

Households in

million debt to illegal lenders after taking out doorstep loans to fund Christmas. More than 100,000 of the UK's poorest families will be crippled with million of debt this year, after borrowing from loan sharks to fund Christmas, research has found.

Families took out an estimated million in illegal doorstep loans over the festive period, at an average of nearly per household. With interest rates on illegal loans averaging 825 per cent, households can expect to pay back over during 2010. This suggests many families will still be paying off their debt next Christmas. The Real Cost of Christmas report, authored by the think tank the Financial Inclusion Centre, was commissioned by Circle Anglia, an affordable housing provider, after it noticed an increase in the number of its residents being targeted by loan sharks. The report also found that the number of people using loan sharks has grown over the last three years from an estimated 165,000 to 200,000 a year in 2009, a 22 per cent rise.

Andy Doylend, of Circle Anglia said: "These figures are very concerning and demonstrate the scale of illegal lending across the UK. We hope that by turning the spotlight on loan shark activity we can help more people to seek help and get sound financial advice."

"A simple step such as borrowing from a credit union or a community finance organisation instead of a loan shark could have saved the typical low income household in debt repayments- more than enough to fund the whole of Christmas 2010 as well."

Separate research carried out by Wherry Housing Association in Norfolk found that one in four tenants had been offered a cash loan. But 5 per cent said they were not given any paperwork showing how much they had borrowed or how much they owed, while 9 per cent said the amount they owed kept growing even though they made repayments and 3 per cent said they had been threatened with violence when they could not repay the money.

Faisel Rahman, of Fair Finance, the ethical lender, said: "Millions of pounds are being taken out of the pockets of the poor by illegal and extortionate lenders every year. As the credit crunch continues, more people are being left behind by mainstream financial services. This, coupled with the downturn on the economy, means 2010 promises to be a very difficult year for low income and vulnerable communities."

Those who have borrowed money from a loan shark are under no legal obligation to repay the debt, which is why loan sharks often resort to violence and intimidation to force borrowers to pay up.

The Government has created specialist teams at Trading Standards to tackle illegal money lending, which Kevin Brennan, the consumer minister, said has already helped more than 10,000 loan shark victims write off million of illegal debt.

He said: "I'd encourage anyone who feels trapped by a loan shark to get help and advice as soon as possible." The Trading Standards Illegal Money Lending team offer a 24 hour confidential hotline on 0300 555 2222 for anyone who has been targeted by a loan shark, or believes illegal lenders are operating in their community.

Source: <http://www.timesonline.co.uk/tol/money/borrowing/article6989378.ece>