

Westminster Northern Ireland Affairs Committee

Call for evidence on the effect of paramilitaries on society in Northern Ireland

1.0 Introduction

1.1 This response has been made by members of the Consortium for the Regional Support for Women in Disadvantaged and Rural Areas (hereafter, the Women's Regional Consortium), which is funded by the Department for Communities and the Department of Agriculture, Environment and Rural Affairs in Northern Ireland.

1.2 The Women's Regional Consortium in Northern Ireland consists of seven established women's sector organisations that are committed to working in partnership with each other, government, statutory organisations and women's organisations, centres and groups in disadvantaged and rural areas, to ensure that organisations working for women are given the best possible support in the work they do in tackling disadvantage and social exclusion. The seven groups are as follows:

- Training for Women Network (TWN)
- Women's Resource and Development Agency (WRDA)
- Women's Support Network (WSN)
- Northern Ireland Rural Women's Network (NIRWN)
- Women's TEC
- Women's Centre Derry
- Foyle Women's Information Network (FWIN)

- 1.3 The Women's Regional Consortium is the established link and strategic partner between government and statutory agencies and women in disadvantaged and rural areas, including all groups, centres and organisations delivering essential frontline services, advice and support.
- 1.4 The Women's Regional Consortium ensures that there is a continuous two-way flow of information between government and the sector. It also ensures that organisations/centres and groups are made aware of consultations, government planning and policy implementation. In turn, the Consortium ascertains the views, needs and aspirations of women in disadvantaged and rural areas and takes these views forward to influence policy development and future government planning, which ultimately results in the empowerment of local women in disadvantaged and rurally isolated communities.
- 1.5 In responding to this call for evidence the Women's Regional Consortium has used evidence from a number of research projects carried out with local women in Northern Ireland on the subject of debt (one yet to be published). This includes a research paper entitled 'Making Ends Meet: Women's Perspectives on Access to Lending'¹ which is available on the Consortium's website.
- 1.6 The Women's Regional Consortium appreciates the opportunity to provide evidence to the NI Affairs Committee. Our evidence in relation to the effect of paramilitaries on society in Northern Ireland centres around the issue of illegal/paramilitary lending.
- 1.7 We also wish to fully endorse the response made by the Women's Policy Group in Northern Ireland of which we are a member.

¹ Making Ends Meet: Women's Perspectives on Access to Lending, Women's Regional Consortium Northern Ireland, February 2020
<https://womensregionalconsortiumni.org.uk/wp-content/uploads/2021/04/Making-Ends-Meet-Womens-Perspectives-on-Access-to-Lending.pdf>

2.0 Background

- 2.1 Low-income households are more likely to have to rely on high-cost credit as they are often unable to access cheaper forms of borrowing due to their low-income and/or other debts. Many of these borrowers are forced to use expensive forms of lending to buy essential goods and larger purchases they otherwise could not afford. This leaves these households vulnerable to exploitation and the likelihood of problem debt.
- 2.2 Some of the most vulnerable borrowers are forced into using illegal lending or 'loan sharking' because of a more urgent need for money. Financial Conduct Authority (FCA) research on illegal money lending showed that this type of lending has existed in communities for generations, it happens across the UK and is most likely to be found in areas of high economic deprivation, particularly within social and rented housing estates (in both urban and rural areas) with close knit communities.² It is estimated that there are 310,000 people in debt to illegal money lenders in the UK.³
- 2.3 In Northern Ireland illegal lending is often linked with perceived paramilitary activity.⁴ Information from the Police Service of Northern Ireland (PSNI) suggests that paramilitary groups (both Loyalist and Republican) continue to be involved in illegal money lending/loan sharking however it is rarely reported to the police.⁵ This is a hugely difficult area to gather statistics or evidence on as it is often a hidden form of borrowing due to the underlying fear and secrecy surrounding this type of credit.

² Shining a light on illegal money lending: consumer experiences of unauthorised lending in the UK, FCA, November 2017

<https://www.fca.org.uk/publication/research/illegal-money-lending-research-report.pdf>

³ [Who we are - England Illegal Money Lending Team \(stoploansharks.co.uk\)](http://stoploansharks.co.uk)

⁴ Expensive Lending in Northern Ireland, Centre for Economic Empowerment, NICVA, May 2013

https://www.nicva.org/sites/default/files/d7content/attachments-resources/cee_expensive_lending_in_northern_ireland_2013.pdf

⁵ Annual Report & Threat Assessment 2020/21, Organised Crime Task Force, February 2022

<https://www.octf.gov.uk/files/octf/2022-02/octf-annual-report-and-threat-assessment-2020-21.pdf>

- 2.4 Research by the Women’s Regional Consortium⁶ with local women in Northern Ireland found that the use of high-cost credit was widespread and showed a number of examples of borrowing through loan sharks including paramilitaries. It revealed that 6% of the women who took part in the research had borrowed through illegal lenders such as loan sharks including paramilitaries.
- 2.5 Women were more reluctant to talk about this type of lending as they understood it is a more dangerous form of borrowing and many were too afraid to discuss it at all. Some others did not understand it as a form of illegal lending and had just seen it as a local money lender operating in the area. Some of the women were aware of local loan sharks linked to paramilitaries but some of the evidence they gave was anecdotal with the women talking about friends, family or people they knew who had borrowed this way. All these factors combine to make it very difficult to understand the true nature and scale of this problem. However, there was a general acceptance among the women that the consequences of this type of borrowing could be very scary.
- 2.6 Advice NI research on behalf of the Consumer Council⁷ showed that clients who accessed illegal lending were vulnerable. Many suffered from poor health, including mental health and/or addiction issues and for most lack of access to credit, low income or benefit dependency caused them to turn to illegal lending. It was also evident from Advice NI research⁸ that there was a strong link between paramilitaries and illegal money lending bringing with it an additional layer of secrecy, fear and intimidation.

⁶ Making Ends Meet: Women’s Perspectives on Access to Lending, Women’s Regional Consortium, February 2020

[Making-Ends-Meet-Womens-Perspectives-on-Access-to-Lending.pdf](https://www.womensregionalconsortiumni.org.uk/Making-Ends-Meet-Womens-Perspectives-on-Access-to-Lending.pdf)
([womensregionalconsortiumni.org.uk](https://www.womensregionalconsortiumni.org.uk))

⁷ Illegal Lending – The Human Story, Advice NI, September 2019

<https://www.adviceni.net/policy/publications/illegal-lending-human-story>

⁸ Ibid

- 2.7 The research conducted by Advice NI⁹ in Northern highlighted that one of the themes around illegal lending is low income and lack of access to mainstream credit. Their research found that illegal lending is easily accessible, can escalate quickly leading to unmanageable debt and many clients are at the mercy of the illegal lender in terms of interest, charges and final amounts. Discussions with clients showed that many had approached the lender for money as a last resort and their main concern was access to cash not the consequences of not repaying the debt.
- 2.8 Research by Ulster University and the Consumer Council¹⁰ suggests that those involved in illegal money lending fall into two broad groups: paramilitaries and ‘regular’ members of the community. Respondents to this research agreed that money lenders in Northern Ireland must have some form of local influence or legitimacy, which may stem from a paramilitary connection, but must have the ability to carry out enforcement measures in order to settle or recoup the debt, including coercing debtors to facilitate criminal activity. However, the research also acknowledged that it is increasingly difficult to distinguish paramilitarism from the broader illegal economy.
- 2.9 This research¹¹ also noted that there is a continued reluctance within communities in Northern Ireland to speak to the authorities about this type of lending due to fears that they could be labelled an ‘informer’ and therefore invite reprisals. This was echoed in Women’s Regional Consortium research¹² which also found that those who borrowed from these lenders were reluctant to be seen to be ‘touts’ – see Case Study One.

⁹ Ibid

¹⁰ Illegal Money Lending and Debt Project, Research Report of Findings, Ulster University and the Consumer Council, March 2020

[Illegal Money Lending Report.PDF \(consumercouncil.org.uk\)](https://www.consumer-council.org.uk/wp-content/uploads/2020/03/Illegal-Money-Lending-Report.pdf)

¹¹ Ibid

¹² Making Ends Meet: Women’s Perspectives on Access to Lending, Women’s Regional Consortium, February 2020

[Making-Ends-Meet-Womens-Perspectives-on-Access-to-Lending.pdf \(womensregionalconsortiumni.org.uk\)](https://www.womensregionalconsortiumni.org.uk/wp-content/uploads/2020/02/Making-Ends-Meet-Womens-Perspectives-on-Access-to-Lending.pdf)

3.0 The need for Paramilitary Lending

3.1 We believe that there are a range of external factors which can drive people to use paramilitary lending as well as other forms of illegal lending including the impact of the Covid19 pandemic, welfare reform/austerity policies and cost of living increases. The impact of all these issues coming together has helped to create a perfect storm where those on the lowest incomes are struggling to make ends meet and are therefore more likely to be driven towards this type of lending as they are unlikely to be able to source money elsewhere. Without co-ordinated action, across Government departments, to tackle these issues then people will continue to be forced into this dangerous form of lending.

Welfare Reform/Austerity Policies

3.2 The safety net provided by the social security system has been weakened by a decade of welfare reform changes meaning that many people are unable to meet the costs of essential items such as food, heat and clothing and are unable to cope with unexpected life events such as a washing machine breaking down. These policies have disproportionately impacted on women. Research by the House of Commons Library shows that 86% of the savings to the Treasury through tax and benefit changes since 2010 will have come from women.¹³

3.3 Women often bear the brunt of poverty in the home managing household budgets to shield their children from its worst effects. This means that women end up acting as the 'shock absorbers' of poverty going without food, clothes or warmth in order to meet the needs of other family members when money is tight.¹⁴

¹³ Estimating the gender impact of tax and benefit changes, Richard Cracknell, Richard Keen, Commons Briefing Papers SN06758, December 2017

<http://researchbriefings.files.parliament.uk/documents/SN06758/SN06758.pdf>

¹⁴ A Female Face, Fabian Society Blog by Mary-Ann Stephenson, Women's Budget Group, February 2019

<https://fabians.org.uk/a-female-face/>

Universal Credit

- 3.4 There is substantial evidence that Universal Credit, and in particular problems with the five-week wait at the start of a Universal Credit claim, are causing widespread financial hardship, debt and increased reliance on food banks.
- 3.5 Research by the University of Ulster found that Universal Credit was repeatedly described as a driver for illegal lending¹⁵ particularly around the harm caused by the five-week wait and issues with short-term benefits loans that were repaid from future benefits. This ensured that benefit claimants were often short of the funds they needed to support their household leading them to look to other means of getting the money they needed. Research by the Trussell Trust¹⁶ has concluded that the minimum five-week wait for Universal Credit has led to acute and immediate financial hardship and worsened households' longer-term financial resilience. This included signs of indebtedness (multiple debts, high-risk loans, suspended utilities).

Discretionary Support

- 3.6 Changes to the Social Fund as a result of welfare reform have meant that there is less help available through the social security system for those with extreme, exceptional or crisis situations. Since the Social Fund has been replaced by Discretionary Support (DS) there has been a weakening of this safety net for the most vulnerable borrowers meaning that it no longer provides the support it once did. A Northern Ireland Audit Office (NIAO) report¹⁷ showed that between 2014-15 and 2017-18, the number of grants and loans awarded has declined from 115,000 to 47,000, a reduction of 60%. These restrictions have the potential to push more people into the path of expensive lenders.

¹⁵ Illegal Money Lending and Debt Project, Research Report of Findings, Ulster University and the Consumer Council, March 2020

[Illegal Money Lending Report.PDF \(consumercouncil.org.uk\)](#)

¹⁶ #5WeeksTooLong, Why we need to end the wait for Universal Credit, The Trussell Trust, September 2019

[PolicyReport_Final_ForWeb.pdf \(trusselltrust.org\)](#)

¹⁷ Welfare Reforms in Northern Ireland, Northern Ireland Audit Office, January 2019

[Welfare Reform Report 2019.pdf \(niauditoffice.gov.uk\)](#)

3.7 An independent Review into DS¹⁸ in Northern Ireland found that 11% of their survey respondents (19 out of 172) said they managed the impact of not getting a DS award by borrowing from a local money lender. While DS alone cannot solve the problem of illegal lending it provides an important source of borrowing for those on the lowest incomes and can help to divert people from illegal lending such as paramilitaries.

4.0 Specific Questions

4.1 We have not answered every question in the call for evidence and our answers to the specific questions relate only to paramilitary lending activities which is the area on which we have the evidence with which to make an informed response.

- **Whether the approach of the UK Government and NI Executive to tackling paramilitarism is sufficiently sustained, resourced and joined-up?**

4.2 No. We argue that the approach to tackling the issue of paramilitary lending is not sufficiently joined-up or takes account of the wider environment within which this type of lending operates and flourishes. This includes the inadequacy of social security benefits, lack of access to low cost/no cost credit and the problems caused by low-paid, insecure work. We have highlighted some of the underlying issues which help to drive the need for this type of illegal lending in Section 3. We argue that there is an urgent need to look beyond a purely policing approach to tackle this issue and to look at the broader policy context which creates the need for this type of borrowing. It is clear that paramilitary lending is fulfilling a need which exists in local communities and without understanding this it will be impossible to tackle it effectively. There is therefore a need for Government to understand and recognise the reasons why people resort to this type of borrowing and to take action on these issues.

¹⁸ Independent Review of Discretionary Support, Department for Communities, February 2022
<https://www.communities-ni.gov.uk/sites/default/files/publications/communities/dfc-independent-review-of-discretionary-support-22.pdf>

- 4.3 Research by the University of Ulster¹⁹ suggests that more financial education is necessary to overcome a lack of knowledge and understanding of sources of finance and how to manage money effectively. We agree that financial education from an early age must form part of the solution to the problem of illegal lending. However, this research also showed that the reasons why many people borrowed from illegal lenders were related to key vulnerabilities including poverty-related issues which have been exacerbated by changes to the benefits system and prolonged austerity. We expect that the Cost of Living Crisis which is impacting on essentials such as energy and food costs will also increase vulnerability to illegal lending for those on the lowest incomes. Put simply, living on a low income (whether on social security benefits or in low paid work) is not enough to meet basic needs. It is therefore clear that work to tackle poverty is a key element in removing the need for paramilitary and other forms of illegal lending.
- 4.4 Tackling the scourge of paramilitary lending requires committed cross-departmental working across a range of Government departments all of whom must take action on the full range of issues that fuel the need for this type of lending. A piecemeal approach to this issue will not eradicate the need for/existence of paramilitary lenders. A joined-up approach is vital in addressing this issue not just between Government departments within the Northern Ireland Executive but between Governments. There must be a will to tackle this issue in the long-term with sustained investment of resources, joined-up working and a focus on the eradication of poverty.
- 4.5 University of Ulster research²⁰ has called on Government to urgently explore the potential to develop viable alternatives to illegal money lending which should be accessible in a prompt manner without protracted administrative

¹⁹ Illegal Money Lending and Debt Project, Research Report of Findings, Ulster University and the Consumer Council, March 2020

[Illegal Money Lending Report.PDF \(consumercouncil.org.uk\)](https://www.consumercouncil.org.uk/illegal-money-lending-report.pdf)

²⁰ Illegal Money Lending and Debt Project, Research Report of Findings, Ulster University and the Consumer Council, March 2020

[Illegal Money Lending Report.PDF \(consumercouncil.org.uk\)](https://www.consumercouncil.org.uk/illegal-money-lending-report.pdf)

burdens being placed on the borrower. Women’s Regional Consortium research²¹ has also called for greater access to affordable credit for low-income families as a way of reducing reliance on high-cost and illegal lending.

4.6 Discretionary Support provides an important source of borrowing for those on the lowest incomes – see Section 3. It cannot solve the problem of illegal lending on its own but it can provide an alternative for those on the lowest incomes. An independent Review into Discretionary Support²² in Northern Ireland has made some important recommendations for changes to the scheme. The Women’s Regional Consortium has also recommended²³ that the budget for Discretionary Support should be increased and the eligibility criteria to access help should be made less restrictive. The Consortium would like to see full implementation of the recommendations from the Discretionary Support Review.

- **What the socio-economic effects are of paramilitaries on communities in Northern Ireland?**

4.7 The quotations and case studies provided below have come from Women’s Regional Consortium research²⁴ with local women in Northern Ireland on the issue of access to lending.

“I have heard of drug dealers lending money locally. They lend people they know are regular customers.”

“When you borrow money from these dodgy lenders you will never get it paid off – they know you are vulnerable.”

²¹ Making Ends Meet: Women’s Perspectives on Access to Lending, Women’s Regional Consortium, February 2020

[Making-Ends-Meet-Womens-Perspectives-on-Access-to-Lending.pdf](https://www.womensregionalconsortiumni.org.uk/making-ends-meet-womens-perspectives-on-access-to-lending.pdf)
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²² Independent Review of Discretionary Support, Department for Communities, February 2022
<https://www.communities-ni.gov.uk/sites/default/files/publications/communities/dfc-independent-review-of-discretionary-support-22.pdf>

²³ Making Ends Meet: Women’s Perspectives on Access to Lending, Women’s Regional Consortium, February 2020

[Making-Ends-Meet-Womens-Perspectives-on-Access-to-Lending.pdf](https://www.womensregionalconsortiumni.org.uk/making-ends-meet-womens-perspectives-on-access-to-lending.pdf)
([womensregionalconsortiumni.org.uk](https://www.womensregionalconsortiumni.org.uk))

²⁴ Ibid

“You don’t hear so much about paramilitary lending here anymore. It used to be a bigger issue than it is now. Now it’s drug dealers lending money.”

“My friend borrowed from them [paramilitary] and actually paid double back.”

“My friend is a single mother and she was approached by an illegal money lender offering her a job. She was told to approach her friends and family and offer them loans. She offered me a loan but I said no. They will give you £500 and you have to give back £600 but it had to be repaid in a month. I warned her about this as she doesn’t know what will happen if they can’t pay it back. My nerves couldn’t take it.”

‘You hear about a lot of people who get loans from paramilitaries they pay £30 on £100. Someone else said they pay £80 on £100 to a paramilitary. Everybody knows somebody that would lend them money.’

“It is usually just done through friends or people you know saying don’t worry I can get you a loan. If you don’t pay them [paramilitary] they just keep putting it up.”

“I’ve been to a loan shark – it’s not good. The interest they put on. If you miss a payment they are at your door – you don’t miss those payments.”

“I have a debt to a paramilitary lender. On every £100 I pay £30. I pay it back every 2 weeks. On £1,000 I pay £300 interest. I work full time but still have difficulty making ends meet on a low income. You ask these lenders can I borrow £1,000 today and they will leave it round to you that night.”

“If you don’t pay back you get your windows put in first. I heard a local woman got her windows put in for not paying back a loan.”

“The local paramilitary charges £40 for every £100.”

“You get your knees done if you don’t repay – there are so many things they can do.”

“If you can’t get a bank loan, a Credit Union loan because you have to have savings, or payday loans then after that it’s paramilitaries.”

CASE STUDY ONE

A woman came to a debt advice agency to seek advice about her debts. She is in her 40s with one dependent child living at home. She is unemployed and unfit for work suffering from poor mental health, including depression and anxiety and has drug addiction issues. She lives in a housing estate in the Greater Belfast area in a Housing Association property and is in receipt of social security benefits. She has no assets or savings and has a basic bank account. Her debts arose as a result of her addiction to cocaine which she started using six months ago. Paying off her debts each month means that she has no money to live on and is struggling to buy food so has resorted to using a foodbank to feed herself and her son. She is paying out just over £1,050 to her creditors each month and feels like her situation is spiralling out of control. She has some non-priority debts amounting to over £6,000 to the Credit Union, Provident and Skyline. Both Provident and Skyline call at her home every week to collect her weekly payments and she has a standing order for her Credit Union loan. She also owes her family £2,500 plus £150 to a friend but she is not so worried about these debts.

She is really concerned about a debt she has to a local loan shark (paramilitary) for £1,800. They call at her home every week to collect £140. This is made up of a number of separate loans which have been rolled up into one. The client came for advice as she is frightened and stressed about not being able to pay this debt. She says they run a prostitution ring and threaten this as alternative if clients cannot pay. She says they also use violence and knee capping. She states that the "dogs in the street" know who they are but no one will inform on them due to fear. She described that cocaine use in the area is rampant and more people are becoming addicted and dependent on these loan sharks. They continue to offer more and more cash loans and it is very tempting particularly to addicts as they have no other means of funding their habit. She wants to get rid of this loan as soon as possible and "get these people off my back." However, when advised this was an illegal lender and could be reported she was reluctant to do so. She was afraid to phone and the consequences of being found out. She said this would be seen as "touting" and she wasn't a "tout."

CASE STUDY TWO

I'm a single parent with two children one aged 24 and one who is 16 and at college. I'm on Employment and Support Allowance and Personal Independent Payment. My debts started when my dad died. I had just moved into a new house and I wanted to help pay towards my dad's funeral. I used my rent money to pay towards the funeral costs. I got so behind I almost lost the house and my brother had to step in and help me out.

I got a loan to pay my brother back and this started my debt journey. I knew there were people lending money in the area and I put the feelers out about a loan. A local paramilitary lender loaned me £300 the first time and once it

was paid off I kept borrowing off them. I pay £40 for every £100 I borrow from them. I borrowed from these lenders because it was easy, it was easy to apply and it was easy to get the money. It usually comes down to borrowing money for my kids.

I also have loans to a couple of doorstep lenders – Provident, Skyline and Morses Club. I have six different loans with Morses Club all operating at the same time I have total debts of around £3,000 to all these lenders. I'm paying back £240 every fortnight. Some weeks I manage OK but I really notice my other bills going up now.

I get my money on a Monday and by Tuesday it's gone! I'm always behind on benefits I never get on top of things. I'm always robbing Peter to pay Paul. Debt never goes away I never seem to shift it.

- 4.8 Research by the Women's Regional Consortium²⁵ illustrates that these lenders are fulfilling a need in local communities particularly where borrowers had an urgent need for money. There was a degree of acceptance of these lenders as they were seen to be able to 'help' people who were in need and unable to access money elsewhere. They were well known in local communities and it was seen as an acceptable form of lending. Many people accessed lending from paramilitaries through friends or family members who had also used them.
- 4.9 Those who borrowed from paramilitary lenders were living on a very low income either from social security benefits or in low paid work. Some examples were given of the paramilitary lender actually being cheaper than other forms of 'legal' lending in the area such as doorstep lending. It was viewed as being a quick, easy and convenient form of lending with no paperwork. Money is provided when it is needed without delay and without the need to check the borrower's credit history or income levels.
- 4.10 Women who took part in the Consortium research were aware of the implications of not being able to repay paramilitary debt. Some of the women

²⁵ Making Ends Meet: Women's Perspectives on Access to Lending, Women's Regional Consortium, February 2020

[Making-Ends-Meet-Womens-Perspectives-on-Access-to-Lending.pdf](https://www.womensregionalconsortiumni.org.uk/Making-Ends-Meet-Womens-Perspectives-on-Access-to-Lending.pdf)
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reported stories of increasing debt, harassment as well as more serious physical harm (however, some disputed that their lender would use violence). There were high levels of secrecy and fear over this type of lending and a general reluctance to discuss the issue leading to significant under-reporting. It had clear implications for borrower's mental health and wellbeing with worry over repaying these debts given priority over other forms of lending.

- 4.11 The quotations, case studies and research included in this response illustrate the personal and socio-economic effects of paramilitary lending on individuals and communities in Northern Ireland. Overall this type of lending was seen to be more dangerous and often an avenue of last resort for borrowers who had nowhere else to go due to low incomes and poverty. In many cases borrowing through these illegal lenders led to an endless cycle of debt from which many found it difficult or impossible to escape.