

*Loan Sharking*

the organization, such as bank employees and public officials.

Two basic characteristics of loan shark victims are an urgent need for money and the inability to obtain funds through normal lending channels, either because they do not have necessary capital or because the purpose of the loan is unacceptable. Another common characteristic of loan shark victims is that they very rarely complain about their plight to law enforcement authorities. The most obvious explanation is the fear of retribution, the threat of violence, implied or explicit, and when threats are not sufficient, the underworld has resorted to severe beatings and even murder.

However, there are other important reasons why victims seldom complain. The hearing into the impact of crime on small business in 1968, before the Senate Select Committee on Small Business, was told that it is generally agreed that most loan shark transactions are amicably conducted with both parties being satisfied. If this relationship remains unstrained, the authorities will never learn of the transaction from complaints. Also victims are sometimes sympathetic or involved in organized crime, and a victim is frequently forced into crime in order to meet payments. Thus he is in too deep to complain. This last point is directly related to the most serious effect of the involvement of organized crime in loan sharking, that is, the increase of criminal activity.

I will quote from Professor Henry Ruth of the University of Pennsylvania law school speaking before the U.S. Senate Committee on Small Business in May of 1968:

The activity in each kind of crime bolsters the success in other criminal enterprises; organized crime uses loan-sharking in tandem with its gambling and other operations. In addition, the debtor-victim becomes a pawn in furthering other criminal activity of the organization and in broadening the legitimate business base of organized crime's holdings.

It is to be appreciated that organized crime's rackets closely connected with loan sharking, besides gambling, are narcotics distribution, labour racketeering, and disposal of stolen goods. Profits from loan sharking finances these underworld practices, and also promotes other criminal activity. For example, as mentioned, victims are often forced to criminal means to meet demands for payment. It also provides a cruelly effective device for enabling the underworld to expand its interests in legitimate business.

The story in the *Toronto Star* dated April 14, 1973, concerning the testimony of a convicted racketeer to the Quebec police commission inquiry into organized crime dramatically underlines this point. The racketeer, describing loan sharking operations, said, and I quote:

They will beat up a man for a few dollars. They choke businessmen to death with outrageous interest, then take away their firms.

He went on to tell about a Montreal businessman who lost a \$40,000 men's clothing store because he owed a shark \$1,200 and could not make the weekly payments. He also told about another man who lost his dry cleaning firm and became a \$100 a week employee in the establishment while the shark negotiated its sale to a competitor. Lastly, it should be remembered that loan sharking provides an instrument which organized crime can use in the bribery and corruption of public officials.

[Mr. Robinson.]

In 1967 a United States House of Representatives republican task force on crime stated, and I quote:

The victims of organized crime are the urban poor. A society concerned about poverty must be concerned about organized crime.

We find the urban poor are among the most vulnerable to loan sharking. The urban slums provide an excellent setting for the loan shark operator. A ready market exists because victims most often do not have access to legal lending sources. The poor can least afford it, and are most likely to be pushed to crime to meet payments. The crime rate in the urban slum environment is already too high without this further stimulus. Another factor is that too frequently in this environment the criminal element receives a certain respect, while law authorities lack the trust of the ghetto population.

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While I have been concentrating primarily on organized crime in loan sharking operations, we must not forget that there are many supposedly respectable and legitimate businessmen who could be classified as loan sharks. They may not use the threat of violence to collect payments, but the interest rates they charge are criminal. Their victims are the poor, and the small marginal businessman lacking sufficient capital. When granted credit they must pay a premium for it. The poor have to rely on the most expensive source of credit. They are denied credit at lower rates not necessarily because they have a poor credit history but because they are simply less wealthy than other borrowers.

The chairman of the Welfare and Housing Committee of Metropolitan Toronto informed the Senate Committee on Poverty as follows:

So many people are unable to comprehend what they are getting themselves into, first of all . . . when they buy a car or television set or anything on time. In this country, you know it is rather peculiar that if you go to the bank and you want to borrow money at a reasonable lending rate, if you can afford it, you can get it. If you cannot afford it, you go upstairs and get it from the finance company which borrowed it from the bank in the first place. Too many people get in debt because they do not understand economics.

It is this kind of situation which provides a steady source of customers for our "legitimate" loan sharks. In my view our present laws against loan sharks are inadequate.

Perhaps one of the most telling statements I have come across is from the 1965 State Temporary Commission of Investigation of the State of New York, which found:

Startling as it may seem, the commission found, and all official witnesses agreed, that the absence of effective usury laws in this state was a significant factor in the underworld's move into loan sharking.

There can be little doubt that sentences for loan sharking offences are too light. Perhaps the best example for this can be found in an editorial in the *Montreal Gazette* of September 28, 1974, which said:

One loan shark convicted of 84 counts was fined a total of \$3,675, less than \$44 a count. Yet he had \$75,000 out on loan to 136 clients at rates starting at 25 per cent a month.

For some reason which is difficult to explain there is an attitude of indifference by local officials and the public toward loan sharking operations. As far back as 1951 the