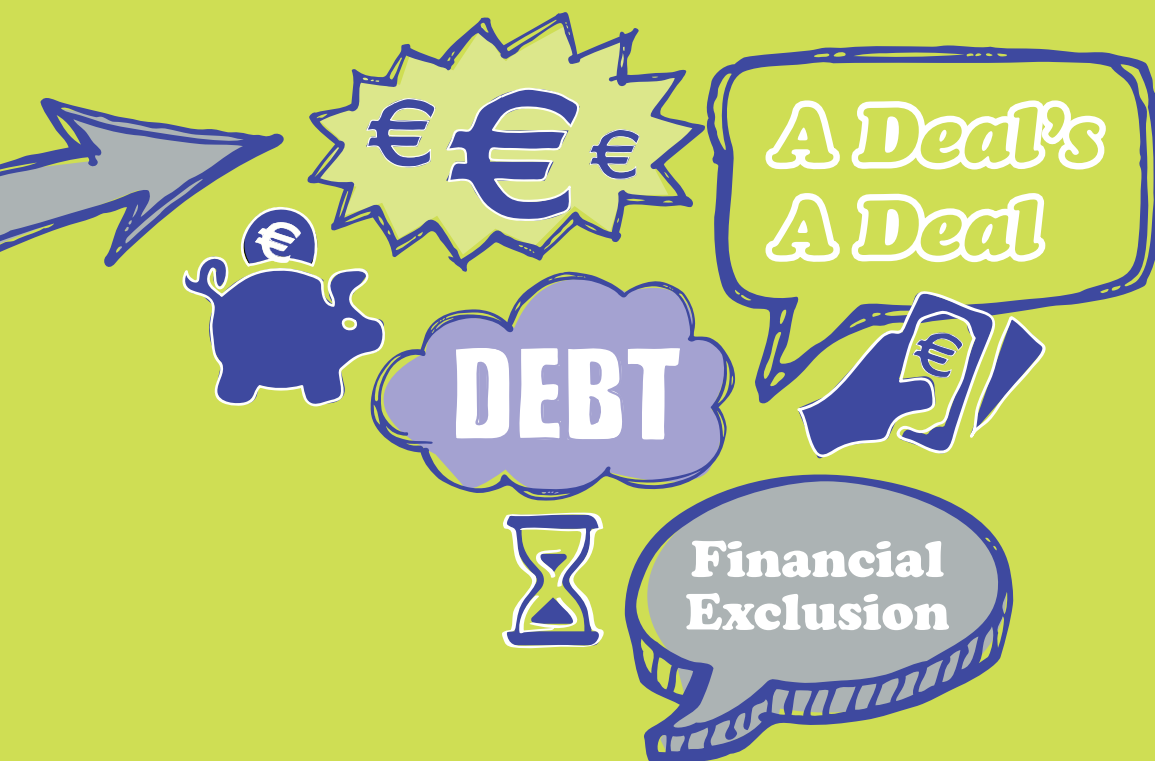


Overcoming Illegal Debt Facilitators Manual



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Foreword

A leading advocate for the financial inclusion of Travellers in Irish Society, National Traveller MABS has worked to address the issue of financial exclusion since 1998¹.

National Traveller MABS mission seeks **“to end the financial exclusion of Travellers in Ireland by effecting change in policy and in practice at the same time as increasing financial capability within the Traveller community”**
(National Traveller MABS Strategy, 2013-2016)

The module “Overcoming Illegal Debt” has been developed by National Traveller MABS in conjunction with Traveller organisations and MABS. The module aims to address issues of illegal moneylending by providing a tool to participants to avoid illegal debt, in addition to providing a pathway out, where such illegal debt exists.

I would like to thank Dermot Sreenan, National Education Worker with National Traveller MABS for identifying the need for this resource within the MABS community education setting. Dermot secured funding for the film “A Deal’s a Deal”, led the production of the film on behalf of National Traveller MABS and drafted the Facilitators Manual. Thanks also to Margaret Collins for writing the original script to the film, Brigid Clarke for editing the manual, and Nuala Ní Ghabhann & Nancy Power for overseeing the project. Finally thanks to the board of management and staff members of National Traveller MABS for their continued support.

I trust it will prove to be a valuable resource for MABS and Traveller organisations when dealing with the issues surrounding illegal debt.

Colin Thomson
Chairperson
National Traveller MABS

1. The predecessor of NTMABS, Exchange House MABS, was established in 1998 following research which identified the lack of access for many Travellers to legal and affordable savings and credit facilities. National Traveller MABS was established in 2005.

Acknowledgements

The money management module “Overcoming Illegal Debt” and the accompanying short film “A Deal’s a Deal” were produced with the support of many individuals and organisations.

National Traveller MABS wish to thank the St. Stephens Green Trust and the National Consumer Agency (NCA) for funding the project and in particular Orla O’ Neill from the St Stephens Green Trust and Amy Lumsden and Siobhán Howe from the NCA for their support throughout the process. Thanks also to Dublin City Council for their support in the project.

Thanks to Elaine Hogan for her guidance and expertise in the design and development of this community education module. Dublin Community Television was excellent in the production of the short film, “A Deal’s a Deal” and special thanks must go to John Breslin for his commitment and direction. Thanks to Michael Collins for producing the script and Traveller Wagon Wheel Theatre Company for bringing the script to life. Thanks to the residents of Morgan Place for permitting filming to take place at this location and Finglas MABS for use of their premises.

To ensure that the module met the needs of the target group and was accessible to money advisors, a number of organisations were kind enough

to pilot the module prior to final edit. Angela O’Hare and Kim Dwane from Ballymun MABS facilitated the pilot with participants from St. Margaret’s Training Centre. Hugh Barriscale, from Cork MABS, also assisted by facilitating the pilot with participants from the Cork Traveller Visibility Group. Feedback from both groups was critical in the development of the module and for this we are hugely grateful to facilitators, participants and relevant organisations.

Suzie McCarthy and the Balbriggan Primary Health Care team evaluated the draft module along with Joe Nevin from Sligo MABS, Michelle Kellegher (MABSndI) and Geralyn Mc Garry (CIB). Their insight and feedback were invaluable.

Thanks also to Belinda McGreal-Flatherty, Carol Dunne and Margaret Deegan for their role in developing the money management resource **‘A Way of Life’ A Money Management Teaching Resource for Travellers**. National Traveller MABS recommends that **“Overcoming Illegal Debt”** should only be delivered to groups following completion of **‘A Way of Life’ A Money Management Teaching Resource for Travellers**.

Finally we wish to thank the Citizens Information Board (CIB) for funding and supporting National Traveller MABS.



What is Illegal Debt?

Illegal debt occurs when a person borrows from an **unlicensed or illegal moneylender**. Illegal moneylenders do not have a license to lend money and are breaking the law by doing so².

Illegal moneylenders are very accessible, thus making it initially convenient for the borrower. They come to the borrower's home and do not require forms to be completed or documents to be supplied. This is particularly appealing to those with literacy difficulties or those who have difficulty accessing mainstream financial services. Illegal moneylenders are known to charge extremely high interest rates. According to the current Minister for Justice, Alan Shatter T.D, rates in excess of 100% are in no way unusual³. However the experience of National Traveller MABS would indicate that interest rates charged by illegal moneylenders can regularly reach 1000%⁴, with evidence suggesting that the more vulnerable the borrower, the greater the level of exploitation by the illegal moneylender.

In many cases, illegal moneylenders may use intimidation and/or violence to ensure that people repay their loans. According to a recent report by National Traveller MABS, people in debt to an illegal moneylender have spoken of the 'spiralling debt, harassment, threats and dependency' associated with this type of debt⁵.

It is the policy of MABS not to deal with illegal moneylenders. MABS however can support a client who has illegal debt by helping maximise their income and providing them with pathways to legal savings and credit.

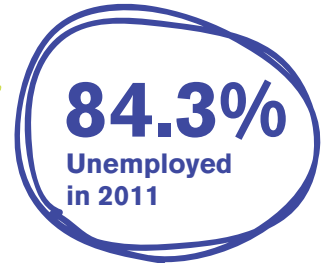
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2. It is important to note that Licensed moneylenders are not Illegal moneylenders. Licensed Moneylenders hold a licence from the Central Bank which allows them to lend money. They are defined as any business or individual, other than banks, credit unions, building societies and hire purchase companies, whose main concern is lending money for financial gain.
 3. <http://www.merriestreet.ie/index.php/2013/05/criminal-justice-unlicensed-money-lending-bill-2013-speech-by-the-minister-for-justice-equality-and-defence-mr-alan-shatter-td-second-stage-seanad-eireann/?cat=66>
 4. Stamp, S. Murray, C and Boyle M-Debt and Dying- Understanding and Addressing the Impact of funeral Costs for Travellers in Ireland (2012) pg. 33- National Traveller MABS
 5. Edited by Dr Stuart Stamp Issues of Personal Finance within the Traveller Community – National Traveller MABS, p25 (2011)

Travellers and Finance

In 2011 the Traveller population in the Republic of Ireland was calculated to be 29,573 (Census 2011). This represented a 32 per cent increase since Census 2006. The average age of all Irish Travellers was 22.4 in 2011 compared with 36.1 for the general population, and over half of all Travellers were aged under 20. Among 15 – 29 year olds 33 per cent of Travellers were married compared with just 8.2 per cent of the general population. Unemployment in the Irish Traveller community rose to 84.3 per cent in 2011, up from 74.9 per cent five years earlier.

One per cent of Irish Travellers completed third level education in 2011 compared with 30.7 per cent of the general population. The family composition of Irish Traveller households showed proportionally more lone parent households (20.5 per cent compared with 11.9 per cent of the general population) and 13 per cent of Irish Traveller women had had 7 or more children compared with 0.4 per cent of women generally. Such larger families contrasted with the census findings of 2011 which indicate that on average Traveller families lived in smaller homes - the average number of rooms in Irish Traveller households was 4.3 compared with an average of 5.5 rooms for all private households in 2011.

The All Ireland Traveller Health Study 2010⁶, linked such variances among the communities to social and institutional exclusion. National Traveller MABS recognises financial exclusion to be part of this. Even during the boom, Travellers in general found it difficult to access



legal credit. This maintained a need for Illegal Moneylenders within the community. With austerity and falling incomes over the past number of years, dependence on the illegal moneylender has become greater.

Poverty and an inability to access legal credit, leaves many individuals and families with no alternative but to access credit using illegal moneylenders. The inability to access legal credit can be caused by both institutional exclusion and/or self-exclusion - lack of clear information, unwelcoming institutions, strict identification requirements, literacy difficulties and inappropriate financial products have all been identified as barriers to the use of mainstream financial services by those on low incomes in general, and by the Traveller community in particular⁷.

This module aims to address issues of illegal moneylending by -

- a) Providing a tool to participants to avoid illegal debt and**
- b) Providing a pathway out of illegal debt.**

6. School of Public Health, Physiotherapy and Population Science, UCD (2010), All Ireland Traveller Health Study- Our Geels. Dublin: University College Dublin and the Department of Health and Children

7. Stamp, S. Murray, C and Boyle M (2012) Debt and Dying- Understanding and Addressing the Impact of funeral Costs for Travellers in Ireland (2012). Dublin: National Traveller MABS

Purpose of the Module

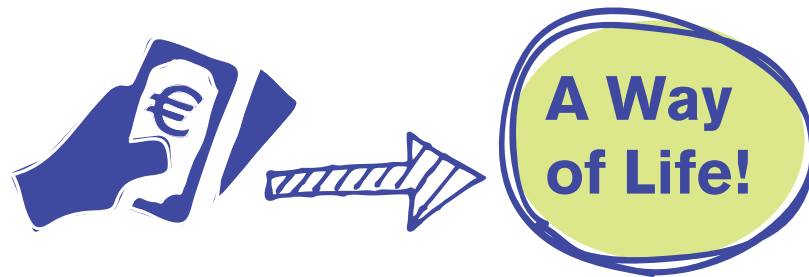
This module raises awareness of the costs and risks associated with illegal moneylending within the Traveller community and highlights alternatives to both overcome and avoid illegal moneylenders in the future.

The module is supported by a short film which gives a fictional account of one family's experience of dealing with an illegal moneylender. This method has been chosen to de-personalise the story and allow participants involve themselves in the workshop in a less personal way

The module is a standalone session. However the MABSndI publication **A Way of Life! A Money Management Teaching Resource for Travellers** should first be completed by participants in order to accumulate relevant learning before introducing this sensitive topic.

This Module will refer at times to **A Way of Life! A Money Management Teaching Resource for Travellers** to review information on specific topics.

The activities in this module are based on the story depicted in the short film and also, if appropriate, the group's experiences. However some activities require prior learning so it is essential that the facilitator is familiar and comfortable with the group and that the group is comfortable with the facilitator. It is also important that knowledge of local credit union policy and MABS guidelines for appointments locally is available on the day.





Facilitators note

Important: It is the policy of MABS not to deal directly with illegal moneylenders and this should be communicated to participants throughout the session. However MABS can support a client who has illegal debt by helping maximise their income and providing them with pathways to legal savings and credit.

The Traveller community experiences widespread financial exclusion. Often the illegal moneylender is the only source of credit available.

While harnessing knowledge from within a group is a critical component of community education, it should be noted that this is a sensitive topic. There may be someone related to a lender in the group or some in the group may be indebted to an illegal lender.

Ground rules should be established and agreed with the group prior to commencement of the resource (see sample ground rules in **A Way of Life! A Money Management Teaching Resource for Travellers**)

Trust within the group is essential and will have been established during prior learning on topics such as **Managing Money and Borrowing**⁸.

Facilitators should be cautious and show sensitivity as some people may find it a difficult subject to discuss.

Facilitators should encourage discussion based on the characters in the short film as opposed to personal experiences.

The resource should only be used when the group have completed **A Way of Life! A Money Management Teaching Resource for Travellers**.

Literacy levels can vary within the group so where possible visual aids should be utilised.

Be yourself - You are guiding the learner towards the specific learning outcomes.

Facilitators should remain objective and non-judgemental while acknowledging that illegal money lending cannot be condoned.

The Specific Learning Outcomes (SLO's)

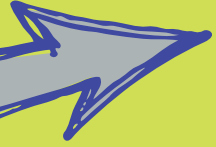
1. Learners will examine attitudes and perceptions surrounding the use of illegal money lending
2. Learners will be aware of the differences between illegal and legal borrowing and the cost implications of each
3. Learners will consider and discuss alternative options to illegal money lending
4. Learners will be aware of steps to take if they are in difficulty with illegal debt

Flow of learning through session

1. Harness group knowledge

- a) Discuss spending habits and the general reasons for borrowing (the group will have discussed this when undertaking **Managing Money and Borrowing**)⁹.
- b) Establish a sense of the groups perceptions and attitudes around illegal moneylending and why it exists within the Traveller community
- c) Identify the feelings of the group regarding the characters in the film - the person in debt to an illegal money lender, the lender, and the woman using alternative options
- d) Discuss reasons why people borrow from illegal money lenders

8. See A Way of Life ! A Money Management Teaching Resource for Travellers



2. Introduce Facts

- a) Cost of legal versus illegal borrowing

3. Apply Learning

- a) Compare the questions that a person should ask themselves before borrowing to questions that were asked by the characters in the short film- What was missing?
- b) Examine how the cost of credit is calculated

4. Inform

- a) Provide details of alternative forms of credit available and process required to access such credit
- c) Highlight the role and contact details of services which can advise on the issues surrounding illegal debt

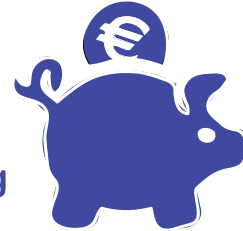
5. Examine learning

- a) Summarise learning by giving advice to the two women in the short film
- b) Quiz

Lesson Plan



10.00am Recap on prior learning



Remind the group of previous learning regarding managing money highlighted in **A Way of Life! A Money Management Teaching Resource for Travellers**.

Ask the group to discuss **what they like to spend their money on now** (This will highlight differences in spending habits).

Ask the group to consider the following - **Questions you should ask yourself before you borrow money**. Highlight the answers on a flipchart.



10.10am Short film “A Deal's a Deal”



Watch Film



Promote discussion on how people felt while watching film.

Highlight possible risks, both physically and emotionally, that may be involved if borrowing from an illegal lender.

Ask questions such as -

**Was anyone surprised at anything in the film?
Was the film true to real life?
How do you feel about the three women in the short film?
How do you feel about the lender?**



10.50am Cost of legal versus illegal borrowing



Use **The Cost of Borrowing Table**, at the end of this section, to compare the cost of credit from a credit union, a licensed moneylender and an illegal moneylender.



This **10 minute** activity will focus **only** on the difference in cost and the security required by the various lenders.

Prior to circulating **The Cost of Borrowing Table** the facilitator should -

- 1 Ensure the group is clear on the difference between a licensed and an illegal moneylender.
- 2 Ensure the group is aware of the role of the credit union
- 3 Define and discuss APR/ interest rates with participants
- 4 Discuss the reason for using APR in this exercise- highlight that in general the higher the APR/ Interest rate the higher the cost of the loan
- 5 Ensure the group know that the APR/ Interest rate quoted on the grid is an estimate based on average rates and is subject to change
- 6 Highlight that fact that while APR is an annual calculation, licensed money lenders generally lend for shorter periods
- 7 Highlight the fact that illegal moneylenders usually do not quote APR/ interest rates to customers
- 8 Note that the Credit union APR/ interest rate can vary from credit union to credit union and from loan to loan.

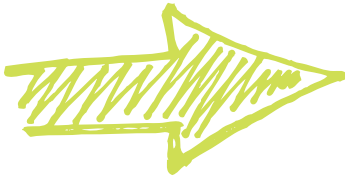
The Cost of Borrowing Table should be prepared prior to the session. Comparative APR/interest rates can be obtained from -



- 1 The current credit union interest rates can be obtained from the local credit union
- 2 An example of the interest rates charged by a licensed moneylender can be obtained from the lender, for example the Provident website- www.providentpersonalcredit.ie
- 3 The interest rates charged by illegal moneylenders vary greatly but evidence suggests that the rates can average around 259%. Facilitators can choose to use this figure when preparing the grid.
- 4 The National Consumer Agency online loan calculator can be used to assist in comparing costs-www.consumerhelp.ie

Possible additional exercises following discussion on **The Cost of Borrowing Table**

- 1 The last column "Total amount to be repaid" can be left blank to allow a group exercise on calculating the cost.
- 2 Should the facilitator feel it appropriate, the "Average Weekly Column" can also be left blank to allow for a group exercise on calculating this cost.



The Cost of Borrowing Table

	Licensed Money lender	Illegal Money lender	Credit Union
Amount borrowed			
APR			
Security	none	Possible that social welfare card will be held	Savings and maybe guarantor
Average Weekly repayment			
No. of repayments			
Total amount to be repaid			





11.00 am Break for 10 minutes



11.10 am What would a person ask themselves before deciding to borrow?

Review and discuss with the group their answers to the previously asked question - **Questions you should ask yourself before you borrow money.** (see exercise above- Recap on prior learning)

Divide the group into two. Each group will select a speaker. The groups will again discuss the above question but this time will focus on the characters in the film.



Group 1 Agree questions that Mary from the film should ask herself about the money she still owes to the lender



Group 2 Agree questions Kathleen should ask before she borrows for the funeral

The groups will feedback to each other following discussion



11.25 am Alternatives

Having established that illegal borrowing costs more both financially and emotionally it is time to suggest alternatives

Maximise Income

- ➔ Inform participants of the free and confidential financial advice available from MABS. Guide participants to the MABS website **www.mabs.ie.**
- ➔ Highlight the need for people to inform themselves of their rights and entitlements. Guide participants to the Citizens Information website **www.citizensinformation.ie.**

Savings

- ➔ Refer to Unit 4 Saving and Banking in **A Way of Life! A Money Management Teaching Resource for Travellers.**

Alternative sources of credit

- ➔ Explain the benefits of saving with, for example, the credit union and how the process of saving weekly in credit union is a pathway to qualifying for a loan.
- ➔ The emphasis should be on weekly savings and the credit union policy of borrowing against shares which ensures savings still exist after the loan had been repaid. (Refer to Roseanne's description in the film)
- ➔ Benefits of the credit union may also include death benefit insurance (check local credit union)
- ➔ Explain process of applying for membership for the credit union, focus on ID required
- ➔ Provide a copy of a ML10 form which may be required if standard forms of ID are not available. Explain where and how to get the ML10 forms
- ➔ Provide the local credit union policy on membership (e.g. can children become members, do you have to be living in the catchment area, how long must you save before you can apply for loan))
- ➔ Provide a sample of a credit union application form

Recap on the options available for borrowing money and summarise advantages and disadvantages with the group



11.40 am

Steps to overcome an illegal money lending debt

Group discussion - Refer back to the DVD and ask the group what advice they would give Mary

Key areas that the group should focus on

- ➔ **Clarify how much is owed** - Explain to the group that a person currently in debt to an illegal moneylender needs to establish how much is owed to the lender. It can be suggested that the borrower keeps a record of repayments for themselves.
- ➔ **Access appropriate support** - Provide the group with contact details of MABS and other local advice services, such as the CIS. Explain the process for arranging appointments if relevant. Draw attention to the end of the short film where, on Roseanne's advice, they go to MABS. Outline the MABS process for dealing with illegal debt. **Reiterate that MABS**



does not deal directly with illegal moneylenders. However MABS can support a client who has illegal debt by helping maximise their income and providing them with pathways to legal savings and credit.

- ➔ **Identify alternative source of credit and maximise income** - Reiterate examples of alternative sources of credit such as the credit union. By working with MABS to maximise income, the borrower may be able to save a small amount in the credit union which could in time lead to a credit union loan. A loan from the credit union could be used to pay off the illegal moneylending debt.



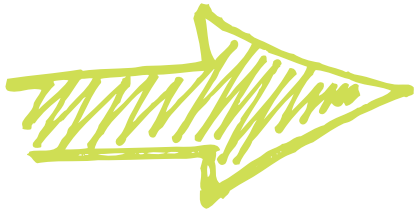
11.50 am Quiz

The quiz will give participants an opportunity to recap on the information contained in the module. Prior to facilitating the quiz, please ensure all questions asked have been addressed during the session.

- ➔ Divide the group into two or three teams depending on numbers
- ➔ On a flip chart draw a column for each team and for each correct answer place a tick in the appropriate column
- ➔ Each group should nominate a speaker

Read out each question to all participants and allow groups to record their answer (Yes or No)

- ➔ When all questions have been asked, allow feedback on answers for each group
- ➔ Record scores up on flipchart.



Quiz

Circle the correct answer

1. Is a lender legal if they do not have a license? **YES or NO**

2. A licensed lender has to give you a repayment book which is filled in at each repayment? **YES or NO**

3. An illegal lender may take your social welfare card as security? **YES or NO**

4. An illegal lender is the most expensive form of credit? **YES or NO**

5. The bigger the APR% the more a loan will cost? **YES or NO**

6. To join a credit union you need proof of address and photographic I.D? **YES or NO**

7. The credit union is an affordable source of credit? **YES or NO**

8. Can you go to any credit union for a loan? **YES or NO**

9. Do you have to save in the credit union before you can get a loan? **YES or NO**

10. Do you need an appointment to go to MABS ? **YES or NO**

11. Can MABS give financial help? **YES or NO**

12. Can MABS speak to an illegal lender for you? **YES or NO**

13. Can MABS advise on how to overcome illegal lending? **YES or NO**

14. If we encourage children to save could it help them manage money better in the future ? **YES or NO**



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