Uncovering Hidden Debt

Focus groups with money advisers about illegal and informal money lending

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The Centre for Social Justice

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About the CSJ

Established in 2004, the Centre for Social Justice is an independent think-tank that studies the root causes of Britain's social problems and addresses them by recommending practical, workable policy interventions. The CSJ's vision is to give people in the UK who are experiencing the worst multiple disadvantages and injustice every possible opportunity to reach their full potential.

The majority of the CSJ's work is organised around five 'pathways to poverty', first identified in our ground-breaking 2007 report Breakthrough Britain. These are: educational failure; family breakdown; economic dependency and worklessness; addiction to drugs and alcohol; and severe personal debt.

Since its inception, the CSJ has changed the landscape of our political discourse by putting social justice at the heart of British politics. This has led to a transformation in government thinking and policy. For instance, in March 2013, the CSJ report It Happens Here shone a light on the horrific reality of human trafficking and modern slavery in the UK. As a direct result of this report, the Government passed the Modern Slavery Act 2015, one of the first pieces of legislation in the world to address slavery and trafficking in the 21st century.

Our research is informed by experts including prominent academics, practitioners and policymakers. We also draw upon our CSJ Alliance, a unique group of charities, social enterprises and other grass-roots organisations that have a proven track-record of reversing social breakdown across the UK.

The social challenges facing Britain remain serious. In 2021 and beyond, we will continue to advance the cause of social justice so that more people can continue to fulfil their potential.

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The views and recommendations in this report are those of the CSJ and do not necessarily represent those of the individuals or organisations mentioned above.

Introduction

Problem debt ruins lives. The CSJ is reminded regularly by our Alliance of small charities of the way it tears families apart, the strain it puts on employment, and its cruel encouragement towards alcohol and substance dependency.[1] Yet some debts remain more hidden than others.

Money owed to friends and family members, or indeed to more pernicious illegal lenders, is less obvious on income/expenditure forms and bank statements (the key tools used by debt advisers to understand the situations of clients facing financial difficulty) than other forms of debt. Indeed, many people make efforts to obscure or downplay these informal lending arrangements - occasionally even to themselves. Personal finances continue to be a taboo,[2] and where difficult family circumstances, exploitation or crime is involved, naturally it becomes even harder to open up. This, among other reasons, has made it difficult for researchers to assess the impact of both informal and illegal money lending on individuals' wellbeing, financial or otherwise.

And yet there are clues that borrowing of this kind is on the rise. In 2014 the charity StepChange reported that one in five of its clients experiencing problem debt owed money to friends and family.[3] By 2019, this had risen to over one in three.[4] The Trussell Trust recently found that the proportion of people arriving at their food banks with debt owed to family or friends was at 43 per cent in mid-2020.[5]

While an estimated 310,000 people were indebted to an illegal lender (or 'loan shark') in a large scale 2010 review of illegal money lending,[6] the recent landmark Woolard Review found that loan sharks were innovating to exploit people in new ways via the fast-moving online landscape.[7] In the context of a pandemic which has driven an estimated 1.2 million more people into severe forms of problem debt,[8] it is unsurprising that calls have been made for Illegal Money Lending Teams (IMLT) - established in 2004 to combat unauthorised lending - to step up operations to combat any spike in exploitative activity.[9]

Still, much remains unknown about the nature, scale and impact of both informal and illegal lending in Britain. In response, the CSJ has launched a new programme of work to uncover and address the most hidden forms of problem debt. We aim to understand more about their impact on people's personal finances, wellbeing and relationships. Using this evidence, we will develop solutions and advance proposals for Government, statutory agencies and financial institutions to build a more financially inclusive and resilient society.

In 2020-21 the CSJ carried out a series of focus groups with money and debt advisers across Britain based in communities spanning Newcastle to Newport, Plymouth to Peterborough.[10] We used this exercise to build a stronger qualitative understanding of the informal and illegal lending arrangements as seen by advisers in their close engagements with clients. In this paper, we draw out the key themes that emerged from the focus groups.

1 See CSJ, *Collecting Dust*, 2020
2 The Money Advice Service. 2018. 'Press release: £96 billion of debt hidden from friends and family'. 12 Nov.
3 StepChange, Average debt to friends and family now over £4,000, 2016
4 StepChange, Statistics Yearbook: Personal, 2020
5 The Trussell Trust. 2020. Lift the burden: Tackling the government debts facing people at food banks.
6 Ellison, A., et al., Interim evaluation of the national illegal money lending projects. Policis;Department for Business Innovation & Skills, 2010. It is also worth noting that the analysis producing this number, though the most robust study of its kind, is now over a decade old.
7 Financial Conduct Authority, *The Woolard Review - A review of change and innovation in the unsecured credit market,* 2021
8 StepChange, Tackling the coronavirus personal debt crisis, 2020
9 APPG for Alternative Lending, *Lending and Borrowing Post-Covid*, 2020
10 The CSJ carried out five virtual focus group sessions with several hundred money advisers based in communities in England across the South-West, North-East, West and the Midlands, and Wales between October 2020 - January 2021.

Chapter One
Informal lending: family and friends

A range of themes emerged in our discussions with money advisers on the topic of informal lending between friends and family members. Borrowing from friends and family was found to be prevalent, with a clear majority of debt advisers believing that people have become more reliant on friends and family borrowing compared to a few years ago. While the CSJ has long advocated the importance of family, friends and community as pillars of support for vulnerable people, informal lending arrangements are marked with complexity.

This is firstly because, due to the informal nature of friends and family lending, getting accurate figures of the scale of the issue nationwide is extremely difficult. Secondly, on one hand, reported experiences of borrowing from friends and family shows it can have positive impacts on people's finances, relationships, and wellbeing; on the other, it can have profoundly harmful impacts, as we explore below.

1.1 'Not really debt'

> *"There's a completely different categorisation in people's minds because this debt isn't governed by contract law"*

One of the most prevalent themes in the focus groups was that debts owed to friends and family were very often not considered 'real' debt when advice clients were disclosing their financial situations to advisers. Many advisers expressed that a high number of clients did not consider friends and family debt to be in the same category as debt to regulated creditors or government agencies because it was not 'formal' or didn't have the same sorts of conditions. It was expressed that the underlying rationale behind this perception was based on the nature of family and friends lending - for instance, it was often not time-limited and there was rarely a fixed amount to repay every single month.

> *"It is a psychological thing. They just think they do not have a debt. It's just out of their mind. Debts are only when they get a letter through the door and they're chasing them."*

It was also expressed that this led clients to be hesitant about disclosing this type of debt - not necessarily because they were actively hiding it from advisers, but because they genuinely did not regard it as a debt. Some advisers found that this led some clients to see the debt as something which advisers shouldn't be looking into or intervening in. Other advisers expressed that clients sometimes denied the level of debt they were in because it was loaned from family and friends, with advisers only being able to build a more accurate picture of the extent of this type of borrowing when they were looking through their clients' bank statements.

> *"They don't see it as debt or something that I should need to know or I need to be involved with"*

Advisers recognised, however, that assessing bank statements for borrowing of this kind was fraught with difficultiy. Cash withdrawals (and cash payment for wages) was cited frequently as obscuring the regularity with which money was being borrowed and repaid (see below **Microlending 1.3**).

1.2 A moral obligation to pay

> *"Friends and family is more important than council tax"*

One of the key themes that advisers raised repeatedly was that debt borrowed from friends and family was often accompanied by a strong moral obligation to repay the debt on the part of the debtor. It was remarked by many advisers that this manifested in clients showing preferential treatment towards those kinds of debts compared even to priority debts related to rent and utilities.

Indeed, some advisers said that when some clients had received substantial sums of money from sources such as backdated benefits payments, friends and family debts were often paid back first and foremost before the client even considered repaying formal priority debts.

> *"The customers used to say that they'd borrowed money from their 'uncle', but they always repaid their 'uncle' first before anyone else."*

The inclination towards treating friends and family debt as priority was most commonly expressed by advisers as clients not wanting to 'let down' friends and family. Some said that this was based on a sort of moral duty clients felt towards loved ones who they 'relied' on. Others expressed that, because friends and family were a very 'visible' presence in clients' lives unlike regulated creditors, it was more difficult to let them down.

> *"People feel a very strong moral obligation to pay their family because they're visible."*

It was also said that the "provvy lady" (a colloquial term describing a doorstep lending agent from the loan company Provident) was often described as a friend and that some clients didn't want to 'let them down' because they were a part of their local community. The 'blurred lines' between different forms of formal, informal and indeed illegal lending was another key theme to emerge (we explore this in 2.5 Blurred lines).

1.3 Microlending

One strong theme to emerge from the focus groups was that friends and family lending and borrowing was mainly characterised by small, regular transactions. While some advisers expressed having dealt with cases where clients had taken one-off loans for big expenses - such as to purchase a car or to start a business - the most common 'mode' of borrowing related to relatively small sums.

> *"[Clients' bank statements] used to be fairly easy to follow but now you just see constant incoming and outgoing transactions between their own bank account and family members' bank accounts. And it's obvious that there's this kind of flow of money between family members. And you see it a lot."*

This, for example, meant 'the odd' lump sum under £100, including down to £5 to £10 'tit for tat' sums exchanged over a regular period. While advisers suggested that this was usually interest-free, they also reported that they found that clients tended to accumulate debt through repeatedly borrowing of these relatively small sums. 'Social repayment' was also highlighted by advisers: 'favours', such as informal childcare or ad hoc support, would be provided in return for low-level credit - although this form of repayment would not always 'clear' the debt from the perspective of the lender, causing some clients financial and relationship stress.

It was also mentioned by several advisers that the source of these debts were often multiple, rather than single, individuals. The reciprocal nature of borrowing between family and friends was also highlighted, with advisers describing seeing regular small transactions to and from friends within clients' bank statements. This 'diversified' borrowing meant that some clients struggled to account for all the small sums they had borrowed from (or lent to) friends and family, and in many cases struggled to afford to repay the accumulated debt. One adviser described this as a 'vicious circle'. It was said that this made it especially difficult for clients when it came to filling out their financial statement when being supported by debt advisers.

> *"She's got ins and outs to three different family members so over the month it's just like revolving credits they've got going between them."*

Data from StepChange shows that on average, their clients owed £5,562 to family and friends in 2019.[4] However, the typical number of 'creditors' individuals who are indebted to friends and family have and the number of loans the total debt amount is comprised of is largely unknown. It is possible that the large amounts of debt that debt advice clients typically owe to friends and family is comprised of debt owed to multiple 'creditors' and is accumulated through repeated borrowing of small sums.

1.4 Perceived drivers of friends and family borrowing

Many advisers described that, in their experience, their clients' main reason for borrowing from friends and family was to cover essential expenses they were regularly faced with, but unable to afford due to low income. This related to things such as food and day-to-day essentials, to debts such as mortgages, gas, and electric. This chimes with what has been reported in previous studies. For instance, in a survey of young people aged 18-24 - for whom borrowing from friends and family is particularly high - a quarter reported having borrowed money from friends to pay for food. [11]

This sort of lending relationship was described as a 'support mechanism to get by' by one adviser.

> *"It just seems a way of life for many of our clients now"*

A number of reasons driving friends and family borrowing were suggested during the focus groups. For instance, the demise of payday lenders and a more tightly regulated credit industry which meant that peoples' credit history and credit scores had taken on more importance than ever before was attributed to a rise in informal lending. It was expressed by many advisers that some clients were resorting to informal lending as a desperate measure because they did not have access to formal lending. One adviser estimated that this characterised around 9 in 10 of their clients who were in rent arrears.

> *"There's so many factors that have kind of created a perfect storm."*

Another underlying reason for perceived rises in friends and family borrowing were changes in the welfare system and the pressures caused by repayments for other forms of 'public debt', including tax credit overpayments and council tax arrears.[12] Further, it was reported that some clients were using money they had received from the welfare system to support them to pay back loans they owed to family and friends.

The quick access some clients had to loans from family and friends, the absence of interest fees combined with the lack of 'formal' consequences clients were likely to face if they failed to meet repayments were also cited as reasons why friends and family borrowing was often so attractive to clients. Indeed, research conducted by Citizens Advice relating to people with volatile household finances has found that borrowing from friends and family is often seen as a flexible option which allows individuals to avoid accruing further debt from the fees and charges associated with formal types of debt.[13]

11 National Debtline, Money Advice Trust. 2016. Borrowed Years: A spotlight briefing on young people and borrowing from family & friends.
12 Also see Shalam, J. 2020. *Collecting Dust: A path forward for Government debt collection*. Centre for Social Justice.
13 Hardy, G. and Lane, J. 2018. Walking on thin ice: The cost of financial insecurity. Citizens Advice.

1.5 Impact on personal relationships

Although participants in the focus group acknowledged that debt from family and friends was not inherently 'bad', they expressed being aware of the harmful effects it had on some of the clients they had dealt with. The following excerpts illustrate the sorts of consequences advisers mentioned in this respect:

> *"[When it all goes wrong] it gets incredibly acrimonious and will often completely destroy a relationship."*

> *"She lost her relationship over the amount of debt she was in [to family and friends] because her husband couldn't cope with the distress she was under."*

Survey data from debt advice charities confirms the negative impacts borrowing can have on relationships. In a 2016 poll of people in financial difficulty, debt advice charity StepChange found that almost a third (31 per cent) of respondents reported that borrowing from family and friends had had negative effects on their relationship.[3] Advisers reported the impact of 'when arrangements turn sour' on the whole community.

> *"[I've seen clients experience] the breakdown of family relationships or close friendships, and in some cases neighbours as well - which is ridiculous because then they have to go home and live next door to each other."*

> *"It can get quite violent in certain circumstances so then you get the retaliation of that which does affect the wider community."*

1.6 Other modes of family and friends borrowing

Some manifestations of family and friends borrowing were less frequently raised, but merit examination. These included where clients had borrowed money from a regulated lender and made a friend of family member a guarantor for that loan. Concern was expressed around this because some advisers felt that creditors sometimes failed to do their due diligence in checking whether the guarantor was both willing and able to repay the loan should they be required to.

> *"Quite often people end up carrying unaffordable relatives' debt and they didn't know what they'd agreed to"*

It was also expressed that sometimes family members ended up unwillingly having a debt put in their name. For instance, some participants said some clients had run up debt in the name of a family member and that sometimes this was based on coercion. An example that was given was an instance where an individual with a good credit rating was 'used as a portal' for taking out loans for the rest of the family.

Evidence indicates that coerced debt is something, tragically, encountered by debt advisers. In a 2014 Citizen's Advice survey of debt advisers, 73 per cent of respondents reported having dealt with cases where a perpetrator got the victim to take out credit and 42 per cent had encountered a perpetrator transferring financial liability into the victim's name.[14]

Coerced debt is particularly prevalent amongst victims of domestic abuse. A large, nationally representative survey of UK adults found that the most common type of debt accrued by individuals who has suffered economic abuse was debt borrowed from family and friends (38 per cent), closely followed by personal loans (35 per cent). The study estimated that £14.4 billion worth of debt in the UK was directly a result of economic abuse.[15]

14 Citizens Advice Bureau. 2014. Controlling money, controlling lives. Financial abuse in Britain.
15 Butt, E. 2020. Know economic abuse. The Co-operative Bank; Refuge.

1.7 How advisers dealt with it

Focus group participants expressed a diverse range of perspectives relating to how they approached friends and family debt when clients presented with it. It was acknowledged that there were different stances on dealing with this kind of debt in the debt advice world.

In regards to how advisers elicited from clients information on whether they owed any debts to friends and family, two broad approaches emerged. On the one hand were advisers who asked that question specifically. For instance, one adviser described directly querying about friends and family debt as ‘a matter of course’; and another said that, because of the sheer prevalence of that form of debt in the community he advised in, it had ‘become quite normal to ask that question’. Another said that they specifically asked whether their clients owed money to friends and family as part of common practice, but that they did so only once rapport had been established with a client.

On the other hand were advisers who took a more indirect approach to establishing whether clients owed money to friends. For instance, some advisers said they only initiated a conversation around friends and family borrowing if they had a suspicion that a client had this kind on debt based on their financial information. Others highlighted that, although they might not overtly ask the question, bank statements studied carefully were ‘a big giveaway’ that somebody was paying back friends and family, and this would often aid in initiating a conversation around the topic. Others, however, raised the difficulty of assessing informal lending arrangements through this format, as mentioned earlier. It was repeatedly highlighted that friends and family debt became difficult to deal with when it came to things such as insolvencies, particularly DROs (debt relief orders). Concerningly, given the impact this form of hidden debt can have, there was significant variation in the ways advisers dealt with informal lending and, moreover, the success advisers felt they had had in resolving clients’ situations.

Chapter Two
Illegal money lending

A range of themes emerged in our discussions with money advisers on the issue of illegal money lending (IML). IML was found to be considerably elusive and far more difficult for advisers to deal with than lending between friends and family. The last major study of the scale of IML, conducted by Policis in 2010, estimated there to be 310,000 individuals indebted to IMLs with an annual borrowing rate of £120 million.[7] A more recent Financial Conduct Authority's (FCA) 2017 Financial Lives survey put the figure of people indebted to IMLs at any given time at 100,000.[16]

While Illegal Money Lending Teams (IMLTs) were established across Great Britain in 2004 to combat IML, the FCA has more recently described IML in the UK as a 'long-standing, often deep rooted' yet 'largely hidden practice in many deprived communities in the UK'.[16] Our focus group participants reinforced the well-established and insidious nature of IML, although also posed challenges to some key stereotypes of 'loan sharks' held in the popular imagination.

2.1 Loan shark models

One of the most prevalent themes to emerge in respect to illegal money lending (IML) was how diverse and adaptive perpetrators' 'business models' were. Previous research on IML has identified that models of IML can vary from a local individual targeting a particular area or specific ethnic groups through informal cash-in-hand lending to organisations lending money illegaly alongside legitimate lending businesses (known as parallel lending) with some degree of 'official' paperwork.[17]

Advisers discussed how many illegal money lenders (IMLs) - otherwise known as 'loan sharks' - were running 'parallel' operations. In other words, they were operating legitimate businesses alongside their IML activities. This included 'substantial amounts of money' being lent from a local garage; local corner shops lending money; taxi drivers issuing loans from within their vehicles; and what one adviser described as a 'well respected business in town' running an IML business whereby victims struggling to make repayments were expected to pay back 'in kind' through selling drugs on behalf of the lender.

> *"We have a well-respected business in the town… They lend people money and then when they can't pay back, they get them to sell drugs for them."*

Illegal lending was sometime overlaid with 'in kind' support. For example, one adviser described perpetrators providing asylum application services on top of financial support, with the expectation that the client would repay for these services over time (the adviser cited that one client in such a situation owed thousands of pounds).

Another emergent aspect was that loan sharks were very often community-based and operated within a specific geographical area. Indeed, one adviser described one loan shark they had encountered as having 'infiltrated an entire patch'. In another case, an adviser described a loan shark targeting their children's school. It was also highlighted that this was very much skewed towards deprived areas and 'troubled' housing estates. Further, advisers remarked that - although there was often an underlying threat of violence if individuals did not pay back their loan sharks - many loan sharks presented themselves as friendly and trustworthy local acquaintances.

> *"He finds out through his children which of their friends are hungry or don't have the best shoes and then he targets the parents at the school gates."*

16 FCA, 2017. Shining a light on illegal money lending: consumer experiences of unauthorised lending in the UK.
17 Ellison, A., et al., Interim evaluation of the national illegal money lending projects. Policis;Department for Business Innovation & Skills, 2010

Other models of IML involved highly coercive, dangerous criminal activities. For instance, it was expressed that it was not uncommon for IMLs to be linked heavily to organised crime and drug activities, with debtors often being coerced into becoming entangled in those crimes. One adviser described how, after becoming suspicious about transactions between their client and a particular individual, they liaised with local authorities and discovered that the individual who the client was transacting with was associated with drug dealing in the local area. This loan shark was paying money into users' accounts with the expectation that they would repay in kind by selling drugs.

> *"It's very much word of mouth with the local loan sharks. They almost trust them because it's their friend or their Mum introducing them to that person"*

A number of cases of 'cuckooing' were also raised by debt advisers in the focus groups. 'Cuckooing' was described as when an individual who was indebted to an illegal lender would have their home 'taken over' by that lender and their associates to use it as hub for other criminal activities. This was often for drug dealing purposes. One adviser also expressed that they had experienced a client having cars registered in their name by their loan shark. Cuckooing has been highlighted as a growing problem in one recent study which describes how frequent cases of cuckooing appear to have 'emerged and proliferated' across the UK.[18]

2.2 Harsh consequences

A key theme that was discussed by many advisers was the harsh consequences their clients faced as a result of borrowing from loan sharks. Indeed, one adviser expressed that each time they had been made aware that their clients were indebted to a loan shark was when it had escalated to the 'very risky end of the spectrum' and intimidation and threats to clients' wellbeing had been made. Other advisers described the 'terror' clients felt when they had been struggling to repay a debt to a loan shark. Some advisers reported that their clients had actually been physically assaulted as a result of being unable to repay a debt to a loan shark on time - this was said to lead clients to viewing this debt as a priority. Further, advisers told us that clients were also often terrified of coming forward with information because, again, they feared retaliation.

The violence that is often perpetrated by loan sharks has been documented in the past. The FCA has found evidence of IML victims being coerced into criminal activity (such as prostitution and drug running).[17] A large scale review of IML also found that many illegal lenders had harsh reprisals for victims who fell behind on debt repayments, ranging from threats to harm victims or their family members to cases of rape, kidnap, torture, and even murder.[7] The harm done by illegal lenders onto their victims is reflected in the proportion of those who say that after having used a loan shark before, they would never use one again, which sits at an incredibly high 92 per cent.[19] And yet, this research shows that it is still an issue which is sadly blighting disadvantaged communities across Britain.

2.3 Barriers to tackling the issue

Many advisers discussed the barriers to dealing with IML. Barriers tended to revolve around the trust that clients had in support services' ability to protect them from retaliation from IMLs, should they be forthcoming with information. One adviser expressed that, although they made clients aware of the existence of an Illegal Money Lending Team (IMLT) that could support them, clients remained highly sceptical.

> *"We've worked with the IMLT as well but nobody has, sadly, been brave enough to say who this person is."*

There were also issues reported around the social and psychological impacts of reporting an IML. Some advisers expressed that clients often felt scared to come forward, and that some refused to report it because of the 'social stigma' they would face in the community if others found out they had defaulted on their payments to the lender.

18 Spicer, J. et al. 2020. 'The variable and evolving nature of 'cuckooing' as a form of criminal exploitation in street level drug markets'. *Trends in Organized Crime*. 23: 301-323

19 Stop Loan Sharks. 2019. 2019 Summary Report.

2.4 How advisers dealt with it

Advisers who discussed how they dealt with cases of IML presented by their clients expressed unease with the process. It was not indicated that advisers commonly asked clients whether they were indebted to illegal lenders, either directly or through more subtle means. Some advisers remarked that they relied on intuition when it came to spotting cases of IML. This was expressed as, for instance, looking out for a name that kept 'cropping up' in clients' bank statements; or 'joining dots' throughout discussions with clients.

> *"What I've always struggled with as an adviser is that if you do have someone with a loan shark - what do you do?"*

Some advisers also highlighted that their unease with dealing with IML came from a lack of awareness about how to provide effective support for clients who were indebted to loan sharks. Although some said they signposted clients who indicated owing money to a loan shark to IMLTs, others expressed uncertainty about the course of action to take in this situation. This could also be explained by fears of the advisers themselves, many of whom are well established residents in the areas they served.

> *"I've never found anything, myself, that you can do to help them deal with that"*

2.5 Blurred lines

A prevalent cross-cutting theme that emerged in the focus groups was that there is often a blurring of lines between 'friends and family' and illegal and other types of lenders when it comes to clients disclosing who they are indebted to. For instance, several advisers indicated that some of their clients presented with loans which they claimed were from 'friends or family' but that ultimately turned out to be loans from a loan shark. One adviser expressed always having an underlying suspicion about whether clients' indebtedness to 'friends and family' was actually indebtedness to a loan shark.

> *"Whether it is family and friends or whether it's something a bit more sinister, we're never quite sure because it's so hard to get hold of the data."*

However, it was highlighted that this was not always a deliberate attempt to deceive advisers, but rather a genuine belief that the illegal lender who had offered the loan was a 'friend'.

> *"They don't see them as anything untoward and these illegal money lenders will move through a block of flats like wildfire."*

Advisers also remarked that some types of lenders - whether that was an authorised doorstep lending agent or a loan shark - had often been so rooted in the clients' communities (and were therefore very 'visible') that there was perceived to be a big social risk associated with not paying the debt. This was expressed in terms of 'reputation' by some participants.

> *"When you've got an individual who doesn't have many friends and then somebody shows an interest, they will see that as genuine and then obviously fall into that trap."*

Conclusion

Our focus groups with debt advisers reveal the complicated nature of identifying and addressing instances of informal lending, and particularly illegal money lending. Friends and family borrowing was described as a vital source of income for many individuals, often helping them cover day-to-day expenses. However, the informal nature of these borrowing arrangements often puts strain on personal relationships, particularly when debtors fall behind on the repayments expected of them. The strong moral obligation to pay back debt owed to friends and family first, which came across as a strong theme, also often means that the other formal debts (including priority debts) individuals have are not given due attention.

When it came to illegal money lending, our focus groups revealed that it was incredibly difficult to elicit information from clients - and thus to support them - because clients were often worried about the potential repercussions of disclosing information about loan sharks. While debt advisers described regularly asking clients whether they owed money to friends and family, this was not the case when it came to illegal lending. That being said, advisers expressed that the line between friends and family lenders and loan sharks were often 'blurred', with many clients referring to illegal lenders in their community as 'family' or 'friends'.

These focus group findings shine a light on two predominant manifestations of informal lending. Given indications that problem debt owed to informal lenders is on the rise, there is an urgent need to better uncover and address these hidden forms of debt. Understanding debt advisers' experiences is a key part of that. Yet there is still more to learn about informal and illegal lending and their impact on individuals' financial circumstances and personal relationships. In 2021, the CSJ will continue to uncover and address hidden debt in Britain.

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