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HG/D 851

Borrowing and Lending

An Enquiry into the Money-lending Evil in Liverpool.

Price 3d.

The above enquiry was undertaken by the Social and Industrial Reform Committee of the Liverpool Women Citizens' Association at the request and with the help and advice of the Personal Service Society. Visits were paid both to Borrowers and Money-lenders.

There are in Liverpool and Birkenhead 1,380 registered Money-lenders whose transactions vary in scope from the firms in a central part of the city doing a comparatively large business, and those of the Money-lender in poor streets (most frequently a woman) who deals with neighbours of the same class as herself, and sometimes lends money in addition to carrying on a business of hawking fish or selling old clothes. Of the total of 1,380 Money-lenders, over 1,100 are women. This seems to indicate a very large proportion of money-lending of the latter type.

It is difficult to estimate the proportion of families of the labouring class who resort to borrowing from Money-lenders. In 1909, the Joint Research Committee made an enquiry in Liverpool into the domestic expenditure of the families of casual labourers. Of 40 such households investigated, 25 admitted to having borrowed from Money-lenders. To judge by the circumstances of the remainder, the proportion of actual borrowers was probably even greater. One day in June, 1924, the Liverpool Personal Service Society found that of 32 applicants who had asked for general help and advice at their office 12 confessed that they were in debt to Money-lenders.

Owing to the confidential nature of the information required, the number of cases fully investigated was not large. No attempt was made to make the enquiry an exhaustive one, as the Committee believed the evil to be well known to social workers, and that they would be doing enough if they collected sufficient cases to demonstrate its varying complications and to indicate possible lines of reform.

Everyone with experience of social work has come across families involved in terrible financial tangles as a result of borrowing from Money-lenders. Those who have attempted to disentangle the facts of such cases will sympathise with the investigators' difficulties in this enquiry. The question, "How much did you borrow"? generally meets with an ambiguous reply, such as "Oh! I never had more than £1 off him." "Yes, but how often, when was the first loan"? "Let me see, it was when he was born"? pointing to one of the children. When the investigator asks to see the books the answer is either that they never had any, or that they are destroyed,

or else a wild search amongst the ornaments ensues which is not always crowned with success.

INFORMATION OBTAINED—

1. *The Borrower's Story.*

Reasons for borrowing.

The reasons were often very natural ones, rent, arrears, and other debts; need of money to buy stock for hawking, etc.; illness or confinement. In two cases holders of tontine clubs were involved in difficulties.

Mrs. A. (holder of the Tontine Club) had several shareholders who failed to pay, and as she was responsible for the others she was obliged to find the money, and consequently borrowed.

Mr. B. (husband of a second Tontine holder) became insane and before he was sent to an asylum gave away without Mrs. B's knowledge a large part of the money she had collected in the Club. She was obliged to find the money immediately, and so went to a Money-lender.

In order to buy stock of fruit to hawk, Mrs. C. borrowed £15 from a Money-lender. She paid £9 and then received a Court Summons for a further £12. She did not understand the Summons so failed to appear at the Court and was ordered to pay £11 to clear the debt, and the cost of the legal proceedings. As this was impossible the bailiffs were put into possession and a carter was sent to remove the furniture. As it stood at the door two neighbours between them paid up the whole of the money.

Mrs. D. borrowed £5 from each of two Money-lenders as she owed rent. To pay the interest to the Money-lenders she bought within three months ten pairs of blankets, some in her own name, some in other people's, on each pair agreeing to pay 4/- per week. All of these blankets she took straight to the pawn shop after purchasing them. In order to keep up these payments she began stealing from her employer and was dismissed. She then became so desperate that she gave herself up to the police.

Sometimes the Money-lender also provides clothing or furniture and the loan arises from the need to pay off a debt on these.

Mrs. E. had furniture on hire system to value of £50 odd. Could not keep up payments and accepted (without husband's knowledge) offer of £100 loan from lender. Of this £25 was deducted for interest and £50 odd to pay for furniture. Received only about £23 for loan. Signed Promissory Note or Bill of Sale, she did not know which.

The impossibility of obtaining a clear statement from borrowers either (1) as to the amount borrowed and repaid, or (2) as to rate of interest per annum, was the most striking feature of the enquiry, and from the first pointed to the need for more adequate legislation. The record (if any) found in the hands of the borrowers was usually a card giving the amount to be repaid (but not the cash actually received), the records and dates of the repayments and the number of weekly payments (and amount of each) required to clear off the debt. This last provides the only possible clue to the rate of interest per annum, but if the amount received is unknown the rate cannot be calculated.

The main types of transactions were (1) *The signing of Promissory Notes.* (2) *The entering into Bills of Sale.* (3) *The signing of*

Loans. (492053)

Types of transactions.

Surety on behalf of others. Cases of class (1) *Promissory Notes*, are very usual. The Borrower undertakes to repay a given amount in a given time and signs a paper to this effect. The interest is sometimes deducted beforehand, e.g., of a loan of £10 only £7 is received in cash. Class (2) *Bills of Sale*, in these cases the furniture is given as security and may be taken and sold if one weekly payment is missed. Here again a document is signed by the Borrower undertaking to repay at a certain rate weekly. Loans dealing with a comparatively large sum of money, say, £30 upwards, are usually on Bills of Sale and almost invariably at 60 per cent. per annum interest. When a Bill of Sale is given, a solicitor's fee of two guineas or three guineas or more is deducted from the cash handed over to the Borrower. If the furniture belongs to the husband it is necessary to have his signature.

Mrs. F. who had borrowed from two lenders without her husband's knowledge asked a strange man in the street to forge her husband's name on Bills of Sale to both lenders. When the furniture was claimed on the Bills of Sale the husband denied having signed them and the woman was sent to prison for six months for obtaining money by false pretences.

Family of G. had loan of £20. Could not pay it off so renewed it and had Bill of Sale for £40. Of this £12 12s. 0d. was deducted to pay off former loan. Paid 22/6 regularly for 28 weeks and then missed 10 days. Payment promised at end of fortnight, but lender would not wait. Bailiffs sent and all the furniture claimed, even the bed under a sick child.

Class (3) *Signing as Surety.* Many of the cases visited seemed surprisingly ready to sign surety on behalf of others hardly known to them. Sometimes they confessed that they had not read, and did not know the meaning of the document signed.

Mr. and Mrs. H. were asked by a neighbouring butcher to sign surety for a loan he had taken out. They signed a Bill of Sale for £30. When the butcher had repaid two-thirds of the debt to the lender he decamped. The lender then made the H's. produce a further £10 for which they had to sell most of their furniture; later he demanded a further £22, but they had consulted a solicitor and he made the Money-lender reduce the debt of £22 to one-half.

Mrs. I. signed £15 guarantee for lodger who paid £2 then went away. She had to pay £20 for the £15. Money-lender's solicitor advised her to borrow from other lenders which she did and became involved in great difficulties. The bailiffs were sent and everything was sold. She paid £45 in the end.

Mrs. J. signed surety on behalf of brother who defaulted after paying £12 of a total of £75 to be repaid. Bailiffs sent in and she had to pay fees and costs. According to the lender the brother was quite able to make some effort and the apparently harsh methods were directed at him but fell on Mrs. J.

Young man borrowed £30, his father standing as his security. Soon after, the son died. Father paid £24 and then being a casual labourer missed one payment. Bill of Sale was executed, but in response to a special appeal by the Personal Service Society the man was allowed to sell sufficient furniture to pay off the arrears.

There seems to be little objection on the part of the Borrowers to the paying out of weekly sums provided they are small, and the total amount lost in this way is often not realised.

Renewals of Loans. Borrowing easily becomes chronic, and the borrower frequently makes a second loan to pay off the first. The money owing on the first loan is deducted from the second, and the transaction starts again with perhaps double as much to repay.

Mrs. K. had six loans in five years on this system. The first was for £6 for which she had to pay £9. She renewed for a larger amount each time and now has to repay £110 although (past loans having to be paid off), she has received only £30 in cash.

Supplementary cases of Borrowers.

The investigators were struck by the numbers of cases of women borrowing without their husband's knowledge. Some of these live in a state of daily terror, both of the money-lender and of the husband, and appear afraid to open the door.

Mrs. L. who had borrowed for five years under these conditions could give no clear idea of what she had received in cash in this time. From her account she had only had a few small amounts of £3 or less. She thought her repayments had totalled over £100. She was asked to produce her books (*e.g.*, the cards provided by the lender on which the weekly repayments are recorded) which were very incomplete, and covered only a short part of this time. These shewed repayments of over £75 and she still owed £37 odd. Her husband earned £2 weekly, and out of this she had been paying 12/- weekly when possible, to the Money-lender. She said that her husband was a violent man, and would kill her for the waste of his earnings if he found out, and that the Money-lender knew this and bullied her in consequence.

As the only risk to the money-lender, apart from that of a client who decamps, is that a judgment should go against him or her in Court, cases such as this where there is no chance of the debtor taking action give the money-lender a free hand.

Mrs. M., a superior type of woman, got into difficulties after illness following confinement, and borrowed 30/- from a woman lender in a neighbouring street, the rate of interest was one penny in the shilling weekly, and no receipts were given until the last payment was made. In 8 months the debt was cleared, but Mrs. M. had repaid to the amount of £5 17s. 0d. for the 30/-.

Mrs. N. borrowed 30/- from another woman lender, she repaid 3/- weekly for ten weeks, and then found that she had been paying the interest only, and that the loan itself was still charged to her in full.

Mr. O. borrowed from 3 lenders: from the first he received £7 for loan of £10; second, received £14 for loan of £20; third, received £2 2s. 0d. for loan of £3. Was unable to keep up payments and writs were served in 2 cases. Man suffered from malaria from result of war service, and mind became unhinged with the worry. He broke windows and gave himself up to the police.

Mrs. P. was the most vague as to her dealing with Money-lenders of all those visited. Did not know what amount she had originally borrowed, what had been repaid or what was owing. Knew that rate of interest is 1d. in 1/-. Spoke very warmly of lender and was unwilling for her to be visited. Says she has never had books or receipts.

Mrs. Q. borrowed £2 from lender, who gives no receipts or books, and charges 1½d. weekly in the 1/-. Does not know how much she has repaid. Still owes 30/-. Lender comes and bullies her.

Sometimes a borrower in difficulties with one money-lender goes to a second, or even a third, in order to pay off the previous one. Bills of Sale are signed each time and sooner or later he gets into a hopeless position, bailiffs are sent in and everything sold up.

2. *Information obtained from Money-lenders.*

The Money-lenders seen resolved themselves roughly into two type; (1) those with offices in a comparatively large way of business (invariably men); (2) those living in a poor street (usually women). A number of both kinds were visited.

Types of Money-lenders.

Those of Class (1) investigated in the enquiry charge roughly a rate of interest varying from 22 per cent. to 66 per cent. per annum, and after considerable pressure and delay they could usually produce some record of the case in question. They all quoted numbers of cases of fraudulent borrowers who had caused them serious losses, and they usually stated that their terms were much easier and more lenient than those of other lenders. Of the money-lenders forming Class (2) in poor streets, in every case seen by the investigators the interest charged was 1d. in the 1/- weekly (equals 433½ per cent. per annum). Several of them have stated that it is usual for other lenders to charge 2d. or 3d. in the 1/- (equals 866⅔ per cent. and 1,300 per cent. per annum respectively).

Of the Money-lenders of this type interviewed none appeared to work on a satisfactory system, and in most cases no receipts were given. One Money-lender who kept no records whatever pleaded that she was "not a scholar." Another tapped her head and said that she kept the records there. All laid much stress on the point that their loans were not pressed on anyone, but that would-be borrowers came and clamoured for them. While it was obvious that most make their way by bullying and terrorisation, the investigator met one Money-lender who showed real kindness to an old woman living alone in a cellar on parish relief, and allowed her to borrow without paying interest after a time. The old woman spoke of the lender as being like a daughter to her and her only friend in the street. The Money-lender said that hundreds of pounds were owed to her by the neighbourhood, and that when she had recovered her losses sufficiently she would like to give up the business. From her account the whole street came to her in difficulties of every kind.

The Money-lenders usually seemed harassed by the anxieties of their occupation and often seemed of a mentality unable to cope with it. When one takes into consideration the fact that in order to become a Money-lender all that is necessary is to produce the registration fee of £1, and that no investigation is made as to qualification it is not surprising that the business is often carried on in an unsatisfactory manner. And however unsatisfactory a Money-lender's methods may be, the only remedy open to the debtor is to take a "harsh and unconscionable" case to Court under the Money-lenders' Act, 1900 Sec. I(1).

Inadequacy of present system.

3. *Conclusions and Proposed Action.*

After the completion of the Enquiry the Committee came to the following conclusions:—

- (1) That the ignorance of those who borrow is one of the chief causes of the prevalence of the evil, and that there is urgent need for educative methods of propaganda with regard to the conditions and results of money-lending transactions.
- (2) That further legislation is necessary, requiring:—
 - (a) That a clear and detailed statement of each transaction be given to the borrower by the Money-lender;
 - (b) restrictions in the rate of interest chargeable;
 - (c) adequate guarantees with regard to qualification of money-lenders before registration is granted.
- (3) Some of those interested in the enquiry feel that the establishment of well-organised Loan Societies either governed municipally or by some suitable body would prove a constructive solution of the problem.

With regard to the second of the conclusions, *i.e.*, legislation, much legal assistance has been given to the Committee by Mr. S. Scholefield Allen, LL.B., Barrister-at-Law, who has drafted a Bill dealing with the points set out under (2) above. See Draft Appendix B. Several Members of Parliament are already interested in the Bill, and it is hoped to introduce it when the opportunity arises.

It is understood that a Bill drafted by Sir George Fowler is to be brought before Parliament by Lt.-Col. Ashton Pownall. See Appendix A.

APPENDIX A.

A BILL

to prohibit advertising and circularising by registered Money-lenders and for other purposes connected with Money-lending.

Be it enacted by the king's most excellent majesty by and with the consent of the lords spiritual and temporal and commons in this present parliament assembled and by the authority of the same as follows:—

1. No person being a Registered Money-lender or an Agent of a Registered Money-lender shall after the passing of this Act advertise offers to lend or invitations to borrow money or despatch or cause to be delivered through the post or otherwise to any person (unless in reply to a bona fide request made by or on behalf of that person) any circular advertisement notice letter telegram announcement or intimation

which offers to lend money or invites or may reasonably be implied to invite the person receiving it to borrow money or to enter into any transaction involving the borrowing of money or to apply to any person or at any place with a view to obtaining information or advice as to borrowing money.

2. No proprietor or publisher of any newspaper magazine or other periodical shall accept for insertion or shall insert or permit to be inserted in such newspaper magazine or periodical any such advertisement announcement or intimation as is described in Section 1 of this Act.
3. Any person advertising despatching or causing to be delivered or inserting or permitting to be inserted in any newspaper magazine or periodical any such offer invitation circular advertisement notice letter telegram announcement or intimation shall be guilty of a misdemeanour and shall be liable if convicted on indictment to imprisonment with or without hard labour for a term not exceeding three months or to a fine not exceeding £100 or to both imprisonment and fine and if convicted on summary conviction to imprisonment with or without hard labour for a term not exceeding one month or to a fine not exceeding £20 or to both imprisonment and fine.

APPENDIX B.

MONEY-LENDERS BILL, 1924.

PROPOSED ADDITION.

4. After the passing of this Act, a contract of money-lending made by a registered Money-lender shall not be enforceable by action unless the Money-lender or his agent in that behalf and the borrower or his agent in that behalf on the making, renewal or alteration of the terms of the said contract deliver free of charge to the other within one week of the making of the contract a statement in writing signed by the party delivering the same or his agent in that behalf and showing the following particulars:—
 - (a) Name of Money-lender.
 - (b) Registered address of lender.
 - (c) Name of borrower.
 - (d) Date of the making of the contract.
 - (e) The amount of the loan.
 - (f) The amount actually paid over to the borrower in money or money value.
 - (g) The amount retained in respect of interest in advance or other charges

- (h) The rate of interest stating whether rate is weekly, monthly or annually, and whether compound or simple interest.
5. In respect of contracts of money-lending, made both before and after the passing of the Act, the Money-lender shall supply to the borrower or his agent at his request on demand and at any time during the continuance of the contract of money-lending and on payment of a sum not exceeding one shilling a statement signed by the registered Money-lender or his agent in that behalf shewing the particulars set out in Section 4 of this Act and in addition thereto:—
- (a) Amounts paid off in respect of
- (i) principal;
- (ii) interest.
6. In the event of the Money-lender failing, without reasonable excuse, to comply with Sections 4 and 5 of this Act within one month of a demand made by registered letter, the contract, particulars of which have been demanded, shall be null and void.
7. After the passing of this Act interest charged in respect of the sum actually lent and exceeding twenty pounds per centum per annum shall be deemed to be excessive and the transaction shall be deemed harsh and unconscionable.
8. (i) A certificate of registration under the Money-lenders Act 1900 shall not be granted to any person unless the application for registration is accompanied by a certificate signed by the Chief of Police for the area in which it is proposed to establish the registered office of the person applying for registration, and stating that he has no objection to such person being registered as a Money-lender.
- (ii) In the event of the Chief of Police refusing to make such certificate an appeal shall lie to the local court of petty sessions and the decision of such court shall be final.
9. This Act may be cited as the Money-lenders Act 1924 and shall be construed as one with the Money-lenders Act 1900 and the Money-lenders Act 1911 and those Acts and this Act may be cited together as the Moneylenders Acts 1900, 1911 and 1924.

A. R. CATON, *Hon. Sec.*,
SOCIAL AND INDUSTRIAL REFORM COMMITTEE,
WOMEN CITIZENS' ASSOCIATION,
6 LORD STREET, LIVERPOOL.

MONEY-LENDERS' BILL, 1924.

A B I L L

to ensure fair dealing between Moneylenders & Borrowers and for other purposes connected with Money-lending.

Be it enacted by the King's Most Excellent Majesty by and with the consent of the Lords spiritual and temporal and commons in the present Parliament assembled and by the authority of the same as follows:-

(1) After the passing of this Act, a contract of money-lending made by a registered Moneylender shall not be enforceable by action unless the Moneylender or his agent in that behalf and the Borrower or his agent in that behalf on the making, renewal or alteration of the terms of the said contract deliver free of charge to the other on the making of the contract a statement in writing signed by the party delivering the same or his agent in that behalf and shewing the following particulars:-

- (a) Name of Moneylender.
- (b) Registered address of Lender.
- (c) Name of Borrower.
- (d) Date of the making of the Contract.
- (e) The amount of the Loan.
- (f) The amount actually paid over to the Borrower, in money or money value.
- (g) The amount retained in respect of interest in advance or other charges.
- (h) The rate of interest stating whether rate is weekly, monthly or annually, and whether compound or simple interest.
- (i) The particulars of the security or guarantee (if any) given by or on behalf of the borrower.

(2) In respect of contracts of Money-lending, made both before and after the passing of the Act, the Money-lender shall supply to the borrower or his agent at his request on demand and at any time during the continuance of the contract of money-lending and on payment of a sum not exceeding one shilling a statement signed by the registered Money-lender or his agent in that behalf shewing the particulars set out in Section 1 of this Act and in addition thereto:-

- (a) Amounts paid off in respect of
 - (1) Principal;
 - (2) Interest.

(3) In the event of the Money-Lender failing, without reasonable excuse to comply with Sections 1 and 2 of this Act within one month of a demand made by registered letter, the contract, particulars of which have been demanded, shall be null and void.

Money-Lenders' Bill 1924, Continued.

(4) After the passing of this Act, any contract of money-lending made by a Registered Money-Lender, wherein the interest in respect of the sum actually lent and handed over to the borrower in cash or other valuable consideration, exceeds

- (a) 15 per centum per annum where there is adequate security or the loan is guaranteed,
- or
- (b) 60 per centum per annum where there is no security or guarantee or an inadequate security or guarantee shall be deemed to be harsh and unconscionable and such interest shall be deemed to be excessive.

(5) (1) A certificate of registration under the Money-lenders' Act 1900 shall not be granted to any person unless the application for registration is accompanied by a certificate signed by the Chief of Police for the area in which it is proposed to establish the registered office of the person applying for registration, and stating that nothing is known to the detriment of the character of the applicant which would make him or her an improper person to hold such certificate.

(2) In the event of the Chief of Police refusing to make such certificate an appeal shall lie to the local Court of petty sessions and the decision of such Court shall be final.

(3) In the event of a money-lender making any contract of moneylending which is found to be harsh and unconscionable or failing to comply with the provisions of this Act any court or judge may suspend the certificate of registration of such money-lender for such time as the court or judge thinks fit or declare such money-lender to be an improper person to hold a certificate of registration and the court or judge shall communicate this decision to the Registrar.

(6) (1) In any action brought in a Court by a Money-lender or his agent in that behalf, in respect of or arising out of a money-lending transaction, the writ of summons or summons shall be endorsed so as to shew that the plaintiff is a Money-lender or an agent thereof and such plaintiff shall not be at liberty to enter or sign judgement in default of appearance and in every such action the plaintiff shall appear before the Court or Judge and prove that the sum claimed on the writ is due from the defendant to the plaintiff and that such sum is not excessive and that such transaction is not harsh and unconscionable.

(2) Any person failing to comply with Sub-Section (1) of this Section shall be liable to a fine not exceeding £100 to be recovered summarily and any judgment obtained shall be void.

(7) This Act shall be cited as the Money-lenders' Act 1924 and shall be construed as one with the Money-lenders' Act 1900 and the Money-lenders' Act 1911 and those Acts and this Act may be cited together as the Money-lenders' Acts 1900, 1911 and 1924.