

Loan sharks

Loan sharks are believed to be common enough in the Subcontinent, including Pakistan, and several Indian and Pakistani films base the travails of a poor or a lower middle-income protagonist on a particularly unprepossessing loan shark. There are infrequent media reports of loan sharks maiming and/or killing a member of the household unable to pay the exorbitant interest, leave alone the principal due.

The web is largely silent on any state sponsored activity to rid Pakistan of this menace. The last reported state activity was in Kohat dated March 2016 with the police launching an operation whereby in the first phase eight gang members, including Afghan refugees, engaged in charging exorbitant rates of interest were apprehended; the second phase would have included making the people of the area aware that it is illegal to lend money at exorbitant rates of interest, however, there was no follow-up on this report. There is no court action reported against any loan shark and while Pakistan has quantified the amount of black money in the economy, around 50 percent of the legal economy, yet no such quantification is available for the amount borrowed from loan sharks in the country.

What may surprise Pakistanis is that there are loans sharks in Britain. The British government defines loan sharks as "illegal money lenders who charge unfair high interest and often intimidate, threaten, and trap vulnerable victims in a cycle of fear and violence." The British government has estimated 300,000 individuals as being in debt to loan sharks though the actual numbers could be considerably higher as they operate in the "ghost economy" without paper trails with victims too ashamed to step forward. Britain established regional Illegal Money Lending Teams (ILMT) in 2004 (in England, Scotland and Ireland) funded by a levy imposed by the regulator, Financial Conduct Authority, on thousands of companies offering consumer credit. ILMT investigates and prosecutes lenders and supports victims and its accomplishments are noteworthy: 380 prosecutions, offenders jailed for 380 years, support extended to 25000 victims and writing off 73 million pounds of illegal debt. Tom Quigley, head of English ILMT, recently stated that "loan sharks are a blight on society and prey on vulnerable people who struggle to make ends meet. These criminals use callous methods to enforce repayment and victims are often subjected to threats, intimidation and violence."

In one instance, the Manchester Crown Court judge termed a multi millionaire loan shark John Kiely, 36, a "ruthless individual" for using enforcers to collect debts that charged up to 2,437 percent interest. The judge added, "It's clear to me you are a ruthless individual who has displayed a high degree of criminal sophistication."

Loan sharks in the United States engage in similar activities notably exploiting the poor, the vulnerable and the old and their usual practice is to secure loans on the homes of borrowers. It was the experience of a 90-year-old woman from the Bronx who was almost thrown out of her house that inspired Aurelia Green, a New York lawyer, to sponsor a bill tackling predatory lending. Other US states have followed suit.

In Pakistan, there is a legislation on dealing with loan sharks in Punjab and Khyber Pakhtunkhwa. Punjab Prohibition of Private Money Lending Act (PPPMLA) 2007 bars lending of money by any individual or body that is not registered with the federal or provincial government as a bank, financial corporation or a cooperative society and failure to comply carries a maximum sentence of 10 years and/or a fine of 500,000 rupees. PPPMLA was spearheaded by Humaira Shahid of the PML-Q, replacing Punjab Money Lending Ordinance (PMLO) 1960 that allowed the practice of person-to-person lending with interest up to 5% per annum after obtaining a licence from the Revenue Department. Shahid lamented that the implementation of this legislation remains weak. However there is no comparable legislation in Sindh or Balochistan and

Shahid suggested the federal government passes a legislation in this regard as "monetary matters are federal issues ... usury and debt go together, so it is ideally a federal issue."

No Pakistani administration has sought to deal front-on with loan sharks though various governments have extended payouts and/or cheap credit to the poor/vulnerable. The Pakistan People's Party (PPP) launched the Benazir Income Support Programme, which began as handouts during its 2008-13 tenure, however, graduating the programme into self-sufficiency is envisaged. Bilawal Bhutto Zardari during the 2018 election campaign committed to giving interest-free loans and opening of food stores in all union councils where quality products would be provided at cheaper rates under the proposed Bhook mitao card system, a commitment that the PPP has yet to implement in Sindh where it has been in government for over ten years.

Pakistan Muslim League-Nawaz, clearly aware of the difficulties of accessing institutionalized credit by the vulnerable/poor largely attributable to lack of collateral that raises the risk element for the credit agency to an unfeasible level, supported special credit schemes for the youth, the unemployed, and women. Shahbaz Sharif as Chief Minister Punjab launched the Chief Minister's Self Employment Scheme in 2011 extending loans of up to 50,000 rupees at a time and by the end of his two-term tenure 36.7 billion rupees had been distributed to 1.8 million needy families interest-free. The repayment rate was an impressive 100 percent. But no effort was made to implement the laws relating to loan sharks or illegal lending by private individuals.

To conclude, it is hoped that the Khan administration considers passage of legislation against loan sharks and proactively implements the policy through law enforcement agencies.

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