An age of conservative modernity, 1914-1968


Published in:
Belfast 400

Document Version:
Early version, also known as pre-print

Queen's University Belfast - Research Portal:
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Download date: 12. Oct. 2019
CHAPTER 4

The Business of Working-Class Credit: Subprime Markets in the United Kingdom since 1880

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Certain consumer credit businesses have historically been associated with distinct groups. This has been particularly true of working-class communities throughout the industrialized world since the late nineteenth century. This chapter uses a case study approach to explore a number of the themes around which this volume of essays is organized. Via an examination of the history of Provident Financial PLC, it provides examples of both transnational similarities in credit provision and details of how cultural and political patterns in individual countries led to sharply divergent historical pathways.

Provident is today associated with the United Kingdom’s extensive subprime credit market, particularly that sector of it populated by low-income consumers. The term “subprime” is most commonly connected with developments in the United States during the 1990s, where the diminishing cost of computerized data storage and the emergence of sophisticated risk modeling led to many consumers, who had been previously categorized as too risky, being provided with high-cost credit products—even by “conservative creditors.” These products included subprime credit cards, which attracted criticism due to their high charges.1

In the United Kingdom, Provident was one of the first companies to offer such a card, the Vanquis Visa, from 2003. The company, however, has 130 years experience dealing with customers who face difficulties securing credit from mainstream financial sources. For much of its history, Provident
marketed products that preempted the subprime credit card in both the flexibility they offered less affluent consumers and in the high costs that were associated with them. Provident's story provides insights into the history of an important part of the United Kingdom's subprime sector. Unlike a number of defunct French and German finance companies that employed similarly bureaucratized and labor-intensive systems, Provident has survived and thrived in the modern credit market. Its ability to do so centered on a number of factors, including the approach to credit regulation adopted by UK governments, the comparatively high levels of financial exclusion in the United Kingdom, the limited success of British credit unions and other mutual bodies, and the continuing functionality (albeit a costly one) of doorstep collections for low-income consumers.

This chapter begins with a brief historical description of the context of working-class consumer credit in the United Kingdom in the years around Provident's creation. The origins of the company are then plotted, before the discussion turns to the company's relationships with retailers and consumers. The controversies that emerged from these relationships are explored, as are accusations that the system was exploitative. The next section discusses French and German companies that operated schemes not unlike the Provident system. However, these schemes died off in the second half of the twentieth century, whereas Provident retained its place among Britain's largest financial institutions. Two final sections examine this period. The first of these explains how Provident attempted to follow the increasingly affluent working-class consumer up the status hierarchy by offering new forms of credit and seeking to shake off its association with low-income consumers. The final section charts the company's successful and controversial engagement in the United Kingdom's extensive doorstep moneylending industry, which, having no European counterpart, demonstrates again that Provident provides a fascinating vehicle through which to explore the cultural, economic, and political shaping of consumer credit.

The Context: Working-Class Consumer Credit in the United Kingdom

As Paul Johnson has demonstrated, the extent and variety of consumer credit in late nineteenth-and early twentieth-century Britain reflected wide demand. The most familiar consumer credit innovation of the period was hire purchase, which was associated with growing markets for consumer durables such as furniture, electric goods, and motor cars. In the early twentieth century, the number of hire-purchase contracts rose by a factor of twenty. By the late 1930s, hire purchase was believed to facilitate 3.5 percent of all
Subprime Markets in the United Kingdom

retail sales. The value of this business was then estimated at around £100 to £120 million, representing half of all credit sales.

Hire purchase had become the preferred option for credit retailers of furniture, pianos, and sewing machines in late Victorian Britain, while simultaneously raising concerns about high interest rates and high repossession rates. The latter was the case because—unlike in France, as Sabine Effosse explains in chapter 8—the retailer had a legal right to reclaim the merchandise if the purchaser fell behind with payments. Until the final payment was made, the goods were on “hire” to the buyer. Hire purchase was first used by the British working classes during the 1860s, when Singer marketed its sewing machines through the method. Many more working-class consumers became familiar with hire purchase during the Great War, when regular and remunerative employment in the war industries financed the phenomenon of the “munitions worker’s piano.” Recent work by Peter Scott has indicated that, in the 1930s, hire purchase facilitated new modes of working-class living that were related to an array of factors, such as rising home ownership among the best-paid workers, shrinking family sizes, and new modes of domesticated living.

While what Scott calls modern working-class consumers were using hire purchase to shape new lifestyles, extensive use was also made of other modes of consumer credit for the purchase of nondurable goods. From the mid-nineteenth century, credit drapers—often labeled tallymen—sold clothing and drapery from door to door to urban working-class families. The weekly collection of payments was one factor that ensured goods bought in this way were costly. High prices and the use of the courts to pursue delinquent working-class debtors brought frequent controversy to the credit drapers. So did the fact that they did their business with working-class housewives, who it was often assumed had been duped or flattered into making ill-advised purchases. Although this was a highly gendered and negative stereotyping of the capabilities of many working-class wives, whose role included managing tight budgets, it was widely believed.

Formed in 1880, the Provident Clothing and Supply Company claimed to have developed a fairer and thriftier form of working-class credit for the “respectable” working classes, who otherwise had to use credit drapers. Provident sold promissory notes, which it called checks, on installments to customers who utilized them to buy merchandise in the large number of stores where they were accepted in lieu of cash. By the late 1930s, Provident, the other smaller check traders, and the credit drapers were responsible for the extension of around £100 million in consumer credit per annum. By this point, Provident had reached its maximum market, serving around 1 million customers per annum.
Also by the 1930s, it was clear that mail-order catalogs, offering clothing and other merchandise on credit, had unearthed a lucrative market. The introduction of parcel post in 1883 spurred on the development of several significant credit mail-order catalog companies. Unlike their North American counterparts, who competed with small, local retailers via price, UK mail-order catalog retailers such as Kays or Empire Stores attracted large numbers of customers by installment selling. By the 1930s, they were dispatching their catalogs to hundreds of thousands of agents, who earned small commissions for selling products. They also carried out informal credit vetting of customers recruited from their families, neighbors, and workmates. The zenith of credit mail order was reached between the 1950s and 1970s, when the sector was the fastest growing in British retail. In 1968, for example, mail order was responsible for 4 percent of all the United Kingdom’s retail sales. More significantly, it accounted for 48 percent of all credit sales in the retail sector.

The significant market shares taken by the mail-order companies, check traders, and tallymen indicated not only significant demand for working-class consumer credit, but also the continuing importance of traditional forms of credit based on the commercial penetration of preexisting social networks. The following case study of Provident allows greater explication of this phenomenon. It also demonstrates how the often deeply complex debates about the rights and wrongs, benefits and costs, of working-class consumer credit operated in the context of one major UK company, and it allows deeper reflection on a number of issues raised above.

**The Origins of Provident**

The Provident Clothing and Supply Company Limited emerged in 1880. Ironically, given its controversial history, founder Joshua V. Waddilove claimed to have commenced its activities because of the “dear” and “limited” merchandise bought by working-class housewives from tallymen (credit drapers). Having first funded a charitable system to enable women to obtain goods from retailers who accepted his checks, a company was swiftly formed to take advantage of the demand that was unearthed. Waddilove had been employed in the thriving Victorian insurance industry, where he witnessed significant numbers of working-class families paying small sums each week to collectors for what were termed “industrial insurance policies.” Weekly doorstep collections and heavy overheads for bureaucracy, which ate up as much as one-third of payments, made these insurance policies expensive and subject to regular critiques by middle-class observers. Despite this cost, their popularity was such that one-third of the population had one of these policies with the market leader, Prudential, by 1900. The name “Prudential” was
selected to stem accusations that the company promoted an unthrifty method of insurance, and the christening of Provident suggests a similar preemptive strike in anticipation of future criticism.

As credit drapers had discovered earlier, many Victorians viewed the extension of consumer credit with suspicion. In particular, those involved in credit deals with working-class consumers were disdained as “fringe capitalists.” The realities of working-class budgeting were frequently miscomprehended by those holding this attitude. These consumers were exhorted to embrace thrift and reject debt, not least by influential activists in the cooperative movement, who felt the latter “was at odds with the principles of cooperative idealism and respectable behaviour.” One widely read cooperative activist opined that “the credit system of this country is only second in its demoralising influence to the drinking customs of the people.” However, pressure from grassroots members who had to manage on incomes that were vulnerable to unemployment, underemployment, trade slumps, illness, and other factors militating against a steely commitment to thrift compelled cooperative stores to offer credit facilities. By 1911, 82 percent of them did so.

As already indicated, Victorian and Edwardian negative sentiment toward working-class credit and the perils of indebtedness reached its zenith in discussion of credit drapers. Being among the heaviest users of the debtors’ courts, credit drapers received extensive press coverage, which frequently portrayed them as irresponsible lenders and exploiters of feminine vanity and gullibility. While it is clear that there were devious characters among them, most credit drapers made money from establishing long-term relationships with customers that were based on a strong degree of trust and reciprocity. Like the insurance companies, they provided an expensive service that was nonetheless utilitarian for hard-pressed consumers with few alternatives. Moreover, as credit draper Ron Barnes recalled, the fact that his transactions were played out in his customer’s home ensured credit drapers were greeted with the “natural friendliness” that would have met other personal visitors. This intimacy was highly advantageous, proving a more useful method of limiting bad debt than recourse to the courts. Provident drew upon this important factor in its own operations.

**Provident’s Modus Operandi**

Although Provident’s weekly visits to collect repayments echoed the credit drapery model, as did other aspects of its business, its approach to doorstep credit had important differences. This circumstance ensured that it attracted far less bad publicity for using the debtors’ courts, while also assisting its rise to national prominence. Provident established a triangular credit
relationship, placing itself between borrowers and retailers. It dispatched agents to identify customers who would buy its checks, which were then redeemed via weekly doorstep payments. For this service, customers paid a fee—or poundage charge—of 1 shilling (5 pence) for each 20 shillings (£1). This equated to an annual interest rate of 23.3 percent if repaid in the anticipated 20 weeks, although customers typically took 24 weeks to complete payments. Once they acquired a check, customers were free to use it at any retailer accepting them.

Provident’s success in persuading a great variety of shopkeepers to join its scheme was the key to its popularity and ensured that its customers prioritized their repayments to it over those to other creditors. In 1908, its checks could be used to procure merchandise ranging from “photographs to bassinettes and from barometers to artificial teeth.” Three decades later, the brochure for Provident’s customers in Wolverhampton included nineteen footwear stores, thirteen house furnishers, twenty-one clothing retailers, eleven opticians, nine purveyors of wireless sets, four jewelers and watchmakers, three wallpaper and paint shops, two secondhand furniture stores, two secondhand clothes shops, and one coal merchant. To establish itself in a new locality, the company offered key retailers much lower than average rates for its service. While a department store might be charged 8 percent of the amount Provident’s customers spent in the store, a hairdresser was asked to forfeit a hefty 20 percent. In the 1930s, the company had agreements with 14,000 retailers—a figure that reached 20,000 by the 1960s and included several significant national retail chains.

An Uneasy Relationship? Selling Provident to Retailers

Provident’s arrangements with retailers were not secured without controversy. Shopkeepers opposed to the system claimed that Provident customers could be easily “spotted,” that prices were raised to cover the discount the retailer had to pay Provident, or that “a special line of rubbish” was held in store for them. In 1910, one female shopper provided evidence of such a tactic, informing a newspaper that when she produced a Provident check to pay for a jacket, she was asked for an additional 9 percent on the marked retail price. The extent of these practices is unclear, but shopkeepers prioritized cash buyers over Provident check users, and the company advised its customers to “shop as little as possible” on Saturdays and to make purchases “around the middle of the week,” when retailers would, they were instructed, “serve you far better.”

Despite Provident’s instructions to its customers, many retailers and their representatives remained hostile to the check trade. In 1908, Drapers Record
claimed the practice had caused “a decrease of legitimate profit-bearing turnover” and argued that “the retail trade must annihilate the [check] clubs or be itself destroyed.”

Shopkeepers attempted to educate the public about Provident’s hidden costs. In 1913, one group paraded a donkey through Bury town center, carrying a legend that labeled any check customer “an ass.”

Twenty-five years later, the Daily Express reported that retailers’ organizations had issued the public “with leaflets exposing the check system.” The newspaper alleged that retailers and customers were being milked to enable check trading companies to make annual profits of up to 1,700 percent. It urged that these firms “be rigorously curtailed” and made subject to the 48 percent interest rate cap that had been applied to moneylending transactions in 1927.

The Daily Express had got its sums rather badly wrong. In 1934, for example, Provident’s profit of £285,000 on a turnover of £5.7m was slightly less than 5 percent.

The charges imposed on retailers were significant, however, and it is important to ask why so many retailers were willing to accept Provident checks.

In 1915, Credit Draper debated this issue. It asked how, with fees up to 17.5 percent, Provident and other check traders had “managed to get reputable shopkeepers to fall into their trap.”

One retailer who had succumbed to Provident’s overtures claimed turnover rose only until other retailers also began to accept checks. Thereafter, he was left paying fees for what he dismissively dubbed Provident’s “American business.”

The allegedly Americanized and un-British nature of installment selling was a common theme in the early twentieth century, from the plebeian check trade through to much more affluent markets, such as that for motor cars.

But offering credit to the working classes always elicited the most heavily moralized discourse. Thus, another disillusioned shopkeeper, angered by waits of up to six months to be reimbursed by Provident for the checks presented in his shop, dismissed Waddilove’s claim that his system facilitated working-class thrift: “The whole system is one of borrowing, not thrift, and any system that encourages the working classes to borrow must be demoralising.”

However, the enormous number of retailers who accepted Provident checks is evidence that many anticipated advantages from involvement in the scheme. Increased turnover was clearly one. Provident agents represented mobile advertisements for retailers whose details appeared on the shopping lists given customers. One retailer who had been converted to the system argued, in 1908, that far more misery had “been brought to homes by the packman [credit draper].” His view of the check trade was colored, no doubt, by the fact that his annual turnover had risen from £2,000 to £5,000. Another shop owner reasoned that check users “invariably spend more than their check,” with additional cash purchases reducing the impact of the retailer’s
payment to Provident. Manufacturers also functioned as an ally in Provident’s advance. One large footwear producer, for example, offered to stock a shop for a Manchester retailer, but only if he were to “open an account with the Provident.”

The issue of securing new types of customers for retailers lay at the heart of Provident’s success. In effect, rather like modern-day subprime credit companies, the company developed a system that enabled it to operate in a market deemed too risky by regular retailers or banks. Melanie Tebbutt has argued that in early twentieth-century Britain a greater demand for consumer credit forced many reluctant retailers to adopt installment selling. Provident lay at the heart of that process, because the company enabled retailers to avoid the costs and risks associated with financing credit independently. Retailers who joined the scheme did not have to assess credit risk, pursue nonpayers, or face the financial- or status-reducing costs of suing debtors in the courts. In short, it was Provident, not the retailer, that handled the economically and morally charged relationship with the customer, and it is that relationship to which this chapter now turns.

An Exploitative Relationship? Provident and Its Customers

Customer demand for Provident’s service was evidenced by its startling growth. Provident agents followed a well-trodden path, pursuing credit drapers and insurance collectors into working-class districts; and, in turn, their track was taken by football pools collectors and mail-order catalog agents. Thus, working-class households were accustomed to the weekly knock on the door from a variety of commercial callers. In 1920, one area of 3,500 residents in the port city of Hull was visited each week by as many as 100 insurance collectors. Adopting a fieldwork organization that had served the industrial insurance companies so well, Provident amassed a small army of mainly part-time agents to seek out customers and, then, collect and monitor repayments. Agents were instructed to closely observe the rhythms of working-class life. Credit should be “kept low to the labourer with young children,” because his disposable income would be limited, but it should be increased “in future when [the children] work.” When the children left home, to set up their own households, their parents’ “credit levels must be watched again and reduced,” while the new home should be visited and the young adults “encouraged to take up credit.”

The agent also had a disciplinary function, similar to that noted by Paul Johnson for the industrial insurance collectors, whose weekly visits imposed the discipline of contract on working-class families by reminding them of “long-run goals” when “there was scarcely enough money to feed the family.” Waddilove used this argument himself, claiming that his system...
was a form of thrift. He maintained that although critical observers declared that “the working man ought to save his shilling a week himself” and acquire merchandise only when he had the funds to do so, it was “very difficult to keep the shilling untouched.” The agent’s visit, Waddilove argued, ensured that the shilling was kept as “payment for clothes and boots.”

Here we can see a leading promoter of credit reinventing ideas of thriftiness that anticipated Lendol Calder’s argument in chapter 12 about the complex relationship between thrift and credit in modern consumer economies. The nature of that relationship differed between nations and among social groups in each national setting. Thus, the Provident model for credit rating differed markedly from that developed by SCHUFA in Germany (see chapter 6), being based on face-to-face local networks rather than the automated accumulation of data on consumer transactions. For example, one credit retailer reported in 1929 that Provident did not take on a customer without obtaining one reference from a shopkeeper and two local householders. Thereafter, the company relied on the agent’s skill in maintaining an effective and profitable relationship with the customer. Provident could also draw upon the fact that its checks offered access to numerous retailers to ensure that repayments to it had a higher priority than those to less utilitarian rivals.

The complicated financial interchange among customer, retailer, and Provident left check buyers with a vague notion of the system’s full costs. For those managing tight budgets, the key issue was the size of the weekly repayment. If that sum could be met, there was, then, the prospect of paying something akin to cash prices. As one Belfast check buyer explained: “all you paid on these Provident checks was one shilling to the pound—five percent—so they weren’t too bad, they weren’t really extortionate. But probably the shops who took the Provident checks were dearer to shop in than the shops that didn’t.” From the perspective of many working-class customers with limited credit options, Provident stood out, and research indicates that it was their favored form of credit during the interwar period. One Newcastle woman recalled that “when the Provident came onto the scene it was ideal. That’s how I brought up my family, with the help of the Provident.”

There were a number of reasons for this popularity. An extremely significant one is touched upon by Silke Meyer in chapter 10 for the German case. She explains the insights that anthropology can bring to our understanding of modern credit economies by viewing credit as a system of exchange and reciprocity. This perspective also informs the history of working-class credit in the United Kingdom. There historians have explained how the employment of part-time agents deployed in their own communities enabled credit companies to embed themselves within established working-class social networks.
In doing so, they commercialized the trust that existed within those communities, while also utilizing the norm of respectability to ensure that bad debt levels were low. It was harder for a working-class woman to fall behind in payments to an agent whom she knew well than it was to ignore the letters of a distant corporation. Moreover, these close relationships ensured that Pierre Bourdieu’s dictum that credit “creates obligations by creating people obliged to reciprocate” was central to the creation of long-term loyalty among customers of Provident and other credit companies, allowing them to capture elements of gifting within a commercial relationship.

Customers also appreciated the fact that Provident checks represented a much more flexible form of credit than others on offer. This was reflected in the different uses that they made of checks. The more affluent of the company’s customers used what were called “relay checks” (a series of checks granted one after another) to pay for higher-priced goods that normally were bought by hire purchase. Taking this route to the ownership of durable goods may have been viewed as offering security by many check users who were aware of so-called hire-purchase snatch backs. A great deal of press attention was focused on “snatch backs,” the repossession of merchandise due to late payment, and Avram Taylor has described the shame experienced by working-class consumers who had prized consumer goods removed from their homes in full view of neighbors during the 1930s. Provident checks facilitated ownership of the merchandise and gave buyers a level of protection not available to hire purchasers.

Toward the other end of the working-class income spectrum, checks were acquired during passages of domestic crisis management. In such circumstances, Provident checks were often acquired to facilitate the purchase of items that were immediately pawned to raise cash. Thus, the customer had only to raise the cash to pay for the first installment on the check, in order to realize a larger sum on the pawned item to deal with whatever pressing financial crisis was at hand. For similar reasons, a secondary market sprang up in the buying and selling of Provident checks. A court case in the port of West Hartlepool, in 1953, heard that several women were engaged in “wholesale illicit trading” in this respect, buying checks valued at £1 (20 shillings) for 15 shillings. They were then sold to more fortunate consumers for 16 shillings. However, the majority of check users had more mundane reasons for their decision to employ the system, using it to meet family clothing requirements. Analysis of Provident’s records demonstrate that demand for checks was greatest in the final quarter of each year, as customers readied themselves for Christmas.

A further aspect of a Provident check’s flexibility was its acceptance by so many retailers. Customers, therefore, did not have to engage in multiple
requests for credit with a succession of retailers. Not only did this save time, but it also reduced the potential for publically shaming rejections. Moreover, a check could be subdivided and spent in more than one store. In the view of one Scottish woman, this gave a Provident check more utility than the Cooperative movement’s equivalent, the mutuality club voucher: “it was a big advantage... it was not a case of one shop. The Co-op gave you 20 weeks or 38 weeks but then you only had the Co-op, whereas the Provident gave you a selection of different shops... [Y]ou could spend it in Paisley and you could spend it in Glasgow, it was not as if you were constricted.”

This viewpoint differed from one aired in a report by the Women’s Group on Public Welfare in 1943. It was highly critical of “wrong spending” by consumers using checks, whereas it praised the mutuality clubs. The Co-op’s system levied similar fees for their doorstep collections as Provident, but purchases made contributed to the quarterly dividends earned by co-operative members. However, the Women’s Group on Public Welfare was ignorant of the fact that only co-operative customers with healthy financial balances in their dividend accounts were granted credit, a factor that excluded large numbers of consumers. Subsequent histories of working-class credit, which have acknowledged the cultural and economic context in which working-class families budgeted, have produced much richer understandings of their actions than that offered by either the Women’s Group on Public Welfare or the civil servant who, in 1952, labeled check users as “the feckless and often stupid poor.” Material factors such as family size, economic misfortune, or limited alternative credit channels had little place in his assessment.

The size of Provident’s customer base alone should have stifled such pejorative sentiments. By 1908, Provident’s 85 branches employed 3,000 agents. Two years later, it claimed to be the originator of “the best and most popular credit system ever devised,” declaring itself a “real boon to the respectable working-class.” Annual collections, £1 million in 1910, rose to £5 million in 1925, at which point there were 616,000 customers. By the mid-1930s, and again in the 1950s, the company serviced over 1 million customers and their families.

Provident in European Perspective

Our opinionated civil servant might have been given further food for thought had he taken a glance over the English Channel to France and Germany. In both countries, systems evolved that bore comparison with Provident checks. In France, Crépin coupons were the best known of these. Named after Jacques-François Crépin, they became a national institution under the direction of his successor, George Dufayel. They originated in the 1850s,
when Crepin began selling photographic portraits on installment. Demand for this service led to the employment of travelers, who were also soon promoting the sale of furniture and clothing. Customers were granted a coupon, worth 100 francs, after an original 25 percent down payment, and they paid the remaining sum in weekly payments. Retailers met most of the system's costs, paying as much as 50 percent commission for the customers brought to their doors. These high costs discredited the coupons and, in 1869, Dufayel reorganized the scheme. By 1904, it was claimed that the system had served 3.5 million customers. In Paris alone, there were 800 abonneurs (collectors), each responsible for two streets. They made inquiries with employers about potential customers' solvency, recorded other information on their reliability, collected repayments, and encouraged good payers to make further purchases. Four hundred shops accepted the coupons, paying 18 percent commission.

As was the case with Provident checks, questions were raised about the quality of merchandise sold to coupon customers and whether or not prices were inflated. Dufayel responded to critics by arguing that the system allowed workers to acquire the comforts of life without being exploited by usurers. The company also pointed out that it was sympathetic toward slow-paying customers, if they had been beset by matters such as disease, pregnancy, or prolonged unemployment. This was an approach shared with Provident, which was compelled to present an empathetic persona when hearing of a customer's economic woes. In 1929, one Provident executive wrote that such cases “are normal trade risks, and the only course open is to encourage payment of a small amount from such sources as unemployment pay, until employment is once more obtained.” This approach was a further factor designed to elicit a sense of obligation and loyalty among customers.

Thus, like Provident, Dufayel's credit network “relied on local contacts, word of mouth, and face-to-face encounters.” On these foundations, Dufayel claimed—as Waddilove did—to have established the world's biggest consumer credit concern. Dufayel's achievements forced other French retailers to form “an ambitious credit plan of their own.” In 1904, more than fifty stores created the Economic Union of Saint-Denis, which offered an alternative to Crépin coupons. Several other such syndicates followed in its wake.

Germany also developed a similar method of consumer credit, which has been described as “indigenous” and owing little to American credit models. This was the Königsberg system, named after the city in which it originated in 1926. Established by an installment bank (the Kundkredit GmbH), it was most widely taken up by members of the industrial working class. Like the Provident system, customers avoided the daunting task of negotiating credit with numerous retailers. Instead, credit limits were arranged with the
bank financing the scheme. Annual interest rates levied ranged from 35 to 53 percent, a level that one contemporary noted could be judged “unconscionable” in the German courts. Unlike Dufayel’s business, the Königsberg scheme reemerged after 1948, but its history and demise have yet to be related fully. As Rebecca Belverderis-Kochs outlines in chapter 2, the Sparkassen (quasi-public savings banks) entered the installment lending market in 1952, and this development certainly provides one explanation for the death of the Königsberg system. In France, the view is that rising working-class living standards during les trente glorieuses increased spending power and created markets for more modern forms of consumer credit while also killing off demand for older forms. This process was assisted by the extension of banking services to 89 percent of the French population by 1980 and 100 percent by the 1990s.

### The Survival of Provident

In the United Kingdom, by contrast, Provident found a new lease on life in the final decades of the twentieth century. Initially, this appeared an unlikely outcome. Provident’s market began to stagnate during the 1950s, and levels of new business fell persistently year on year by some 4 percent during the 1950s. Many of its traditional customers were attracted to the increasing range of merchandise available in mail-order catalogs. By the early 1960s, mail-order companies produced colorful catalogs of up to 1,000 pages in length, which *The Times* described as “a riot of consumer goods” and “an index to the affluent society.”

Like Provident, the mail-order sector developed an agency system that tapped into working-class sociability and reciprocity. As many as 900,000 part-time agents were calling upon friends, neighbors, and workmates to show them their catalog by the 1960s. Significantly, almost nine in ten agents were female and were stimulated predominantly by the opportunity the catalog provided to reinforce social relationships, or to establish fresh ones, rather than the modest sales commission that could be earned. This created a particularly effective sales force, whose connections with their customers ensured low levels of bad debt. In this increasingly competitive environment, Provident was fortunate that many of its customers demonstrated significant levels of cultural inertia. Many continued to use the company when they might have been expected to utilize their rising earnings by accessing more modern forms of credit. Thus, there was a lag between economic and cultural change.

The company responded to the changing economic climate by attempting to follow the path being taken by the new “affluent workers,” who were the subject of so much postwar political and sociological discussion. In 1962,
Provident left the ownership of the Waddilove family and became a public company. A new management team, with experience in other fields of consumer credit, instigated a process of modernization. Richard Davenport, who had worked in hire purchase and rose to become Provident's chairman, was struck by the access it had to customer's homes via its 10,000 mostly female agents. He asked, “Who on earth else had that sort of lever?” and launched initiatives to exploit this relationship further and to remove the idea that Provident was a means through which “to buy coal and shoes.”

As part of its modernization, the company introduced vouchers of higher values than its traditional checks. Initially they were for sums of up to £100, but climbed to £200 by 1970. Collection charges for vouchers were as much as 15 percent of their value and were repaid over 40 to 100 weeks. The annual percentage rate (APR) levels of interest for these products were between 44 and 55 percent. This was lower than the rates for checks, for which customers, by the 1970s, also paid 15 percent of their value, but the shorter repayment periods meant they had APRs of up to 97 percent. The rise in collection charges for checks was the result of retailers negotiating down the commission they paid, as credit card and store card use took off and became more attractive to them.

The introduction of vouchers was significant because they enabled consumers and retailers to circumvent the government's controls on hire-purchase and installment sales. In operation for most of the period between 1952 and 1982, so-called terms control stipulated minimum deposit payments and maximum repayment periods on installment sales. The sale of vouchers, which could be used to pay for either deposits or for the full cost of consumer durables, was not covered by terms control. As a result, Provident was lifted out of an uncertain passage of trading by government policies that helped to associate the company with luxury rather than necessitous consumption. The government described the use of vouchers as “a serious gap in credit controls at those times when it is needed,” which had attracted “refugees from hire-purchase.” By 1966, £25 million worth of business was being done by clothing and footwear retailers and department stores, offering their own checks and vouchers, including companies such as Great Universal Stores and Philips Electrical. For Provident, vouchers opened the door to agreements with a number of major retailers such as British Home Stores, Foster Menswear, Halfords, Woolworth, Rumblelows Ltd., H. Samuel Ltd., John Collier, Burtons, Hepworths Ltd., Boots, W. H. Smith, and Debenhams.

In the wake of this success, Provident made further plans to extend its financial services. Noting, in 1971, that half the UK population did not have a bank account, Provident purchased the People's Bank. The intention was to transform this moribund institution into a competitor to the
government-backed Trustee Savings Bank. Its vision was to “move away from the Clothing and Supply image more and more into the People’s Bank.”\(^7^4\) This initiative was deemed necessary, as the company was again losing younger and more affluent customers (typically those who were buying their own homes rather than renting) to credit and store card providers.\(^7^5\) As a result, check and voucher sales declined by a third, in real terms, between 1971 and 1979.\(^7^6\)

A survey of Provident’s customers in this period is indicative of the solidly working-class nature of its business, with 92 percent of its turnover conducted with this group. Provident was particularly reliant on custom from families in the semi-skilled manual worker, unskilled worker, unemployed, and pensioner categories.\(^7^7\) Heaviest users of the company were parents with young children, as indicated by the fact that children’s clothing topped the list of items purchased by checks. A much greater proportion of check users lived in rented accommodation than the general population, with 71 percent of Provident customers residing in public housing estates.\(^7^8\) Around half its customers held a bank account by the end of the 1970s, but hire purchase, bank loans, and retailers’ credit were used by only 5, 7, and 7 percent, respectively.\(^7^9\) In the final two decades of the century, it was from these groups—not the affluent working class—that Provident continued to obtain its core market. Moreover, this market was maintained through the transfer of its traditional techniques into the field of doorstep moneylending.

**The Commercialization of Doorstep Moneylending**

The Moneylenders Act of 1927 set a nominal interest rate that could be set for loans. This led to the stagnation of the legal moneylending sector; registered lenders fell from 9,173 in 1925, to 3,759 in 1930, and to 1,588 by 1949.\(^8^0\) It did not, however, curtail the illegal moneylending market, which operated in working-class areas, often with female lenders providing small advances to their neighbors.\(^8^1\) The authorities were not keen to investigate this market and, by the late 1950s, commercial moneylenders such as Neville Greenwood became aware that there was little official appetite to enforce the rate cap, so they began to experiment with doorstep lending.\(^8^2\) They were joined by significant numbers of check traders or credit drapers who used their existing agents to market direct loans to customers.

Their experiments unearthed a significant demand. This was partly the result of the decline of pawnbroking; the number of pawnbrokers had dipped from 2,981 in 1935–36 to 402 in 1968.\(^8^3\) Major redevelopment of inner-city neighborhoods, which often involved the demolition of the local pawnbroker’s premises and the construction of new estates on city outskirts, was a
major reason for this.\textsuperscript{84} While a visit to the pawnbroker was increasingly impractical for any of the 3.5 million Britons living on council estates in the 1960s, moneylenders were willing to call to the homes of those who required a loan. Ironically, therefore, moneylender registrations climbed to 2,500 by the end of the swinging sixties.\textsuperscript{85}

Noting this development, Provident began offering cash loans in 1972. Many of the company’s customers quickly came to “to prefer the cash scheme” rather than checks or vouchers.\textsuperscript{86} Credit Trader explained that customers of the new moneylenders wanted “to shop at Marks & Spencer or C & A Modes, neither of whom accept checks, or buy a set of tyres with 30 percent off . . . all of which may be beyond their immediate needs.” These customers wanted “cash, or, in the modern idiom, a personal loan.”\textsuperscript{87}

By 1979, the value of personal loans issued by Provident was greater than that of its checks and vouchers, and moneylending was becoming its core activity.\textsuperscript{88}

The rejuvenation of doorstep moneylending was given a further fillip by an increasingly liberalized approach to interest rates in the 1960s and 1970s. Financial journalists described how the courts began to view lending “money as comparable to the sale of a commodity” and upheld contracts with interest rates “as high as 120% on short-term advances.”\textsuperscript{89} Following the Crowther Committee’s investigation of the United Kingdom’s consumer credit market, the Consumer Credit Act of 1974 removed the 48 percent cap on consumer lending. Crowther’s view was that the “first principle of social policy should be to treat the users of consumer credit as adults, who are fully capable of managing their own financial affairs, and not to restrict their freedom of access to it in order to protect the relatively small minority who get into difficulties.”\textsuperscript{90}

The committee placed its faith on educating the public about interest rates and placing legal responsibilities on all lenders to display APRs prominently on all documentation. A safety net remained, with courts empowered to renegotiate agreements deemed extortionate. However, this measure proved of limited use. Only customers could make a legal complaint, not consumer bodies or other groups with greater knowledge of the legal intricacies. Very few cases reached the courts.\textsuperscript{91} Crowther’s support for consumer education, as opposed to a more paternalistic approach, reflected wider government policy during a period that witnessed a shift away from regulation in the belief that this would increase competition and consumer choice.\textsuperscript{92} In 1981, an analysis of the cost of lending discovered that APRs for bank loans ranged from 20 to 23 percent, credit card rates were as high as 31 percent, hire-purchase rates were as much as 57 percent, whereas levels for Provident and other doorstep moneylenders were between 65 and 756 percent. The moneylenders claimed that this method of calculating costs did not compare like with like and that
annual interest rates had a “distorting effect” when applied to short-term loans that were expensive to administer and collect. 93

Despite the interest rates associated with their loans, Provident and other doorstep lenders had an estimated market of almost 3 million customers by the early 1990s. 94 A number of factors explain this development. The proportion of Britons living in poverty, or at its margins, rose from 22 to 28 percent between the late 1970s and early 1990s. An increase in unemployment levels was the most significant factor in this rise, but growing numbers in low-paid jobs and the reductions in some benefit levels also promoted this development. 95 A further factor was the rise in single-parent families (usually headed by women), whose numbers increased by 50 percent to 1.2 million during the 1980s. 96 These groups were to become a major component of the United Kingdom’s subprime sector. It also included those excluded from mainstream credit due to their poor credit record or their history of bad debt, often as a result of the housing market crash of the early 1990s that resulted in mainstream financial providers engaging in “a flight to quality.” 97

The market for the UK’s subprime sector included pawnbrokers, sale and buy-back outlets (like the Cash Converters chain), and rental purchase shops (such as Brighthouse, formerly Crazy George’s), as well as the doorstep lenders. 98 The market for each of these products rose as the personal finance industry increasingly segmented the market through computerized risk assessment and credit scoring—a process that frequently sifted out council or housing association tenants. 99 As a result, large numbers of Britons remained without access to mainstream financial services. A study published in 2008 suggested the UK figure was 6 percent, compared with 3 percent for Germany and 2 percent for France. 100 Some even found it more difficult to access mail-order catalog credit, which was identified as the one form of credit that straddled mainstream and fringe credit markets. Between the 1970s and 1990s, traditional catalog agents dwindled in number, and average customers per agent had dropped to two or three, as the majority used their catalog for their own household only and were less willing to entrust their neighbors with credit. 101 This trend has been explained with recourse to the sociologist Philip Abrams’ concept of “modern neighbourhoodism.” The suggestion is that late twentieth-century communities did not “constrain their inhabitants into strongly bonded relationships with one another” and that the “diffuse trust and reciprocity of traditional neighbourhoods . . . collapsed in the face of new social patterns.” 102

It was in this climate that Provident abandoned its early 1970s plan to move upmarket and became as heavily associated with low-income consumers as it had ever been. This association proved highly profitable. In 1998, private investors were being advised to purchase shares in the company in order to
“[b]uy on rising social inequality.” With a market valuation of £1 billion, Provident’s burgeoning share price left it knocking on the door of the United Kingdom’s elite top 100 companies.103

Thus, a sector of the credit industry whose closest European counterparts had withered and died survived and thrived in the fertile soil offered by British legal and socioeconomic conditions. Unlike the French Dufayel system, Provident was not decimated by a German invasion in 1940. Thereafter, it was able to take advantage of cultural inertia among its traditional customers by devising new services that allowed it to tentatively engage with the affluent society. Then, once again, the company’s fortunes reflected the ebbing nature of inequality in British society. When discussion of the affluent worker gave way to concerns about a developing underclass, Provident switched tack to utilize its traditional methods. Through the twists and turns of its history, it has also ridden on the back of UK government policies on consumer credit, first benefiting indirectly from controls on hire purchase before taking more direct advantage of a liberal approach to interest rates ceilings. In the final calculation, it was the absence of a ceiling that enabled lenders like Provident to continue their expensive form of face-to-face credit. This, rather than any cultural peculiarity of the British working classes, seems to offer the strongest explanation of why this area of the British consumer credit industry has persisted. Provident’s loss of its more affluent customers to credit cards and store cards during the 1970s would also appear to support that view, as ultimately consumers chose the impulses of economic interests over culturally inherited forms of credit. The fact that Provident has, in the past decade, exported its lending model to new markets, including Poland, the Czech Republic, Mexico, and Hungary, also supports the view that British low-income consumers are not unique.104

British consumers have had to go without some of the more equitable financial options available to their European and North American counterparts. Credit unions, in particular, have had limited success in the United Kingdom. The scholars of Germany writing with this volume would no doubt agree that the Sparkassen promoted more equitable forms of lending than are associated with the United Kingdom’s doorstep lenders. Indeed, if we compare the United Kingdom’s record of financial inclusion with the rest of Europe, it is clear that the banks have failed to meet the financial requirements of the least affluent consumers.

In recent years, the UK government has resisted calls to impose a ceiling cap on doorstep lenders. The government accepted the view that any such cap would increase the scale of illegal moneylending, with all the potential for dubious lending and violence that might entail. This view was supported by controversial research carried out for the government, which
claimed caps in France and Germany had produced illegal lending markets that were, respectively, three and two and a half times the illegal sector in the United Kingdom. These findings have been hotly contested and labeled as “abominable research” by the European Coalition for Responsible Credit. The UK government’s perspective can certainly be critiqued as economically deterministic. It ignores, for example, the culturally specific aspects of consumer credit history and assumes that evasion of an interest ceiling is inevitable and that demand for credit is inelastic. It is oblivious to the claim that historians would make that each nation has its own particular history of credit that is infused with cultural, economic, and political contingencies. Jan Logemann has recently made a strong case for Germany in this respect. This chapter has attempted to carry out a similar task in the case of the United Kingdom, where it is clear that the cultural and social history of UK credit merged with particular government policies to produce a very particular subprime credit market. The history of Provident lies very much at its center.

Notes

10. Daily Mail, April 17, 1908.
11. Provident Financial Group (PFG), Bradford: PFG/03/007: Colonnade (newspaper of the Provident Group), special issue, Provident’s ninety years of service, 1970.
21. PFG/01/067, Memorandum upon Miss Ellen Wilkinson’s Hire Purchase Bill; Economist Intelligence Unit, “Check Trading,” 45.
24. PFG/04/149: Slip advising customers not to shop on Saturdays, 1905.
25. *Drapers Record*, May 2 and 9, 1908.
28. PFG: 01/105, Shareholders’ meeting minutes, April 23, 1934.
35. The football pools were an enormously popular form of working-class gambling, with large financial prizes available to gamblers who could correctly predict the outcome of soccer matches. The largest company, Littlewoods, was launched in 1923, and it subsequently deployed its knowledge of working-class communities and their weekly disposable income to achieve equal success in mail-order retailing. Ten million people were speculating on the pools each week by 1939. Mark Clapson, *A Bit of a Flutter: Popular Gambling and English Society, c. 1823–1961* (Manchester, UK, 1992), 162.
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37. PFG/03/156: “Check and Credit Trading,” typescript prepared for publication by H. Webb (1929), 63.
41. Interview with Johnny (born 1930), April 15, 2001.
44. Taylor, “‘Funny Money,'” 164.
54. PFG/04/051: Summary of returns.
57. PFG/03/156: “Check and Credit Trade,” typescript for publication by H. Webb (1929), 11.


70. For discussion of similar French controls on installment sales, see chapter 8 by Sabine Effosse in this volume. Both French and British government actions drew on the precedent set by the U.S. government’s Regulation W in 1941.


77. Ibid., 59.


81. For more on this, see Taylor, *Working Class Credit*, 46–67, and O’Connell, *Credit and Community*, 131–66.

82. Interview with Neville Greenwood, July 1, 2003.


84. For a full discussion of the decline of pawnbroking, see Tebbutt, *Making Ends Meet*. 
85. National Archives: BT250/34 National Association of Moneylenders (evidence to the Committee on Consumer Credit).
86. Shields Gazette, April 5, 1974.
87. Credit Trader, May 2, 1970.
88. Monopolies and Mergers Commission, Trading Check Franchise, 90.
89. The Times, March 10, 1971.
90. Committee on Consumer Credit, Report, 153.
96. Berthoud and Kempson, Credit and Debt, 182.
98. Sharon Collard and Elaine Kempson, Affordable Credit: The Way Forward (Bristol, 2005), 1.
99. Ford, Consuming Credit, 74–75.
100. European Commission, Financial Services Provision and Prevention of Exclusion (Brussels, 2008), Table 4.
102. Taylor, Working Class Credit, 43.
106. European Coalition for Responsible Credit, Newsletter 13 (July 2009), 9.