the resources?**

On a scale of 1 – 5, where 5 = excellent. ....

**9. Please provide some feedback for the resources – for example, did you like them, what worked best, what did the students enjoy, did you like the videos, what could be improved?**

**10. Would you recommend the resources?** Yes ☐ No ☐

**11. Had you heard of the Illegal Money Lending Team (IMLT) before receiving the Stop Loan Sharks resource pack?** Yes ☐ No ☐

**12. Would you feel confident sign posting a family to the IMLT if the need arose?** Yes ☐ No ☐

**13. Would you like to receive future communications from IMLT?** Yes ☐ No ☐

---

**Your contact details:**

**Name:** .....

**Job Title:** .....

**Email address and phone number:** .....

**Organisation:** .....

**Address:** .....

**Are you happy for IMLT to use quotes or feedback on this sheet.** Yes ☐ No ☐

**Please return to Catherine Wohlers,**  
LIAISE Manager, Illegal Money Lending Team, Trading Standards,  
Birmingham City Council, PO Box 12971, Birmingham, B33 0TD

**Or alternatively complete online at**  
[www.surveymonkey.com/s/IMLT-educationresource-feedback](http://www.surveymonkey.com/s/IMLT-educationresource-feedback)

**Thank you for your feedback.**

## Contact us

If you would like to know more about the IMLT and how it works, would like to discuss ways of working together or talk to us in confidence about loan sharks operating in your area please contact us.

England Illegal Money Lending Team (IMLT)

PO Box 12971

Birmingham

B33 0TD

## To report a loan shark in confidence

Tel: 0300 555 2222

Email: [reportaloanshark@stoploansharks.gov.uk](mailto:reportaloanshark@stoploansharks.gov.uk)

Text: loan (space) shark (space) + your message to 60003

[www.twitter.com/loansharknews](http://www.twitter.com/loansharknews)

[www.facebook.com/stoploansharksproject](http://www.facebook.com/stoploansharksproject)

## We value your feedback!

Please go to: <https://www.surveymonkey.com/s/IMLT-educationresource-feedback>

Your school will be sent a Stop Loan Sharks certificate. Thank you for helping us protect our communities and families from the devastation of loan sharks.

For further copies of the resource pack please email:

[catherine.wohlers@birmingham.gov.uk](mailto:catherine.wohlers@birmingham.gov.uk)

Packs and copies of the CDs can also be downloaded by following this link:

<http://www.birmingham.gov.uk/stoploansharks>

[http://www.youtube.com/watch?v=4YqeJgE\\_PUQ](http://www.youtube.com/watch?v=4YqeJgE_PUQ)

<https://vimeo.com/72404946>

Part of Trading Standards – funded by NTSB



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**Stop Loan Sharks**

