

# Usury: Causes and Impact on Wellbeing

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## Abstract

As neo-liberalism became the accepted way of life, profit on interest has lost its negative and unethical connotations and has become a social norm. Usury however is considered an economic crime since the lender is not an authorised financial institution and is charging in excess of the interest rate restrictions of 8% established under Maltese Civil and Criminal Law. Despite its criminalisation, usury remains a widespread though hidden phenomenon within the Maltese Islands. Usury flourishes in corrupt settings driven by extortion, fear and violence. Yet, it is not considered a vital issue in terms of policy development and evidence-based practice.

The research shows that there are various factors which may lead one to turn to usury, varying from structural factors to personal circumstances. Moreover, usury has a wide-ranging negative impact on all spheres of the victim's life, financially, socially, psychologically and emotionally. Usury is indeed a vicious cycle which perpetuates itself on both the macro-community as well as on the personal level, leading to ever-increasing traps of over-indebtedness.

Soundly based on qualitative research with stakeholders involved in the field, this exposition aims to raise awareness of the causes of usury and the impact that it has on both personal and social wellbeing, whilst setting forth vital policy recommendations.

**Keywords:** usury, wellbeing, neo-liberalism, social cohesion

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## Usury: A Normalised Phenomenon?

Historically, a loan was considered usurious if it incurred any charge, however “in more recent times, it has been interpreted as interest above the legal or socially acceptable rate” (Visser & McIntosh, 1998, p.175) leading to an ‘excessive’ charge of interest. Despite this seemingly straightforward definition, usury remains a contested concept, with varying definitions across time and context (Mews & Abraham, 2007). The debate revolves around what is an acceptable interest rate or what body can legally lend money. The fact that usury is defined and interpreted differently across different fields further contributes to this controversy. The working definition of usury adopted for this paper is based on the provisions established under Articles 1852(1) and 986(2) of the Civil Code of the Laws of Malta (1870) and Section 298C of the Criminal Code (1854) which decree that charging interest in excess of 8% is illegal. This article also specifies the maximum penalty imposed for such an offence, ranging from a term of imprisonment not exceeding eighteen months and to the payment of a fine ranging from two thousand and three hundred and twenty-nine euro and thirty-seven cents (€2,329.37) to thirty-four thousand and nine hundred and forty euro and sixty cents (€34,940.60).

For over five thousand years, money lending at high interest rates was prevalent (Graeber, 2014) despite being controversial. Through the ages, various philosophers, political scientists and religious leaders including Aristotle, St Thomas Aquinas, the Prophet Muhammed to Adam Smith and Karl Marx condemned usury. These denunciations focus on a range of issues from social justice, work ethic, economic instability, environmental damage to inequalities. Moreover, usury “has been repeatedly condemned, prohibited, scorned and restricted, mainly on moral, ethical, religious and legal grounds” (Visser & McIntosh, 1998, p.175).

Despite the denunciation of usury and the institution since early times of laws and regulations against the charging of excessive interest rates (Blitz & Long, 1965), in contemporary society, we have become

accustomed to loans (Lee, 2016) and borrowing money is normal in contemporary societies. Banks promote and advertise loans to different categories of people at various rates of interest for various purposes, ranging from car and home loans to education and business investments. Akin to usury, some legal predatory lending practices, such as payday loans are characterised by high interest rates and short-term maturities, often addressed at vulnerable populations (Bertrand & Morse, 2011; Morse, 2011; Stagman, 2007). This reflects and supports both a culture of entrepreneurship as well as a culture of immediate gratification and consumerism. Nevertheless, a major cause of indebtedness stems from the earning of low wages as prices of basic goods rise: housing, food, utilities, and other necessities, as well as financial and material disadvantages arising from personal vulnerabilities. A person in such a situation who is denied a bank loan, due to “very poor credit worthiness” (Leong et al., 2021, p.3) may have no alternative but to seek a moneylender. Indeed, “the pressure on the borrower to obtain a loan often means he cannot quibble over terms” (Kaplan & Matteis, 1968, p.239), effectively landing oneself in a usurious ‘debt trapping’ – “a predatory practice that consists in renewing short-term loans again and again in order to maximise fee income” (Mayer, 2012, p.838).

This current study is carried out in the acknowledgement that “usury may not be the root of all evil but it must be addressed seriously, since it is not given the attention it needs” (Social worker). Indeed, despite the relevance of usury “historically and worldwide, in the literature there is neither a quantification of the welfare effects and effectiveness of such interventions in this market, nor a clear understanding of the main incentives that drive borrowers and lenders” (Leong et al., 2021, p.1). Thus, this paper aims to analyse the determinants and effects of this offence and propose measures to alleviate its negative impact on personal and social wellbeing within the local context.

## Method

The research takes an evidence-based

approach using qualitative in-depth expert interviewing with a wide range of relevant stakeholders, including the Caritas Foundation for Victims of Usury (FVU), the Central Bank of Malta, the Financial Intelligence Analysis Unit (FIAU), the Malta Financial Services Authority (MFSA), the Office of the Arbitrator for Financial Services (OAFS), the Foundation for Social Welfare Services (FSWS), a Community Social Worker, a Parish Priest, The Notarial Council, the Financial Crimes Investigations Department (FCID), the Department of Probation and Parole Services (DPPS), and the Correctional Services Agency (CSA).

The participants of the study, selected through purposive sampling reflect the multi-disciplinary informal institutional framework currently in place to prevent and combat usury and address its various ramifications on wellbeing within the local context, were interviewed in 2018 through the use of semi-structured interviews. The data collated was subsequently coded and thematically analysed to identify common threads and patterns (Braun & Clarke, 2022) on the causes and impact of usury within the context of the legal, administrative and law-enforcement, the financial and economic, and the social and cultural sectors. Ethical considerations regarding informed consent, confidentiality, no harm to participants and data protection issues were given due attention at all stages of the research. The research formed part of a wider study on usury undertaken by the Ministry for the Family, Children's Rights and Social Solidarity as part of a policy development and programme implementation exercise and ethical approval has been granted by the Faculty for Social Wellbeing Research Ethics Committee of the University of Malta.

By adopting a transformative approach to the study of the causes and impact of usury on wellbeing, the research aims to "integrate action and reflection, personal and organizational realities, and theory and practice" (Antunes, 2009, p.303). On this basis, the paper adopts a two-pronged approach, aiming to deepen the analytical and theoretical base of usury studies, whilst translating the evidence emerging from the research into practical policy recommendations.

## Prevalence of Usury

Since usury is an illegal activity, its prevalence is difficult to ascertain (Leong et al., 2021) both locally and globally. Due to the dark figure of crime, usury is only partially quantifiable (Eurispes, 2010) and official data is just the tip of the iceberg (Vella & Mintoff, 2022a). By virtue of the law criminalising usury, the police have been empowered to prosecute alleged loan sharks but prosecution is sporadic, translating into an average of around 3 cases per annum (Vella & Mintoff, 2022a), and conviction rates are even lower. Data collated by FSWS and Caritas present a significantly higher incidence of usury. FSWS received 146 calls for help in regard to usury on the 179 helpline from 2003 to 2017, an average of 11 a year, while the sole service provider for people caught in the usury trap, the Caritas FVU tackles around 100 to 120 cases a year.

The stakeholders interviewed for the purpose of the study all confirm the difficulty of estimating the real extent of usury and stress that existing data grossly underestimates the problem. Only a few cases are officially reported to the FCID and even fewer are considered and decided in court. Victims of usury tend to report threats and harassment at local police stations, without mentioning the underlying cause. However, all stakeholders interviewed maintain that the practice of usury is widespread and that its prevalence is on the rise. It was also noted that, in recent years "there has been a sudden rise in usury" (Social worker).

Malta and Gozo seem to be governed by around six big regional lenders who by acting as a cartel, limit competition and increase domination (Leong et al., 2021). However, at the community level small money lenders are also active. Indeed, "debt is a reality that people who live in that village have to live with...if a shop did not sell with debt they might as well close, because no one will come and buy from them" (Grima, 2011, p.36).

While the estimation of the prevalence of illegal money lending is important, such data tends to overlook the real impact of usury in both qualitative and quantitative terms. Victims

of usury abound as the repercussions of usury extend beyond the individual borrower to members of their family and community. In addition, the impacts of usury go beyond the economic and financial dimensions as they traverse the socio-cultural spheres, on both the macro and micro level.

### **Trends and Interest Rates**

The local context exhibits wide variation in the amount of money lent and the rate of interest charged – “not just big loans at high interest rates but a whole range of money lending” (Social worker). Indeed, from the interview carried out it was established that rates vary from slightly higher than 8% per annum in the case of small village lenders to exorbitant rates of over 1,000%. Again, interest rate terms vary greatly. Most are calculated on a monthly or weekly basis, whilst annual interest rates are infrequent. Payment generally has to be made by a specific date or else extortionate measures may be taken. Based on the analysis of data emerging from the interviews, three main categories of informal loans were identified: those characterised by bona fide loans at no interest rate; lending at around 10% a year; and higher rates of interest up to 1,200% yearly.

As stated by Caritas FVU, “today the big debts are the problem together with the high interest rates, that vary between 50 and 100% a month”. In such cases, the default of the expected payment results in a gross and disproportionate increase in the sum owed, such that a small amount of money is translated into an exorbitant sum over a very short period of time.

Another usurious measure entails that of demanding the repayment of the full amount lent at one go such that partial repayments do not decrease the capital amount and instead lead to added charges. As stated by Caritas FVU, “typically a loan is made for say €1,000 plus 50%, so straight away this loan becomes €1,500 that has to be repaid in three payments of €500 a month. When the borrower fails to repay, the interest is raised”.

Various measures are used to conceal transactions such that the “usurious character

of loan shark contracts is almost invariably concealed” (Kelly, 1941, p. 91). While loan conditions are often agreed upon verbally, agreements are increasingly being formalised through ‘legal’ notarial deeds and organised through a complex and sophisticated mechanism of debt collection (Dalli, 2005).

As per Subsidiary Legislation 373.01 ‘Prevention of Money Laundering and Funding of Terrorism Regulations’ (2017), notaries are bound by due diligence, however, “the authenticity of the [usurious] agreement is seldom checked” and while “you cannot trust the contract” (FCID), it is generally given greater credibility over verbal testimony in court.

### **Vicious Cycle of Usury: Causative Factors**

Usury is a vicious cycle. It leads to entrapment on both the individual micro-level as well as on a macro-societal level. As with other vicious cycles, it is very difficult to escape. Without proper support and intervention, it simply compounds into an ever-increasing web of entrapment.

A wide spectrum of society is affected by usury, and victims come from all strata. Caritas FVU identifies the following main vulnerable groups, i) low wage earners and people on low incomes, ii) the middle class faced with an unexpected challenge such as a serious illness, iii) business operators, especially small businesses, iv) people with addictive behaviours such as drug addicts and gamblers.

It is very easy for an individual to become entrapped in the vicious cycle of usury. One may be in dire need of cash for various reasons but due to various circumstances may be considered ineligible for a formal bank loan. Indeed, before going to a loan shark, many borrowers first try to get a loan through formal channels (Guiso, 1995; Scaglione, 2014). FSWS gave a tangible explanation of the snowball effect:

Many people cannot afford basics and cannot get a bank loan. Financial problems lead to housing problems and family strife. It is a lifestyle need. When you are in poverty, you have more yearning and you are more likely to

pin your hopes on a gamble.

The stakeholders interviewed for the purpose of the study highlighted that lacking financial and social resources, the person is often left with no other option but to try to access a usurious loan through informal means by turning to a local lender. In the likelihood that this loan is not repaid by the stipulated time, exorbitant interest rates are incurred, often accompanied by verbal and physical threats from the loan shark. To attempt to repay the original loan, which may have now reached an impossible amount, the borrower often turns to another loan shark and ends up in no time with more rapacious loans which cannot be repaid and thus become all the more entrapped financially, socially and psychologically in the vicious cycle of usury.

The cycle of usury also impinges upon the entire community. As with any other illicit transaction, usury is subject to the law of supply and demand. In view of an increased demand for loans, the market aims to correct itself through the proliferation of greater opportunities for usurious loans. Opportunities for usury increase as the supply of undeclared cash flowing in the market increases. An increase in demand also increases the power of loan sharks to tighten the nature of loan repayments, thus the financial and social capital of the loan sharks increases, whilst the borrowers' means are seriously reduced. This corrupt cycle sustains the growth of usury in the hidden economy to the detriment of the victims and that of legitimate enterprises.

The cycle of usury has widened due to several emergent trends including increased inequalities and inflation with consequent difficulties in covering basic needs, greater importance accorded to conspicuous consumption, immediate gratification and rising aspirations, increased gambling and drug opportunities and the consequent need for immediate funds (Vella & Mintoff, 2022b). Moreover, "the decline in Maltese frugal values, close families and supportive communities have led to more exposure to usury" (Social worker). In addition, the supply of ready cash has increased on the hidden market due to the rise in the nexus of crime and in the wealth of

the upper classes.

### **Vicious Cycle of Usury: Impact and Effects**

Usury is widespread and ingrained within the local culture, with significant negative impact not only for those directly affected but also in terms of its wider effects on society. Indeed, usury has multiple consequences both on the personal level in terms of material and psychological wellbeing, as well as on a community level due to its negative repercussions on the economy, increased poverty and criminality, and the erosion of social solidarity and cohesion. Thus, "as the root causes of usury are various, ranging from macro-economic and structural dynamics to personal circumstances and vulnerabilities, the negative impact of usury is wide-ranging, traversing financial, social, psychological, and emotional aspects, both on the micro and macro level" (Vella & Mintoff, 2022b, p.8).

Usury deepens inequalities as the usurer benefits from high returns on cash that require no effort, while the victim is impoverished by the ever-rising debts and overwhelmed by threats that result in a vicious downward spiral. Some victims of usury end up committing crimes such as fraud and theft and may even be so desperate as to resort to murder or suicide.

A socio-demographic feature of usury is its intergenerational transmission, both amongst lenders and borrowers. The findings of the study highlight that in the Maltese Islands, big loan sharking is seen as a family business and when the head dies or is removed, another family member tends to take over the leadership. In contrast, some people who are raised in poverty and who have multiple debts, may inherit the habit of borrowing, even sums of money that are not repayable.

The following sections shall address the diverse impacts of usury ranging from the economic, political, and criminal to social, emotional and familial on the personal and community levels as emerging from the study.

### **The Community: Impact and Effects**

## **Economic Instability**

Usury is ingrained in the black-market economy. In parallel, high-interest lending has become normalised as the power of finance capital grows (Vella & Mintoff, 2022b). Amongst the negative impacts of usury are the strengthening of the hidden economy and the consequent weakening of productive investments and the reduction of public funding due to tax avoidance. Debt servitude, arising from the peonage system of usury with its proliferation of corrupt, criminal practices, ultimately leads to greater economic instability and unsustainability. The community progresses from productive work, but usurers make profits by doing no productive work at all, “without being subject to taxation and other regulatory frameworks, while reaping benefits which could go to those who are truly in need. Thus, they are in multiple ways, parasites on the system” (Vella & Mintoff, 2022b, p.9).

“Usury on a large scale can generate large sums of money” (Dalli, 2005, p.i). For example, the gross revenue of the usury market in Italy between 2011-2012 was estimated at 15-18 billion (Scaglione, 2014). Thus, it also leads to great instability in the financial and social sectors. Usury is an important destabiliser of the socio-economic fabric, and “unsavory predatory lending is of real social concern” (Central Bank of Malta). The social and economic instability and the increasing debt pyramid most severely impact the poor and working classes and the smaller businesses. As a result, “usury threatens the integrity of the country’s financial system, and the stability of the economy, apart from eroding social cohesion” (FIAU).

## **Social Solidarity and Cohesion**

The study infers that accumulation of cash in criminal hands through usury can be used to undermine democracy through the bribing and corruption of political, judicial and law enforcement officials. The repercussions of these illicit transactions are manifold, ranging from increased socio-political power for the loan shark, less representation of the people’s best interests, to decreased equal opportunities and social mobility. In this way, the negative

impact of usury is both material and moral, as personal and societal values are eroded.

As loan sharks build their success on the misery of borrowers, they enrich their own pockets at the expense of poor and desperate people by meeting their immediate need for cash. The snowball effect on a victim is usually traumatic, as the reality of impossible repayment and of daily uncertainty and harassment gets overwhelming.

A common pattern that emerges from the interviews is that usury contributes to familial stress and deprivation, relationship breakdowns, resorting to desperate measures, and the pursuance of additional loans, often from other loan sharks to try to repay the original. The latter domino effect is widespread and devastating to the borrower as they try to keep up with multiple repayments.

The increasing inequalities and their consequent negative effects lead to social isolation and community fragmentation, where the problem is exacerbated when the victims are too frightened to ask for help and protection, or they simply cannot accept the reality of their downfall and try to keep up appearances, sometimes even to their own families. As stated by an official of the CSA, usury “affected the whole family - his wife, children and even the grandparents. There was a total lack of trust – financial and emotional”.

Trust is also a significant issue in the relationship between the borrower and lender. The seemingly trusting relationship between the victim and the loan shark which can be mistaken as a form of social solidarity, is in fact built on power imbalance and exploitation. In fact, the overt aggression of the loan shark who enjoys stronger networks and immunity from the law threatens social solidarity and cohesion.

## **Criminality**

In and of itself, usury is a criminal activity, arising from the demand of a higher interest rate than that established by law. However, usury has a much wider impact in sustaining other forms of criminality (Vella & Mintoff, 2022a), leading to the proliferation of both white and blue-collar crime. It indeed acts

as a “ground between common and organised crime, marking the transition and the intertwining of legality and illegality” (Eurispes, 1997, p.i).

Through its extensive generation of profits, loan sharking has “become a major source of revenue for the underworld” (Kaplan & Matteis, 1968, p. 239). Profits from illegal gambling, drug sales and prostitution are easily channelled into usurious loans and the large revenues from this criminal nexus are then laundered through financial channels, particularly through cryptocurrency systems (Masciandaro & Barone, 2018) and property market investments, a technique used worldwide by the mafia “to disguise the illegal source of such income” (Grima, 2011, p.17). Thus, criminal syndicates expand and strengthen their socio-economic and political power (Dalli, 2005).

Usury also leads to increased incidences of overt violence – “lenders use harassment methods with different degrees of harshness, to ensure borrowers repay” (Leong et al., 2021, p.17). Violence and threats of violence to the borrower and loved ones are very common occurrences and are the modus operandi of loan sharks to extort interest from their victims. Caritas FVU asserted that:

Threats of violence are common. Many victims who cannot repay their loans are told that their cars will be incinerated, or men turn up at the front door with revolvers bulging out of their back pockets. This is one of the reasons/problems that hold people from reporting the case – threats inflicting fear.

In turn, the physical and psychological strain on the victims leads them to such despair that some resort to violence and crime themselves to escape from this desperate situation. “Time is crucial. If one comes even 30 minutes late to pay, he is requested to pay more” (Caritas FVU). Resorting to the police is out of the question because the victim fears the repercussions of revealing the identity of the loan shark. Because “the victims are being threatened due to failure to repay... they will not come to court through fear, and pretend they forgot when giving witness” (FCID). Often, “borrowers prefer to carry on fending for

themselves than to speak about their situation and request help” (Social Worker). This often results in the victim taking one loan after another. The resulting financial, emotional and familial strain can lead to serious mental ill-health and sometimes suicide.

As a result of their desperate situation, victims of usury may engage in criminal activities, resort to theft, burglary, misappropriation and fraud or engage in other forms of illegal activity such as drug trafficking and gambling. Others resort to pimping while “most of the female borrowers prostitute themselves with the lender so as to downsize their debt” (Caritas FVU).

Numerous crimes linked to usury have been reported, including bodily harm, car bombs and attempted homicide, which are sometimes driven by the desperation of borrowers “because their lives are made into hells” (Parish Priest). In a number of cases, victims even “resort to the most serious form of violence - killing. They have been known to kill - for instance Is-Sufu (Azzopardi) and I-Bona (Borg)” (Caritas FVU). These two high-profile cases, ‘Republic of Malta vs Melchior Spiteri’ (decided by the Criminal Court on 9th December 2003 and the Court of Criminal Appeal on 28th February 2008) and ‘Republic of Malta vs Allan Galea’ (decided by the Criminal Court on 16th December 2015 and by the Court of Criminal Appeal on 14th June 2018) attracted significant media and public attention on the issue of usury and also shed light on the deep-seated causes of usury and its wide ramifications on both the personal and community level.

Usury is thus a crime that feeds off the profits of organised crime, perpetuates criminal activities through harassment, and increases the likelihood that victims will resort to desperate crimes with the result that “when the authorities fail to deal with crime, the ordinary citizen will eventually take the law into his own hands” (When Crime does Pay, 2013, para. 6).

### **The Personal: Impact and Effects**

The impact and consequences of usury on the personal level are various and often lead to compounding negative effects not only

on the financial state but also on one's psychosocial resilience.

The most obvious and quantifiable impact of usury is its pressures on the borrower's finances. The big debts incurred often lead the person and one's family into poverty, at times barely having sufficient money for daily expenses. Caritas FVU stated that "the victim becomes desperate and will do anything to get extra money". As a result, "very often women who cannot make ends meet resort to prostitution to try to repay their debts and it is usually coupled with drug addiction" (Social Worker). The person may have recourse to further debts with other loan sharks to repay the original loan, and even turn to gambling with the hope of winning or engaging in crime and other illicit activities. Borrowers are even coerced by loan sharks to collaborate in illegal activities such as armed robbery (Dalli, 2005).

Fear and threats imposed by the loan shark combined with financial pressures and strain lead to significant impact on the psychological health of the victims and their family members; "Usury definitely has a psychological impact on the person as it causes a lot of stress for the person and forces the victim to feel helpless" (DPPS). It is often the case that those indebted "lie and steal from their family and friends" such that usury becomes "a family destroyer" (Grima, 2011, pp. 34-35).

Usury poses a significant impact on psychological health and wellbeing. The research shows that, "in most cases, usury precipitated mental health issues" (FSWS) for the borrower, "their brain seems to shut down, they enter a state of self-denial" (Caritas FVU). This psychological distress may be so severe as to lead the person to require refuge in a mental health institution, flee the country or commit suicide (Dalli, 2005; Grima, 2011). Indeed, "their fear and complex problems often lead to unexpected consequences...the victim feels helpless, doesn't know what to do and often cannot retain a job. You end up living your life always paying debts" (Social Worker). In some cases, "people living on social services give the power of attorney to their

usurer to be able to cash the monthly cheque in their place. Then, when the victim needs money to live, he goes to the usurer and borrows again" (Grima, 2011, p.41). The situation further escalates when the victim is faced with 'thugs', debt collectors, sent to 'remind' the victim, friends and family that the money owed has not yet been paid back.

As observed from the above discussion, usury has a wide-ranging impact on both the individual and community levels. As communities are the sum of individual people, these repercussions are not mutually exclusive but mutually reinforcing. Thus, the more financial and psychological strain on the individual, the greater the impact on a societal and community level in terms of poverty, repercussions on the formal economy and increase in both organised crime and street crime, intensifying instability, social injustice, and inequality.

This is detrimental to society as a whole because the increased inequality that develops through usurious relationships leads to greater poverty, crime and psychological ill health that hinders personal and social wellbeing. The more usury becomes ingrained in the black-market economy, the more it undermines productive investment and impedes economic and social progress leading to less engagement in formal employment, loss of government revenue and in turn loss of social wellbeing.

### **Policy Implications**

"Usury needs to be attacked at its roots" (FSWS). Yet, one of the main challenges in addressing usury is the conspiracy of silence regarding its widespread practice and the lack of awareness and informed debate at every level of society. The problem is often, however, masked by other more evident, tangible psychosocial consequences such as subsequent economic hardships, family and relationship breakdowns, psychological difficulties, and chaotic lifestyles. Given that within the local context, usury remains a hidden, yet also an accepted and denied phenomenon, with its collateral damage often addressed as the 'real' problem, "we need to define what we understand by usury. We need



to define the problem” (CSA).

The multi-dimensional nature of usury demands multi-sectorial action in various fields on both the structural and personal level. Apart from addressing the demand and supply of usury, such policy measures aim at prevention, timely intervention, and reducing harm in both the short and long-term.

The research substantiates the view that in Malta, individuals who end up victims of usurious moneylending, fall under two main categories, those who are in desperate need of money due to situations of 'emergency or necessity' and those who need the cash as a result of engagement in addictive or illicit activities such as gambling (Khamis et al., 2012). In the recognition that “usury is part of a wider reality of poverty” (FSWS), addressing usury thus demands action at the macro-economic level by ensuring an adequate living income for all. It necessitates undertaking due legal and administrative reform to deter and adequately penalise the offence of usury as well as to further monitor and regulate due diligence processes. It also demands better regulation of misanthropic conduct and industries, such as gambling, by establishing greater control on the opening and operation of betting shops, lotteries and online gambling entities, as well as by addressing deficiencies in self-banning regulations from gaming institutions and fixing a lower ceiling on the Lotto Maltco Super 5 Jackpot. Indeed, gambling was noted to be a primary factor in the uptake of usurious loans in Malta (Leong et al., 2021; Soudijn & Zhang, 2013).

Therefore, apart from macro-economic and law enforcement and legislative measures, usury needs also to be addressed through “removing borrowers from the market, either through offering formal market alternatives, rehabilitation or education programs” (Leong et al., 2021, p.37). Given the specific emphasis of the paper on wellbeing, the following recommendations will focus on socio-cultural measures which lead to improved awareness raising and social welfare service provision in the area.

### **Social Welfare Services**

There are very limited specialised services on usury in Malta. Indeed, the Caritas FVU is the sole service provider in the area, receiving referrals from other social welfare service providers. Founded in October 2000 with the aim of providing advisory and assistive intervention for people who are victims of usury, the Caritas FVU also acts as an advocacy group with the aim of creating awareness and promoting legal and policy changes on the issue. FVU's processes which “have been tailored over time in an evolutionary way” entail various levels of interventions – “We listen to the victims' stories and assess what we may be able to do to help, then we try to liaise with the loan sharks asking them to flatten their interest rates to 8% a year, the highest interest rate permissible by law” (Caritas FVU).

Through the service, which is run by a small number of professional people investing their time on a voluntary basis, is highly effective and efficient, it does not fully meet the demand for support services. This occurs because, despite the fact that due to a number of factors, ranging from fear, lack of knowledge and unrealistic expectations on the nature of services provided, a sense of fatalism, shame and lack of trust, usury victims find it difficult to resort to assistance services. Indeed, as stated by Caritas FVU:

A major problem is that most victims approach the service when their problems are huge, when they are under too much pressure, when it is already late. Borrowers are very reluctant to come into contact with Caritas as they fear that the loan shark would know by for example following them and watching them entering the building.

Apart from pride and fear, another issue which hinders victims of usury from coming forward includes the sense of gratitude that victims generally feel towards the loaner, feeling they are obliged to “honour and respect him” (Grima, 2011, p.40). As time goes by, the victims' gratitude becomes overwhelmed by fear as debts and threats increase.

This low uptake of support services and retention could be partially addressed through awareness raising and dissemination of

information on available services amongst the general population and in particular high-risk groups, but it could also be more effectively and tangibly addressed through the consolidation and expansion of community services. As stated by the interviewed social worker, “community liaising through community outreach and networking is vital”. The extension and consolidation of community liaising and outreach social welfare services should also help to further victims’ networks of support in the community, thus acting as a safety net from further entanglement in the web of usury. It is being recommended that:

- Caritas FVU services be consolidated by increasing human and financial resources to operate on a full-time rather than on a voluntary basis;

- training is offered to social welfare service providers and law enforcement officers to sensitise them to issues of usury and enable them to better deal with the negative financial, social, psychological and emotional consequences of usury;

- outreach community-based services such as those offered by the Agency for Community and Therapeutic Services (ACTS) are consolidated and expanded with the aim of offering preventive and early interventionist services relating to usury;

- the legal services within FSWS be consolidated to enable it to address the legal aspects of usury along with its social repercussions.

### **Education and Awareness Raising**

Bringing the problem of usury to light by raising awareness on the issue should act as an initial preventive and interventive measure. It is envisaged that, as in the case of other awareness campaigns which led to positive progress (such as that sustained on the issue of domestic violence), the public will become more sensitised about the issue and victims empowered to seek help. Indeed, when a publicity campaign on the negative impact of usury was carried out in 2008 by Caritas, this resulted in a significant increase in 179 helpline calls and in the uptake of services.

This awareness campaign could be complemented by the consolidation of educational courses and campaigns on financial literacy. Good practice examples in this regard include the courses *Għaqal id-Dar*, *Hajja Ahjar* run by the Ministry for the Family, Children’s Rights and Social Solidarity to promote sustainable consumption patterns and lifestyles and tackle the intergenerational transmission of poverty and *MyMoneyBox*, an online financial information portal disseminating knowledge on banking, investments and insurance run by the Malta Financial Services Authority. Indeed, “most of the victims are mathematically challenged and do not have good decision making. Borrowers get stuck in the moment; they get to see the immediate solution only” (Caritas FVU).

Awareness raising and educational campaigns promoted through the media but also mainstreamed within the educational system, including those in formal, informal and non-formal education, are seen as being pivotal for saving people from “the stress and heartache that usury brings on all those who get involved with it” (Grima, 2011, p.45). It is being recommended that:

- awareness campaigns are run: targeting the general public by highlighting the illegality and the repercussions of usury; tailor-made to particular groups who may be at higher risk of resorting to usury, in the case of victims in order to seek help and support, and in the case of loan sharks to deter them from continuing to engage in such practices.

- educational courses on financial literacy are consolidated: targeting the general public by disseminating the skills required for budgeting and managing resources and averting over-indebtedness; tailor-made to high-risk groups including business persons and entrepreneurs who may resort to usury following difficulties to admit failed businesses and people who due to pressure of conspicuous consumption live beyond their means.

### **Governance**

The success of these policy proposals depends on commitment to tackle and address

usury across all levels of society through a participative governance approach (Fischer, 2012; Fung, 2015; Mohan & Stokke, 2000). The setting up of a participatory anti-usury governance structure based on top-down and grassroots elements, including legal and administrative services, and community action and public involvement, would ensure that the problem of usury and commitment towards its rectification is owned by all.

Such a participatory framework could be secured by establishing a specific autonomous body represented by various actors from diverse fields of activity. It is being proposed that:

- a national Anti-Usury Team (made up of a broad representation of stakeholders and supported by all Government Ministries) is set up to: i) research and monitor trends in usury; ii) propose policy initiatives to address usury; and iii) develop a holistic National Anti-Usury Strategy.

### Conclusion

This research offers insights into the complex nature and challenges posed by usury within the local context. It has shown that usury is a persistent and growing issue of concern that demands greater policy attention, in terms of awareness-raising and education, service provision and intervention, as well as regulation and enforcement. Sustained research is needed in order to enable more evidence-based practice in the area, as well as the immediate establishment of a solid governance structure to ensure greater coordination and effectiveness of policy measures.

As yet, usury is a problem that remains hidden, accepted or denied. This study has been undertaken in the ultimate recognition that usury is a social problem and “the state has an obligation to address usury” (OAFS), and promote greater social justice and solidarity. It is thus acknowledged as stated in the Editorial ‘When Crime does Pay’ (2013, para.12) that usury:

is not an issue that can be swept under the carpet indefinitely. What is needed with urgency is therefore the formulation of a national strategy to tackle the problem; and

while there is obviously no magic-wand solution, a number of steps can and should be taken as a matter of urgency.

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### Disclaimer

This study was part of a wider ministerial study carried out on the thematic of Usury. The necessary permissions from the Ministry for Social Justice and Solidarity, the Family and Children's Right have been obtained so as to publish data from the study.

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