



Barriers to Inclusion?

Debt, Accessing Credit and Illegal Money Lending:

Exploring the issues facing people leaving prison
in Northern Ireland

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EXECUTIVE SUMMARY

This research was commissioned by the Consumer Council and carried out by NIACRO. It focuses on prison leavers' attempts to access financial services and accruals of debt, including the use of illegal money-lenders. The study involved semi-structured interviews with 24 NIACRO staff; managers and Project Workers from four of its programmes involved in supporting people in and leaving custody. Interviews sought to identify the challenges faced by NIACRO's clients in accessing credit and, in many cases, resorting to the use of illegal money lenders. Due to the restrictions associated with Covid-19, the one-to-one and group interviews were conducted online/via telephone. The report also features case studies highlighting the main themes which emerged.

The research confirms that people leaving prison face critical barriers to accessing financial services (including credit) and are often driven towards informal banking and credit arrangements. The consequences compound financial and other lifestyle difficulties. In particular, the research found that prison leavers often face:

- Widespread difficulties in opening new or accessing existing bank accounts (as a result of having no photographic ID, no proof of address, little financial history and a criminal record).
- Exhausting or being refused access to all legal forms of credit.
- Depending on access to "friends" or family members' bank accounts to receive payments, often leading to them being exploited by the bank account holder.
- Poor budgeting skills, impulsive behaviours, and addictions lead many to spending lump sum payments (from pre-paid Universal Credit vouchers, often the only option for those without bank accounts, or from benefit back payments) quickly and not on essentials.
- Pressing needs to service legal debts and/or repay illegal debts (such as drug debts) on top of having to meet costs associated with household bills, insurance etc.
- Changing circumstances which necessitate quick and convenient money from lenders who do not require detailed applications or forms of identification.
- Being perceived by criminal gangs/money lenders to be vulnerable and therefore targeted/exploited.
- Accruing illegal debt which they (and often family members) struggle to repay, with associated threats of violence or coercion to repay debts by being drawn into gangs' illegal activities.

- Viewing illegal money lenders as a relatively normal interaction within their community.

All challenges faced have been compounded in 2020-21 by the widespread economic and societal implications of the Covid-19 pandemic.

The research makes the following recommendations:

R1 - Commitment to early-stage intervention advice and information (PBNI, NIPS, DfC) which may involve:

- 1.1 *Incorporate financial/welfare advice/money management programmes into Probation Orders.*
- 1.2 *Advocate for community sentences with financial capability interventions as alternatives to short custodial sentences.*
- 1.3 *Make financial/welfare advice programmes available to all new committals.*

R2 - Operational commitment across the prison estate at committal to: (NIPS, DfC)

- 2.1 *Conduct assessment of financial circumstances of all new committals.*
- 2.2 *Collate and report on this data to build evidence about the financial circumstances of committals.*
- 2.3 *'Red flag' those who require follow-up specialist advice and resource this service.*

R3 - Operational commitment across the prison estate in preparation for release: (NIPS, DfC) to include:

- 3.1 *Facilitate access to photographic ID and help for opening bank accounts in advance of release dates.*
- 3.2 *Conduct pre-release assessments of financial circumstances.*
- 3.3 *'Red flag' those who require follow-up specialist advice and resource this provision (for example, for those who do not have bank accounts, need support with benefits applications/advice etc.)*
- 3.4 *Incorporate pre-release welfare/debt advice and money management into final months in custody.*



R4 - Continue to engage banks across Northern Ireland (NIACRO, NIPS, Consumer Council, DfC).

To help address the detrimental impacts of exclusion from mainstream financial services, partners listed may consider:

- 4.1 *Continued efforts to identify one 'lead' financial institution to work with prisons towards pre-release accounts, referring to best practice across the rest of the UK.*
- 4.2 *Find ways of raising awareness amongst bank branches across Northern Ireland about widening access and judging applications on a case-by-case basis alongside maintaining risk-assured practice.*
- 4.3 *An online survey followed by a series of awareness raising seminars, similar to those NIACRO's Disclosure Team hold for employers, may be considered helpful.*

R5 - Commitment to Ongoing Practical Support as Demonstrated across NIACRO and similar organisations.

Case work, as conducted by the staff teams represented in this research, and throughout similar organisations, remains critical, to pick up and support those with greatest financial and other needs.

1. INTRODUCTION

NIACRO was commissioned by the Consumer Council to research prison leavers' experiences of accessing financial services and accruing debt, including credit outside mainstream services particularly illegal money-lenders. The research took place during the turbulent and challenging Covid-19 pandemic, with its associated socio-economic impact of three lockdowns in the UK over 12 months. Yet even before 2020, it was becoming apparent through research and practice that mainstream credit was increasingly difficult to access, with banks in particular developing more stringent lending strategies (Aldohni, 2013).¹

Accessing affordable credit has been a historic challenge for many on a low income in the UK and lack of information before making credit decisions (information vulnerability), or the lack of options (supply vulnerability), exacerbate such difficulties (ibid.).² Saunders' (2019)³ larger scale analysis of 753 victims of 'loan-sharks' in the UK between 2011 and 2017 found that most victims were female, but males were considerably more indebted; and were poor, unemployed and on benefits with fewer than half having had financial or benefits advice.

Despite 90% reporting they would not borrow illegally again, 30% had previously done so from the same 'loan-shark' and over half considered the 'loan-shark' to be their friend.⁴ Two recent research projects commissioned by the Consumer Council in Northern Ireland suggest that difficulties accessing mainstream credit can prompt people to turn to local illegal lenders (Livingstone, 2019; Payne et al., 2020).⁵

International literature has found that those most at risk of exploitation by non-mainstream lenders are more likely to be on low incomes, be unemployed and living on social security payments, and have poor credit ratings (Signal et al., 2012).⁶ These findings support the results of the 2017 survey by the Illegal Money Lending Team in England which documented that of those using illegal lenders:

- 70% lived in rented accommodation;
- 19% had visited food banks in the last year;
- 36% were unemployed;⁷ 58% were claiming benefits; and
- 50% were parents.

1. Aldohni, A.K. (2013) 'Loan Sharks v. Short-term Lenders: How Do the Law and Regulators Draw the Line?' *Journal of Law and Society*, Vol.40(3), pp.420-449.

2. More consideration has been given to the former than the latter, with an adverse impact on short-term borrowers (Aldohni, 2013).

3. Saunders, P. (2019) 'Loan sharking: changing patterns in, and challenging perceptions of, an abuse of deprivation,' *Journal of Public Health (Oxf.)*, <https://doi.org/10.1093/pubmed/fdz090> (accessed March 27th 2021).

4. Saunders work suggests the relationship between 'loan sharks' and lenders is not as is sometimes perceived and that the use of 'loan-sharks' has increased with the decline in traditional sub-prime lenders coupled with a low penetration of Credit Unions in many areas.

5. Livingstone, P. (2019) *Christians Against Poverty Research into illegal lending in Northern Ireland*. Bradford and Belfast: CAP and the Consumer Council; Payne, B., Murray, C., Byrne, J., and Morrow, D. (2020) *Illegal Money Lending and Debt Project: Research Report on Findings*. Belfast: The Consumer Council.

6. Signal, L., Lanumata, T., Bowers, S. (2012) 'Punching loan sharks on the nose: effective interventions to reduce financial hardship in New Zealand,' *Health Promotion Journal of Australia*, Vol. 23(2), pp.108-111.

7. 23% were employed full-time, 20% self-employed, 15% employed part-time, 3% retired and 2% students (ibid.).



Previous research places prison leavers amongst the most vulnerable, socio-economically, in society (Li, 2018).⁸ The Bromley Briefings 2021 Prison Factfile⁹ reveals alarming levels of need and disadvantage amongst Northern Ireland's prison population, including:

- 34% enter prison with a literacy ability, and 51% with a numeracy ability, at a level broadly equated to that expected of a nine year old;
- 90% have a diagnosable mental health problem, substance misuse problem or both;
- 27% have some other form of chronic disease;
- 30% are estimated to have a learning disability or difficulty compared to 6.7% of the general population;
- 40% of new prisoners admitted to having a problem with drugs and 44% with alcohol; and
- 36% had no accommodation confirmed to go to on release from prison.

Challenges associated with resettlement are well documented, particularly finding and maintaining appropriate accommodation and securing stable employment (Bath and Edgar, 2010)¹⁰, but also including:

- Opening a bank account;
- Registering with a GP;
- Accessing insurance or mainstream credit; and
- Knowing what financial support is available (Bath and Edgar, 2010)¹¹.

As a result, people in prison are ten times more likely to have borrowed money from an illegal money lender than the average UK household (ibid.). It is plausible to assume that such underlying vulnerabilities and challenges will have been exacerbated by the unprecedented societal issues in 2020/21.

8. Li, M. (2018) 'From prisons to communities: Confronting re-entry challenges and social inequality,' American Psychological Association. Available online at: <https://www.apa.org/pi/ses/resources/indicator/2018/03/prisons-to-communities> (accessed February 4th 2021).

9. <https://prisonreformtrust.org.uk/publication/bromley-briefings-prison-factfile-winter-2021/> (accessed May 2nd 2021).

10. Bath, C., and Edgar, K. (2010) Time is Money: Financial Responsibility after Prison. London: Prison Reform Trust and Unlock.

11. Study included 144 people in prison, 24 former prisoners and 29 family members. 33% did not have a bank account and over 50% had been rejected for a loan. 80% had problems getting insurance (ibid.).

2. METHODOLOGY

NIACRO is a voluntary organisation which has been working for 50 years to reduce crime and its impact on people and communities across Northern Ireland. Its vision is of a society in which the needs and rights of all citizens are equally respected. This includes victims of crime, adults and children who have offended, and those who are at risk of offending and their families. NIACRO delivers over 20 services to circa 7,500 people annually. The experiences of clients from the following services were drawn upon for this report:

- Aspire Mentoring: supporting 500 young men aged 16-30 each year, over 75% of whom are recently released from prison or serving community sentences. Mentors offer holistic support to those facing considerably complex lifestyle difficulties.
- Working Well: helping over 1,000 people with criminal records each year in the community and prisons to build confidence to move into employment, education and training. Includes in-prison and 'through the gate' support, as well as specialist advice relating to the disclosure of convictions.
- FAMM: (Family & Money Matters: debt and money management advice to people in prison and on probation and their families, particularly those not engaging with mainstream debt advice.
- Welfare Advice: specialist advice to help people in prison and their families break the cycle of poverty through advice and support, regarding welfare entitlements and associated financial and practical matters.

Two independent researchers, Dr. John Bell and Dr. Philip McCready, were commissioned by NIACRO to conduct this qualitative research, considering the following research questions:

- What are the issues/challenges facing those leaving prison and their families in terms of accessing credit? Has Covid-19 had an impact in this regard?
- What are the consequences of not being able to access mainstream forms of credit?
- What support structures are in place (or are lacking) to help support the socio-economic reintegration of those leaving prison?
- What are the risk factors that may make some individuals need to turn to 'loan-sharks' or illegal money lenders?
- What are the consequences/impacts that individuals may face if they use 'loan sharks' or illegal money lenders?



- Are there links between difficulties in accessing mainstream credit and recidivism (in other words, are some individuals having to (re)engage in criminality to support themselves and/or their families)?
- What policy/practice developments would assist in increasing access to mainstream credit and reducing any need to rely on non-mainstream sources of credit?

As the research was conducted during a period of Covid-19 lockdown, online and telephone interviews were held with 24 NIACRO staff (managers and Project Workers from Aspire, Base2, FAMM (Family and Money Matters), and Working Well Prison).

Three online focus groups totaling 18 members of staff were held alongside one-to-one interviews with six project workers (including those working on employability issues and a disclosure advice helpline). In addition, case studies documenting experiences relevant to the research, based on conversations with and written documentation supplied by NIACRO staff, were developed. All case studies reference male subjects; reflective of the largely male demographic of the NIACRO clients on which the research is based.

Use of case studies helped to overcome difficulties with contacting people affected directly. Whilst one NIACRO client had expressed a willingness to speak to the researchers about his experience of illegal lenders, contact was not possible in the end, highlighting the difficulties associated with researching this sensitive topic with a vulnerable cohort. The case studies have been anonymised and the issues they highlight are intended to be illustrative, rather than exhaustive, of the barriers people released from prison are facing.

3. EXPERIENCES UPON ENTERING CUSTODY

Before progressing to the findings, some context about the experiences of people upon entering custody, drawn from the observations of NIACRO's staff and research, is helpful. Research conducted by the Social Exclusion Unit¹², revealed that 1 in 5 prisoners stated they faced increased financial problems, specifically:

- 72% were in receipt of benefits before committal.
- 48% had a history of debt.
- 25% needed help with benefit and debt problems.
- 33% claimed debt worsened in prison.

Committal to custody, especially for the first time, can be overwhelming. Being uprooted to an environment where autonomy, control and decision-making are divested in others reinforces the loss of personal freedom and identity. Difficulties adjusting to prison life are intensified by separation from family or loved ones, losing social support networks, and the stigma of being labelled an offender. With such emotional stress it can be easy to neglect or be in denial about practical matters, particularly finances, which, if ignored, can lead to debt, bankruptcy or financial exclusion, creating problems upon release. To avoid problems escalating, it is imperative that credit, personal loans, mortgages, hire purchase agreements, phone contacts etc. are identified and addressed upon entering prison. Jake's experiences illustrate this.

'Jake'

Jake had been employed before being remanded into custody. Unsure of how long he would be there, he requested to see FAMM in prison. His financial commitments and debts amounted to £750 per month, including mortgage, car finance, furniture repayments and car tax and insurance.

FAMM created an accurate picture of his outgoings, visited his family and helped Jake to consider prioritising his payments, securing a mortgage holiday. Jake also authorised FAMM to write to his bank which agreed to stop all direct debts to avoid an unauthorised overdraft and waived penalties and fees, and to request all remaining creditors to hold charges and collection actions.

Several months after release, Jake hadn't resumed mortgage payments, but was able to return his car to the finance provider with no further liability. FAMM called Jake's mortgage provider on his behalf, asking that the missed months be added to the term of the mortgage, although a pending (yet delayed) court case with a potential custodial sentence complicated his circumstances, during which time FAMM kept in touch with the mortgage provider. FAMM secured agreement on a recalculated monthly mortgage payment on his behalf, supported him to prioritise payment of a court fine and reviewed his income and expenditure to create a weekly budget.

Without FAMM, Jake would not have been able to navigate his debts and would almost certainly have had his mortgage foreclosed leading to the loss of his home.



4. FINDINGS

4.1 Challenges Faced upon Release Including Budgeting

The most pressing difficulties most people faced upon their release were associated with:

- Accessing credit in the form of a bank account (as a result of having no photographic ID, no proof of address, little financial history and a criminal record)..
- Registering with GPs and accessing health services.
- Difficulties and delays receiving/claiming benefits.
- Accessing required insurance.
- Securing accommodation.
- Securing a job (unless they have support).

NIACRO staff suggested that these inter-connected challenges are real for people as they walk out the prison gates. Their possessions are returned and, as one interviewee put it *“if they didn't have money in their wallet when they went in, they won't have it when they leave.”* Despite being entitled to a discharge grant,¹³ lack of money can make even travelling to accommodation, or in many cases trying to get to the Northern Ireland Housing Executive to confirm details of emergency housing, an immediate challenge. (Applications for NIHE accommodation can be made in the weeks leading up to release. NIHE write back to prison, having processed the application, with instructions for the person to attend their local office and in most cases to be placed in temporary accommodation pending availability of a secure tenancy).

“They could show up at the Housing Executive and be told, ‘There’s a bed for you in Coleraine.’ If they make their way then to Coleraine and by the time they get there it will be late at night, lots of other things will be shut, there will be no services open to them, so then for the next day, we have to try and link in with them.”

“Every single individual, when they leave custody, is issued a discharge grant. It's sort of to subsidize your dole money, or job seekers, or whatever it is you would be getting ... it doesn't happen very often that the full discharge will be issued, but it is there just so that the guys aren't leaving penniless. They're leaving with some money in their pocket...but if you have a guy that's in the middle of severe mental health, or addiction issues, the likelihood of trying to get him to sort of think straight, and think, 'I'm not going to spend this on a bag of drink down at the off-licence' – it's difficult.”

13. Standard discharge grant is £72.40 and the homeless discharge rate is £144.80

Such challenges are often exacerbated for those released at weekends (when there is little statutory support available) and those released from short-term sentences who are most likely to encounter the same challenges repeatedly.

The cost of living for many is immediately high and what little money they do have is soon gone. Even those attempting to budget find this difficult when living in communal accommodation such as hostels¹⁴ with little access to kitchens to cook and store food (takeaways are often relied upon which are relatively expensive).

Two particular difficulties with how Universal Credit payments may be made were highlighted as having a detrimental impact on budgeting attempts:

1. People without bank accounts may be supplied with a pre-paid Universal Credit voucher or text message with a unique reference number which can be cashed in at a local shop.¹⁵ This means the claimant will receive all their benefits in one go, with *‘cash on the hip’* on that day - which NIACRO staff pointed out is likely to be spent more quickly; this is a significant detrimental consequence of not having a bank account.
2. The repayment of benefit arrears received as a lump sum payment: one instance was reported of a client receiving an arrears payment of £6,500 in one lump sum: *“We didn't see him for two weeks. He managed to blow through a fair bit on drink and drugs and he had plenty of hangers-on helping him spend it.”*

Staff reported a naivety in attitudes towards money. For example, a need to be seen wearing the latest designer gear; spending several hundred pounds on trainers when they barely have enough to eat or live on. Limited budgeting and money management knowledge and skill amongst people leaving prison is a significant difficulty; hence Recommendation 1, that provision for money management training must be made available at the earliest possible opportunity for this cohort, many of whom have never been shown how to save or budget.

4.2 Securing ID, opening and accessing bank accounts

When presenting to the Housing Executive, banks or other agencies, NIACRO's clients report being required to produce identification and proof of address. This is an immediate barrier for many who do not have identification - beyond in some cases a birth certificate which is *“battered and torn after being folded up in a wallet for a long time.”* For this reason, Recommendation 3 calls for more consistent provision for photographic ID within the prison system, to ensure people leave prison with the identification they will need.

14. On average, 33% of clients NIACRO supports are living in hostel accommodation upon release from custody.

15. Computer literacy, or lack of it, was another reported barrier to completing Universal Credit forms. This was felt to be particularly acute during the lockdown associated with Covid-19 when libraries were closed (and a number of individuals would have used the computers in libraries to process their Universal Credit claim).



Staff interviewed recounted sporadic attempts to provide 'photographic ID workshops' to ensure people left prison with photographic ID, but given this is over and above 'normal duties', where there are staff shortages or other pressures, this may be suspended, leading to backlogs of participants as and when staff can resume this activity. Other difficulties, highlighted by staff included *"cameras were always broken, things like that."* Section 5, 'Conclusions', outlines how more recent progress towards this is being made within Northern Ireland's prisons.

Examples were offered of clients frustrated in attempts to open bank accounts, such as some being offered no apparent reasons for refusal of their application. Whilst others fell at hurdles such as not knowing sufficient family details, not being able to use the prison as previous address in addition to having no ID, employment history or history of defaulting on mobile phone contracts.

"They said they needed one year's continuous proof of residence - and obviously he had been in prison."

Even in cases when people could open a bank account, the process was felt to be inconsistent. The staff members interviewed questioned, for example, why some banks would not accept an electoral card as valid ID which tended to be easier for someone leaving prison to get than a passport or driving license.

"Banks used to take proof of address from Probation but stopped that for some reason."

With many people leaving prison not in possession of a birth certificate,¹⁶ passport or driving license, an alternative is the electoral register card, although the staff reported that their clients found this was not universally accepted by credit agencies and banks (as NIACRO clients have discovered) and can take a number of weeks to process (increasing the vulnerability of individuals in the short-term). Staff interviewed were of the opinion that more universal acceptance of electoral register cards would be a step in the right direction (given the costs of ordering a new birth certificate).

Instances were also reported of people being refused access to their existing bank accounts for similar reasons, while other applications for new accounts were turned down (lack of ID, proof of address, employment history, and/or a history of defaulting on contracts including mobile phone contracts, or a zero-credit rating). In other instances, clients' accounts had been closed whilst they were in prison.

16. It also costs more than £30 to order a new copy of a birth certificate.

Several staff members suggested that Credit Unions were not a practical alternative for their clients because:

- (i) one tends to have saved with them for a period of time before you can borrow;
- (ii) in many cases you may need to be 'local' (residing in/from the area); and
- (iii) one may have to be 'vouched for' by existing members.

One staff member with many years' experience had only ever seen two clients successfully use Credit Unions.

Without photographic identification people can't open a bank account, and without a bank account people are restricted in how they can receive benefits and even in securing employment. Exclusion from mainstream financial services, therefore, markedly increases vulnerability to informal and perhaps illegal means of accessing money to survive and can have a major emotional impact on those who are trying to get their life back on track. People leaving prison do not tend to have high levels of resilience to setbacks and the number of obstacles they face is hugely problematic - for them, for their families and for society at large. One interviewee recounted an experience he had with a client who had just heard he'd been turned down for a crisis loan:

"I saw a guy smash his phone in front of me after being turned down for a crisis loan - he was so angry. He said, 'I don't feel bad now going out to steal cos I have tried to get help and they won't help me so it's their fault. They have put me in this position.' He was so angry I was a bit frightened. He was so desperate he even asked me for money, which I had to say no to. So, guys like him are much more likely to commit crime as they are desperate and think the world has wronged them. They don't differentiate between the system and the general public."

This research supports the premise of an ever-deepening cyclical process¹⁷, often ending in a return to prison. For even the most committed and determined individual leaving prison, the challenges they face can lead to reoffending. 'Mark's' story (see p16) is a case in point.

17. 'Labelling theory' asserts that 'deviance' is a social construct and certain categories of people, including prisoners and prison leavers, internalise the negative and pejorative label society gives them, adopting associated behaviours. Labels are also externally ascribed to individuals by others in society who then treat them as 'deviant'. For example, refusing to employ prison leavers. Combined with structural barriers to reintegration, labelling can contribute to reoffending. The theory was developed from the 1963 work of American sociologist Howard Becker on 'deviance'. See, Becker, H. (1963) *Outsiders: Studies in the Sociology of Deviance*. New York: The Free Press of Glencoe.

'Mark'

Mark was a young man who struggled to find a job as he hadn't been able to set up a bank account; employers would not employ him without an account - but Mark was unable to open a bank account on release from prison as he had no proof of address and no photographic identification. Mark had been a short-term prisoner and had been relying on family members to maintain his property by paying his rent when he was in prison. While it was beneficial that Mark had a tenancy to return to, with no job and little income (while awaiting the outcome of his Universal Credit application) this put pressure on his family to keep paying the rent which they could not afford. So, Mark and his family accrued debts running into thousands of pounds.

The stress of not being able to find a job and the financial burden led to Mark reoffending, which harmed his relationship with his family: they had been paying his rent while he was in prison and now he had returned to prison, yet again he had no means of helping them to pay rent and debts. The financial barriers facing Mark upon his release meant that his family also ended up getting into debt and were at a much higher risk of having to turn to illegal lending to make ends-meet.

Whilst it was apparent that some employment sectors are easier for people to secure employment in (such as construction and catering), the lack of a bank account was regarded as a significant barrier for people getting a job.

"I've seen in our programme, people go for a job and they can't get it because they have no photo ID and no bank account to have their wages paid into."

With regard to inconsistent experiences of approaching banks to open new or access existing accounts, Recommendation 4 encourages NIACRO and other partners, including the Northern Ireland Prison Service and Department for Communities, to continue engaging with banks across Northern Ireland to raise the profile of the needs of this group and ways in which banks may make their services more accessible without compromising their risk management. Several staff made reference to an historic partnership initiative between NIACRO, Burren House ('Working Out Unit' for life sentenced prisoners)¹⁸, Danske Bank and the Halifax to assist in the process of setting up bank accounts for people leaving prison - but this scheme was no longer in operation.

4.3 Alternative banking arrangements

Given the difficulties encountered in attempting to open bank accounts and delays in receiving benefits, the staff interviewed highlighted the common practice of people released from prison using family members' and friends' bank accounts to receive payments on their behalf. Yet this can lead to exploitation or control. For example, staff gave accounts of their clients having funds withheld by the family member/friend in question. Even those with accounts can be subject to control; one account was given of a mother holding onto her son's bankcard, periodically giving him a small 'allowance', not enough to live on.

"I'd one guy, the mum made herself the PIP bank account holder and she decided when he got paid - although we got it sorted out."

"They can open up a claim via their mum or brother - but there is no guarantee they will get that."

"'Friends' use their account and just fleece them. We see that time and time again."

Even where relationships are not exploitative, over-reliance on family members and 'friends' (often "drinking or drug buddies met in prison") for financial support places strains upon and often fractures relationships. Other examples offered were short-sentenced prisoners asking family members to cover their rent, promising to pay them back when released - only for them to be released, reoffend and return to prison leaving the family to continue covering rent.

When family relationships breakdown, individuals are in an even more vulnerable position; staff emphasized the importance of understanding how vulnerable and easily exploited their clients can be. Indeed, they reflected that relationship breakdown due to financial dependency can be a major contributor to reoffending. Family/relationship breakdown is the second most cited reason for people presenting as statutory homeless in Northern Ireland (DfC, 2020).¹⁹

4.4 Borrowing from illegal lenders including paramilitary gangs

In addition to social security benefits, four relatively insecure sources of cash/income for those leaving prison without access to bank accounts and/or mainstream credit emerged from focus group discussions:

- Emergency/discretionary loans - which are quickly exhausted. Often²⁰, exclusions prevent applicants applying for a grant/loan from Discretionary Support for the specific purpose of repaying a government debt.
- Borrowing from family and friends - which can lead to exploitation; even within families and between peers.
- Sub-prime legal (but unscrupulous) lenders with a high APR rate.
- Illegal money lenders - often via a drug or gambling debt ('debt bondage') which includes drug dealers, but also paramilitary organisation.

18. Error! Hyperlink reference not valid. (accessed June 12th 2021).

19. DfC (2020b) Northern Ireland Homelessness Bulletin, January - June 2020. Belfast: DfC, NIHE and NISRA.

20. Discretionary support loans' excluded items and services include, for example, expenses related to court or legal fees, education or training, medical or mobility needs. Full list of exclusions is available within The Discretionary Support Regulations (Northern Ireland) 2016.



Being released from prison makes an individual vulnerable to financial exclusion, to building up debt and to having to resort to illegal money lenders. However, additional difficulties including mental ill health, substance dependency, gambling addictions, unemployment and transient lifestyles increase risks and can lead to patterns of borrowing money from illegal money lenders as *“realistically, who else would lend them money?”* Then it can become a case of ‘borrowing from Peter to pay Paul’ leading to a cycle of increased legal and illegal debt with little possibility of escape. Reports of NIACRO clients applying for short-term and sub-prime loans to pay for illegal debts were recounted, with people getting deeper and deeper into debt.

There was consensus amongst the staff that the severity of the consequences of debt and the difficulties which would be encountered with repayments was not fully appreciated by clients

“I had one guy who took out a 4k loan over 5 years – but he had no idea about the extortionate interest rate on it.”

“I’d a guy stole from a car dealership to pay back a pay day loan. He took the cash deposits [from customers] to pay off the loan – he ended up doing an 18 month sentence.”

All ages and stages of life resort to illegal money lenders. Staff recounted examples of men aged 40-60 with gambling addictions and associated poor financial choices as well as women who had been engaged in fraud. Examples were also cited of several ‘high rollers’; solicitors and accountants who engaged in ‘risk taking’ behaviour and then resorted to theft or illegal loans to recover losses.

Clients appear to be more concerned with debt where paramilitaries were involved and there was a threat of violence. The vast majority of NIACRO clients with paramilitary ‘illegal’ debt were younger men with addictions. Alan’s story is sadly typical of these challenges and is one in which NIACRO staff were still involved with at the time of the research.

‘Alan’

Alan’s drug addiction led him to borrow money to buy drugs from many different sources. He was referred to NIACRO because he came under threat from paramilitaries for running up a drug debt in excess of £25,000. He also had over £5,000 of debts from credit cards and loans.

Supporting Alan has been complicated by the Covid-19 restrictions; all communication had to be by phone. However, NIACRO staff established that the first priority for Alan was to help him get his non-priority debts written off because of his addiction, in the hope this would free sufficient funds to make regular repayments on his drug debt. Of great concern was the threat from the paramilitaries and attempts to help him to be rehoused and join a community addiction treatment programme will free him from this threat.

4.5 Impact of Using Illegal Money Lenders

NIACRO’s clients who had borrowed from ‘illegal’ money lenders faced the psychological pressure of being in debt with the implicit threat of physical violence should the debt not be repaid. Several staff members recounted clients being threatened with guns or baseball bats – or of their household coming to physical harm. In one instance a paramilitary gang visited a house to collect a debt of £800 used to buy a new television and household items. When the family couldn’t pay on the spot, the gang smashed up their living room, including the new television. In another instance an interviewee recalled; *“I’ve one guy was put out of his house, the gang smashed it up and he had to leave – he owes the NIHE £1,000 for the repairs and they were going to take it out of his housing benefit.”*

A further potential impact of being in debt to illegal money lenders was the heightened risk of becoming homeless.

“...a lot of our short-term guys as well, they find themselves in these situations where they’re sleeping rough, they’re sofa surfing, they are really struggling, and some of them will commit offences to get back into prison because they know they have three square meals a day, they’ve heating, they have a bed, they have craic. They have support, they have people like us that are coming in and asking how they are. They don’t get that support in the community.”

Illegal money lenders were viewed by the staff as ‘exploiters’, manipulating and preying particularly on those with vulnerabilities such as addictions, to build up their level of debt. David’s case is a sad example of this.

‘David’

David is a compulsive gambler and because of his addiction, he was exploited by illegal money lenders. To earn some money to pay back some of what he owed, David agreed to drive a car to collect a parcel. A sum of money had been left under the handbrake and David, mistakenly thinking the money had been left for him as payment, took it, gambled with it and lost it. The money had deliberately been left for David to find and yet this sum was added to what he now owed, increasing this sum substantially. He had no way of paying this back.

David’s elderly father was deeply concerned about what might happen to his son if he couldn’t repay; the money lender was well-known locally to be associated with a paramilitary organisation so he withdraw his life-savings and gave them to David to repay his debt. The money was transferred from the father’s account to David’s, the money withdrawn and the debt paid.

However, this was not the end of David’s difficulties. His housing benefit was immediately stopped when it was discovered he had a large sum in his bank account following the money transfer from his father. The Housing Executive, whilst accepting the money had been withdrawn almost immediately, could not re-start David’s benefits until he could prove the money had been used to pay the debt. NIACRO staff are engaging on David’s behalf to try to resolve this. Given David’s gambling addiction and history of using illegal money lenders, there is grave concern that, if his benefits are not re-started soon, he may be drawn back into the cycles of offending and borrowing.



Why, then do people continue to borrow from illegal lenders given the known risks? Staff volunteered observations including: desperation; no viable alternatives;²¹ and illegal lenders not necessarily being perceived negatively in the local community; 'buying on tick' was recognized to be a long-established practice in some communities, accepted as the 'norm'.

4.6 More than one way to repay a debt

While illegal lenders often want debts repaid in cash, staff reflected that criminal gangs and/or paramilitaries do, at times, let their clients accrue drug and gambling debt as a means of recruiting people to 'do a job for them.' This had resulted in NIACRO clients re-offending, or, in some cases, was the cause of their initial offending. In one such case, a middle-aged man with no prior criminal convictions had accrued debts of over £10,000 as a result of gambling. When he couldn't re-pay, he was offered a 'way out' by taking a package from 'A to B'. NIACRO staff believe he was 'set up' by the gang, arrested and served a prison sentence resulting in the loss of his career.

In another example, a man was told he wouldn't have to pay back his debt (also accrued as a result of gambling) if he transported people to a house. He didn't know what he was transporting the people for or to – but it turned out they were to collect Class A drugs with a street value of over £250,000. He too was arrested and received a custodial sentence almost as long as that of the ring-leader of the operation. Debts to illegal money lenders which required very quick repayment (one week or less) were often the 'trigger' for people engaging in serious crime including armed robbery.

"The number of people I've encountered who ended up doing something they never thought they would out of desperation is staggering."

Whilst borrowers often suffer the physical and psychological impact of living in fear (and may be coerced into criminal activity), family members also suffer. Several staff were aware of female family members of the debtor in particular being targeted by illegal money lenders, being forced to pay debts by handing over pension money or benefits or even coerced into carrying drugs, considered perhaps to be less likely to be stopped by police.

21. As one interviewee put it, "Loan-sharks aren't asking their credit rating or for the last three months bank statements."

4.7 Clarifying benefits entitlements

Two main difficulties were cited with respect to the Department for Communities 'Make the Call' helpline advising people in prison on access to and uptake of benefits.

1. Those leaving prison are reportedly handed a leaflet with the Make the Call telephone number. However, many tend to have chaotic lifestyles, a distrust of statutory agencies and often need specialist advice which takes into account their particular circumstances. Many are therefore unlikely to 'make the call'. It was felt that equality of outcome for the vulnerable former prisoner cohort is unlikely to be achieved through such passive means which places the onus on the individual to seek out support.
2. The helpline is run by the Department; it is not therefore viewed by all as independent advice. Staff highlighted the challenges this could pose to those seeking assistance in appeals about their entitlements (as the state is not considered to be a neutral arbiter in such cases).

Once applications are submitted, staff reported that their clients routinely wait upwards of 5 weeks after release before receiving regular Universal Credit payments. Whilst most can access an emergency payment from their Jobs and Benefits Office, staff reflected this small pot of money is "very soon spent." There are also emergency loans available in such circumstances, but repayments will be deducted from regular payments once these are established – leading staff to reflect that many clients are facing debt as soon as they are released from prison.

"Before you get going you are immediately put in debt by the government. And if you are trying to change your behaviour (for the better), sooner or later you will hit rock bottom and have no other choice (than to use an illegal lender)."

It was also highlighted that many people leaving prison are unaware that they can negotiate more affordable terms for these repayments.

4.8 Accessing insurance

Accessing insurance – home, car or life insurance – was significantly problematic. NIACRO staff were aware of numerous instances of those released from prison being quoted 'astronomical' figures for insurance or being told they were too 'high risk' for a premium. This did not just relate to those convicted of fraud,²² but those with any conviction. But there were also reported instances of family members of individuals who have been released being punished by having their premiums increased significantly – even when the person released does not live at the same address. 'James' felt the difficulties he was facing in trying to access car insurance for a new job meant that he 'had failed at the first hurdle' trying to rebuild his life.

22. And one interviewee noted that between January 2019 – January 2020, 305 individuals were convicted for fraud in Northern Ireland, which according to the same interviewee means there "will be 305 people who will be financially excluded upon their release."



'James'

James is in his 20s, and a first-time offender. He was supported by NIACRO to secure employment and managed to find a good job as a sales rep. He was excited about the opportunity although worried about how he would afford transport to and from work.

Fortunately, his prospective employer provided him with a company car. But the cost of car insurance nearly lost James his new job. Insurance quotations increased fivefold from before James had been in prison because of his conviction, even though it was not related to car crime. The new premium was far beyond what James could afford and without the car, he wouldn't be able to accept his new job.

With no luck finding affordable rates in Northern Ireland, NIACRO staff explored alternatives - and were able to find James a more reasonable quotation from an insurance broker in England. James was relieved when the matter was settled as he found the ordeal very stressful, almost costing him the chance he needed to turn his life around.

4.9 Covid-19 Pandemic

It is important not to underestimate the emotional impact of emerging from prison life into a society so radically altered by the pandemic. Support services, including NIACRO's have been almost entirely online or by phone, often making it harder to build relationships.

"I actually have clients that I have never met before. All I can do is chat with them over the phone."

Major credit lenders such as banks were also operating an online service making it even less accessible for people leaving prison who may have poor literacy skills and need a smartphone or laptop for logging into (with internet cafes and libraries which would previously have had accessible computer terminals closed). Staff pointed to these difficulties as making it almost inevitable that some people would be forced to turn to 'illegal' forms of credit.

5. CONCLUSIONS

This research has found that many people recently released from prison turn to 'illegal' forms of credit as a result of:

- Difficulty accessing/opening a bank account.
- Exhausting all legal forms of credit.
- Being refused access to legal forms of credit.
- Spending lump sum Universal Credit payments accessed via voucher schemes quickly without regard to budgeting (associated with impulsive behaviours, addictions and lack of budgeting skills).
- Changing circumstances that necessitate quick and convenient money from lenders who do not require detailed applications or forms of identification.
- Servicing legal debts or repaying other forms of 'illegal' debts (such as drug debts).
- Paying household bills and insurance. As the case studies illustrate, the cost of living can be particularly high when living an unsettled lifestyle and seeking insurance; a further reason for turning to illegal money lenders.
- Viewing illegal money lenders as a normal interaction within their community.
- Being perceived by criminal gangs/money lenders to be vulnerable and therefore targeted/exploited.

This research has confirmed that difficulty securing photographic ID and/or proof of address upon release is a central financial barrier facing people which leads to serious problems in opening bank accounts which, in turn, leads to major challenges in receiving benefits payments or securing employment. NIACRO's staff highlighted the significant impact a pre-release programme could have in ensuring that people leave prison with photo ID and a bank account; hence Recommendation 2.

It is welcome, therefore, that the Northern Ireland Prison Service (NIPS) is taking some steps to address this.²³ In February 2021 a new digital process went live to provide people in prison (remand and sentenced) with photographic identification. Anyone sentenced or on remand can (in theory) apply for an electoral identity card from the Electoral Office for Northern Ireland (EONI) to be stored with their property until release.

23. From an email shared with researchers from Northern Ireland Prison Service to NIACRO staff.



Sentenced prisoners can also apply. The application requires the completion of a declaration form by Senior Prison Officers. It is hoped that this initiative, as part of an 'Exit Passport' with helpful information and documentation available to collect upon release, will help with some of the resettlement challenges. However, we are aware that Prison Service staff are often under considerable operational pressures and these initiatives often 'fall by the wayside' when other matters demand their time and attention. There is also concern that leaving the onus with the individual in prison to take the initiative will often result in progress not being made.

Whilst significant numbers of people leaving prison have poor literacy skills, even to the most literate, the language of banks and credit lenders can be incomprehensible. Without a proper understanding of the terms and repayment conditions of a loan, it is easy for people to be seduced into taking on credit they cannot afford to repay. There is therefore a real need for people in the criminal justice system to be offered money management classes as early as possible, to include the consequences of taking on legal and illegal credit.

In addition, the needs and circumstances of many preparing to leave prison are so complex and individual that they ought to be connected with impartial, independent financial and welfare advice. The current practice of being issued with a 'Make the Call' telephone number that they can ring to ask for advice on benefits does not adequately account for the vulnerabilities and high levels of support that those in prison require to get themselves back on their feet again upon their release. Nor does it connect people in prison to any form of independent, impartial advice. It is important that all involved in designing and delivering services and advice appreciate that those leaving the prison system face an unprecedented combination of barriers and difficulties, unique to this population, and the support and advice they require ought to reflect this.

"Serving a prison sentence is easy, it is coming out of prison that is the hard bit."

"Many organisations, particularly statutory organisations, don't understand the kind of lifestyle these young men live. They try to apply "normal" measures and rules to people who don't function or exist in normal circumstances."

6. RECOMMENDATIONS

This research confirms the prevalence of financial difficulties faced by many who have served custodial sentences and hence highlights the need for financial interventions at the earliest possible opportunity, with the potential to help to (i) contribute to a reduction in (re)offending by ensuring people achieve greater financial stability; and (ii) ensure those who do receive custodial sentences are better placed to deal with the financial 'fall out' of time served in prison.

R1 - Commitment to early-stage intervention advice and information (PBNI, NIPS, DfC) which may involve:

- 1.1 *Incorporate financial/welfare advice and money management programmes into Probation Orders including Community Service Orders and Supervised Activity Orders (several have already been prepared and trialed by PBNI and NIACRO).*
- 1.2 *Advocate for community sentences as alternatives to short custodial sentences where possible, with financial capability incorporated into such sentences.*
- 1.3 *Make financial/welfare advice and money management programmes available to all new committals, particularly those serving short sentences and those on remand.*

R2 - Operational commitment across the prison estate at committal to: (NIPS, DfC)

- 2.1 *Make available the resource required to conduct an initial assessment of the financial circumstances of all new committals (using an agreed prescribed checklist).*
- 2.2 *Collate and report on this data with other prison statistics to build evidence about the financial circumstances of committals (whether they have bank accounts, value of debt upon entering prison etc.)*
- 2.3 *'Red flag' those requiring follow-up specialist advice and resource this service.*

R3 - Operational commitment across the prison estate in preparation for release: (NIPS, DfC) to include:

- 3.1 *Photographic ID and progress with opening bank accounts to be facilitated within prisons in advance of expected release dates.*



Barriers to Inclusion?

Debt, Accessing Credit and Illegal Money Lending

- 3.2 *Make available the resource required to conduct a pre-release assessment of each prisoner's financial circumstances (using a prescribed checklist), again collating and reporting on this information.*
- 3.3 *'Red flag' from this checklist those requiring follow up specialist advice and resource this provision (for those who do not have bank accounts, need support with benefits applications/advice etc.)*
- 3.4 *Incorporate a pre-release course on welfare/debt advice and money management into final months in custody. .*

R4 - Continue to engage banks across Northern Ireland (NIACRO, NIPS, Consumer Council, DfC).

To help address the detrimental impacts of exclusion from mainstream financial services, with implications for the individual and for wider economy and society, and recognising past and ongoing efforts, the partners listed may consider:

- 4.1 *Continue efforts to identify one 'lead' financial institution to work with prisons towards pre-release accounts, referring to best practice across the rest of the UK.*
- 4.2 *Find ways of raising awareness amongst bank branches across Northern Ireland about widening access and judging applications on a case-by-case basis alongside maintaining risk-assured practice.*
- 4.3 *An online survey followed by a series of awareness raising seminars, similar to those NIACRO's Disclosure Team hold for employers, may be considered helpful.*

R5 - Commitment to Ongoing Practical Support as Demonstrated across NIACRO and similar organisations.

Case work, as conducted by the staff teams represented in this research, and throughout similar organisations, remains critical, to pick up and support those with greatest financial and other needs.



ABOUT THE RESEARCHERS

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Dr. John Bell is a researcher with more than 15 years of experience working on a variety of policy issues. He graduated from Queen's University Belfast with a BA in Modern History and Politics and an MA in Comparative Ethnic Conflict before joining the Institute for Conflict Research in 2005. John moved to Ulster University in 2013 and was awarded his PhD in 2017. Since then, he has worked as an associate lecturer and researcher with Ulster University. John was recently part of an Ulster University Research team investigating 'illegal' money lending in Northern Ireland.

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