

16 jailed in Shanghai for abusive loan schemes

Sixteen men involved in four cases of lending money at exorbitant interest rates- to juveniles in most cases – with the aim of grabbing residences possessed by their targets’ families, were sentenced to prison terms of two to 16 years by Shanghai district courts on Monday.

That brought the number of such cases, a new form of debt trap, to 19, and the number of offenders to 49 so far in the city. The offenders were found guilty of fraud and extortion, the Shanghai High People’s Court said.

“Many of the victims in such cases, which began to emerge last year, are university or high school students. What the offenders are really targeting are their parents’ house properties, since real estate prices have continued to soar in the city in recent years,” said Huang Xiangqing, deputy director of the court.

In a typical case, in which eight offenders received jail terms on Monday, a 17-year-old girl surnamed Hang wanted to borrow 3,000 yuan (\$454) to buy a smartphone in 2015. But the loan sharks, led by a man named Qu, cajoled her into borrowing more. They told her that juveniles are not required to pay interest, and if the money is paid back before the agreed date, there would be no charge.

Based on such assurances, and thinking she had nothing to lose, the girl signed a contract to borrow 160,000 yuan.

She was accompanied to a bank. But Hang only got 5,000 yuan at the time and was promised that she would get the rest of the money soon.

The loan sharks then vanished for seven months. When they returned, they told Hang that her cumulative debt had reached 900,000 yuan. To repay that, she was hoodwinked into selling the loan sharks an apartment that she co-owned with her parents. It was worth as much as 1.94 million yuan, but she sold it to the fraudsters for 1.6 million yuan.

It was not clear how the fraudsters were able to circumvent the parents’ signatures for the sale.

There are similarities in many such cases, the court’s Huang said. Most of the time, loan sharks sign two versions of a contract to lend money. The second version typically includes provisions different from what was promised the victim.

“The nature of such cases is a combination of fraud and plunder. The offenders usually loaned much more money than what the borrowers originally wanted and pushed them into a debt trap,” Huang said.

“It’s different from a traditional usurious loan, in which those who borrow

money expect high interest rather than believing that there won't be any interest charges if money is paid back as scheduled."

Duan Shouliang, chief judge at a criminal tribunal of the Shanghai High People's Court, said courts will strictly punish loan sharks, especially the organizers of the schemes.

"Offenders in such crimes usually form groups with the characteristics of a gang, restricting the freedom of their victims and treating them with violence. This undermines the social atmosphere and creates security risks," he said.