"FORESEEING, THRIFTY, ECONOMICAL"?[1] THE PROVIDENT CLOTHING AND SUPPLY COMPANY AND WORKING CLASS CONSUMER CREDIT IN THE UNITED KINGDOM, 1925-60

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ABSTRACT

Historical surveys of consumer credit in the United Kingdom identify the importance of check trading without documenting its magnitude or development. Check traders provided promissory notes redeemable with local retailers, who paid discounts in return for the custom. The Provident Clothing and Supply Company established the system in 1880 and by 1910 had obtained an annual turnover of £1,000,000. Checks were used to purchase goods at what Provident argued were "ordinary retail prices." While critics claimed the system offered poor credit bargains check trading remained unregulated. Using Provident's records the paper offers a unique opportunity to assess the size and nature of an institution central to many working class budgets.

Introduction

The contribution of credit to the growth of consumer society in the United Kingdom is widely acknowledged.[2] Credit expanded enormously from the late nineteenth century to satisfy new wants and methods of lending evolved to help facilitate borrowing. The best-known innovation was installment sales via hire purchase (HP), the development and impact of which has been widely explored.[3] Rising twenty-fold in the early Twentieth Century, HP was believed to account for about 2.5% of total personal expenditure by the late 1930s.[4] Other modes of credit found favor among those excluded from HP. In other cases they were used to buy less expensive items such as clothing or drapery, while HP was reserved for more expensive goods. Tallymen or Scotch drapers found new urban markets after centuries of providing cheap drapery to rural customers on credit.[5] Mail order retailers successfully attracted customers with deferred terms.[6] Pawnbrokers and moneylenders continued to service the most financially excluded.[7]

One major credit innovation remains unexplored beyond brief assessments by Melanie Tebbutt, Paul Johnson and Avram Taylor.[8] Check trading was pioneered by the Provident Clothing and Supply Company (hereafter Provident). Checks quickly became integral to many working class family budgets. Unlike other forms of credit, check trading was not subject to parliamentary debate or legislation for the greater part of its history. Consequently, its magnitude and importance was poorly understood before the 1957 Census of Distribution. This study analyzes Provident's development between the 1920s and 1960s. Since Provident dominated this trade, its business provides an insight into the entire sector.

This paper commences by contextualizing the working class credit market before outlining Provident's relations with customers and retailers. The role of agents and the costs and benefits of the system for consumers are then examined in greater detail. We then consider contemporary critiques of the trade, questioning the relative absence of regulation in an era that saw moneylenders and HP financiers increasingly constrained. The paper concludes by weighing check trading against other modes of credit used by working class households. In this respect the conclusions are germane to continuing debates about the costs of credit for low-income consumers. Provident Financial PLC, as it is known today, now operates as a moneylender and is regularly admonished for "predatory lending." It continues to attract large numbers of working class customers, just as it has done throughout its history.

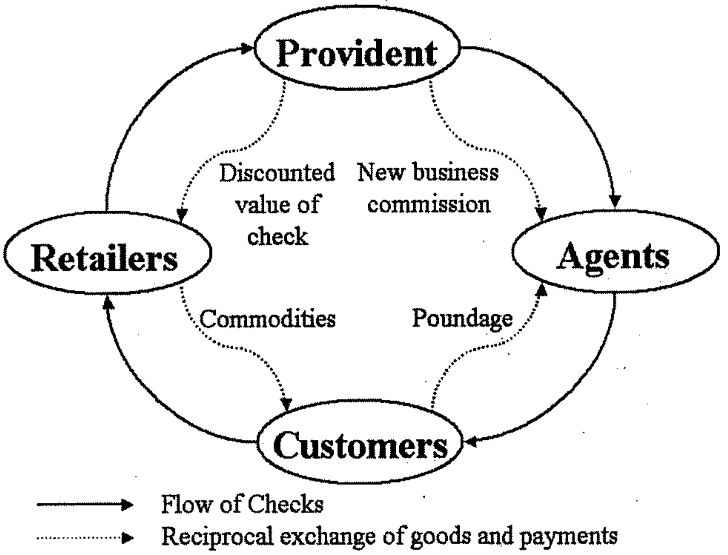
The Origins and Organization of Check Trading

The use of credit by working class families in late Victorian and Edwardian Britain was heavily influenced by legal and moral arguments about their indebtedness. Fears of delinquent borrowing were fanned by the increasing use of the County Courts to recover small debts, which heard 1.4 million cases in 1904 alone.[9] "Fringe capitalists," such as tallymen, were regular subjects of judicial criticism.[10] The credit trade attempted to skirt potentially damaging paternalistic antagonism: the adoption of suitably prudent company names and mottos offering one line of defense.[11]

According to the Provident, it was in this climate that Joshua K. Waddilove, Methodist lay preacher and industrial insurance agent, founded the company in 1880. Waddilove noted the high prices Bradford's working class women paid tallymen for inferior goods. Tallymen specialized in door-to-door selling, offering goods on credit in cash-limited neighborhoods.[12] Company publications claim that Waddilove initially donated promissory notes for redemption at local shops. As other women approached him with offers of weekly payment for use of his "checks," Waddilove recruited agents and established a club to facilitate the business.[13] In return for the extra custom Waddilove discounted checks presented by retailers.[14] In combating its critics the company emphasized the philanthropic motives said to underly its foundation alongside Waddilove's religious associations and the many benevolent acts that led to his receipt of a knighthood in 1919.

Figure 1 provides a stylized representation of the Provident system, showing the circulation of checks and the reciprocal exchange of goods and payments.[15] Provident issued checks for distribution to "respectable" (i.e. creditworthy) customers by agents. Agents recruiting new customers received a bonus, although most borrowing was recurrent. Customers paid the first weekly installment to secure the release of the check — generally valued at sums of 10 shillings (£0.50), £1, 30 shillings (£1.50) and £2 and upwards[16] —plus a fee or "poundage" which paid for the agent's services. Provident required no collateral and, unlike HP financiers, was unable to repossess goods to recoup outstanding debts. Agents collected repayments from the customers' home each week at the rate of 1 shilling per pound. Although checks were nominally repayable over twenty weeks, most customers took longer. In 1938, Provident claimed that repayments normally took between 24 and 26 weeks, while thirty years later the National Check Traders' Federation told Lord Crowther's Committee on Consumer Credit that repayment averaged 25 weeks.[17] Late payment was not penalized; a strong consideration for those operating on tightly balanced weekly budgets.

Figure 1: Synoptic Model of the Provident System



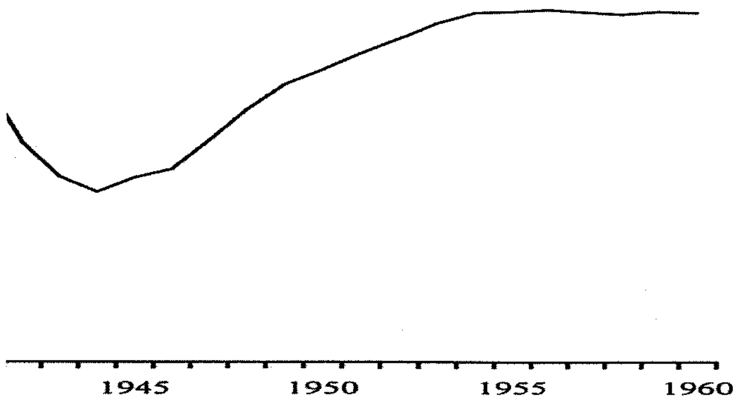
Checks allowed customers to buy goods at what Provident claimed were "ordinary retail prices."[18] The largest check trading companies offered lengthy lists of participating retailers.[19] Grant suggested that clothing, footwear, bedding and kitchen utensils were the most common purchases[20], but customers could also buy almost anything with the exception of food and drink. Checks offered working class shoppers a degree of retail mobility often unavailable via other modes of credit. Whereas mail order catalogues, credit drapers or even co-operative stores attempted to monopolize their customers, check shoppers could move between establishments and compare prices. Retailers were instructed to endorse the amount spent in their shop on the back of the check so that customers could take outstanding balances elsewhere or defer consumption. Check traders argued that credit retailers and mail order companies charged "high prices for inferior goods … to cover their risks,"[21] while their customers paid no more than cash shoppers.[22] Thus, in 1910, the company confidently declared that it offered "the best and most popular credit system ever devised."[23]

The circuit of credit was completed when retailers presented checks for redemption. Provident's discount averaged 16.5% prior to the Second World War[24], falling to about 12% by its end.[25] Retailers submitted accounts monthly but could wait two months for payment.[26] Although discounts generated some conflict check trading offered shopkeepers several advantages. Check traders relieved retailers from canvassing for business, screened customers' creditworthiness and bore bad debts. Check holders, Provident argued, would eventually become cash customers or use checks in part payment for more expensive items. These advantages were seductive to some retailers: by the late 1930s Provident had agreements with 14,000 retailers, rising to 20,000 by the early 1960s.[27] However, as Tebbutt suggests, many retailers were drawn into the system because of the growing acceptance of credit amongst consumers between the wars.[28]

Scale and Scope 1925-60

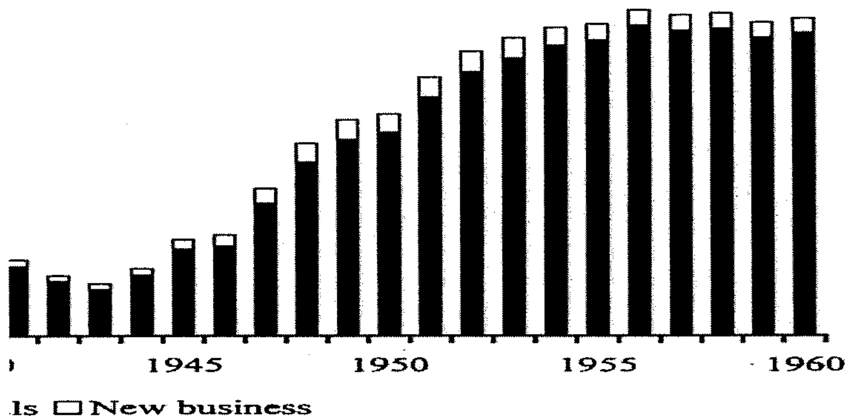
Although little was known about the scale and scope of check trading before the 1957 Census of Distribution, Provident's dominance of the trade was well understood. The extent of Provident's market between the mid-1920s and the early-1960s is indicated by the average number of customers per annum between 1925 and 1960 shown in Figure 2.

Figure 2: Average Number of Provident Customers 1925-1960
Source: PFG/04/051: Summary of Returns.



Provident recorded approximately 637,000 customers in 1925. We cannot be sure of how this compares with numbers before 1914, but the fivefold growth of collections between 1910 and 1925 is indicative of a substantial increase.[29] However, it appears that Provident's market had become satiated at about 1.1 million customers by the late-1930s, although it is uncertain whether the war curtailed further growth. A similar pattern of growth is observable after the war, the number of customers reaching its ceiling at more or less pre-war levels by the mid-1950s, suggesting that Provident appealed to a large but limited market. It is unlikely that there was a high turnover among Provident's customers. Contemporaries, notably the Women's Group on Public Welfare, expressed concern about customer's long-run dependence on checks.[30] Provident acknowledged the longevity of many agreements. In 1938, when outlining why check trading should be excluded from the Hire Purchase Bill, the company argued that it had retained many customers for over thirty years. This, it argued, was not a sign of desperation: many customers could buy goods without credit but preferred to reserve cash for other purposes. This precautionary argument was supported by research for the Economist Intelligence Unit in 1964.[31]

Figure 3: Renewals and New Business 1925-1960
Source: PFG/0/4051: Summary of Returns; C.H. Feinstein, Statistical Tables of National Income, Expenditure and Output of the U.K. 1855-1965 (Cambridge, Cambridge University Press, 1978), T22.



A similar pattern of growth and market satiation is observable with respect to Provident's lending, shown in Figure 3 at constant 1960 prices.[32] Real lending fell during the late 1920s, undoubtedly due to worsening economic circumstances and industrial unrest, but grew modestly in the 1930s.[33] Provident, along with other non-bank lenders, had to deal sympathetically with customers affected by unemployment or sickness, and the company recorded high payment arrears in many depressed communities. Lending recovered quickly after World War Two before slowing again during the 1950s. Provident's lending can be decomposed into new business and renewals – the issue of new checks to existing customers. Figure 3 reveals the importance of renewals. However, the long-term customer's dependence upon Provident was mutual. Lengthy repayment schedules resulted in high levels of outstanding debt, averaging some 43% of the value of credit issued between 1925 and 1960. Nonetheless, Provident did not encounter liquidity constraints; the confidence of its financiers was predicated on low levels of bad debt that its chairman supposed "would certainly not be believed by any of our competitors."[34]

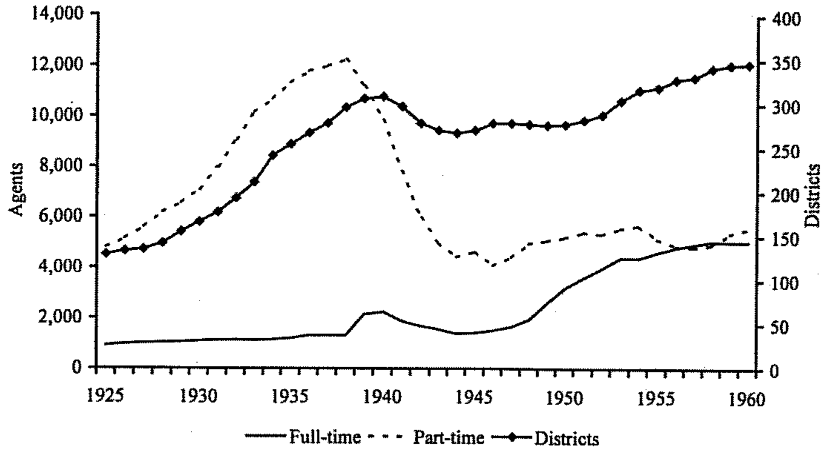


Figure 4: Full and Part-Time Agents and Number of Districts 1925-60
Source: PFG/0/4051: Summary of Returns.

Evidence of Provident's efforts to conduct its business may be gleaned from the number of agents and district offices.[35] As Figure 4 demonstrates, Provident depended upon part-time agents between the wars. Average numbers of part-time and full-time agents employed each quarter between 1925 and 1939 both expanded by some 6.3% per annum. This greatly exceeded the growth of customers and real lending, indicating the increasing effort required to recruit and retain customers. However, since agents were primarily remunerated via poundage, the company did not bear the full costs of any inefficiency. Post-war figures indicate a change in Provident's personnel as the growth in full-time agents greatly exceeded that of part-timers, the former comprising nearly half the field workforce by 1960. As evidence from other credit traders reveals, rising postwar labor costs made it increasingly difficult to recruit part-time collectors.[36] Opposing trends in the numbers of customers and agents ensured that lending per agent declined between the mid- to late-1950s.

Provident's expanding network of offices also casts some light on the company's expansion and dispersion. Unlike many other check trading operations, such as the parochial Practical Clothing and Supply Company Limited founded in the Lancashire town of St Helens in 1910[37], Provident quickly established a national presence, establishing some 125 districts before World War One.[38] Of these, only one-third were located in the Yorkshire and Humberside and North West regions, with nearly one-fifth situated in the South East and a further one sixth in Ireland, Scotland and Wales.[39] The network's growth in the 1920s was modest, reflecting that decade's economic uncertainty. However, the 1930s saw the company open 124 new district offices and extend its network throughout the British Isles. The 1930s represented the height of the network's expansion: the company opened a further 47 offices up to 1960 but also closed 39 districts. Archive information on districts is limited, but it is possible to derive some information on the regional distribution of districts and their share of the business for a sample of 261 districts during 1949, details of which are given in Table 1.[40]

Table 1: Regional Distribution of Districts and Customers in 1949

Region	Districts	Percent of Districts	Percent of Customers
North	15	5.7	13.3
North West	45	17.2	8.7
Yorkshire & Humberside	23	8.8	6.5
West Midlands	24	9.2	9.1
East Midlands	18	6.9	3.0
East Anglia	7	2.7	2.8
South East	65	24.9	32.7
South West	15	5.7	3.2
Scotland	26	10.0	9.9
Wales	17	6.5	8.7
Ireland†	6	2.3	2.4
Total	261	–	–

† Includes Northern Ireland and the Republic of Ireland
Source: PFG/04/031: Field Organization

Though check trading began in the north of England it built significant markets in Scotland, Wales and South East England. The South East had a quarter of the company's district offices and one-third of its customers in 1949. Of the offices opened between the wars, approximately one-third were located in the South East, suggesting that Provident carefully mirrored the population's drift from the North to the South East, most notably in the 1950s when nearly half the new districts established by Provident were located in this region. New offices in Basildon, Harlow and other "new" towns accommodated the migration of working class Londoners.

The Social Relations of Check Trading

Check trading was conditioned by economic, social and cultural factors. Its conduct was dictated by the persistence of asymmetric information and the desire to avoid regulation. Along with other lenders check traders knew less than borrowers about their ability and willingness to repay debts. Hence, they faced the classic problems of adverse selection (attraction of bad debtors) and moral hazard (risk of default). Normally lenders aim to limit default by requiring that borrowers offer collateral or forfeit goods. However, these options were not available to Provident. Consequently, its principal defense against loss was effective credit screening and debt collection.

Agents fulfilled three key tasks: they recruited customers, established their creditworthiness and collected payment. Agents were recruited by canvassing, advertisements or from existing customers. The collective experience of agents and their managers was assembled in Herbert Webb's 1929 company manual, throughout which Provident's aversion to risky lending and debt recovery through the courts is ingrained.[41] Agents held a great responsibility, not least because they were collecting an average of some £600,000 per week in cash by 1960.[42] The company was clearly aware of the potential moral hazards inherent within the system. Agents satisfied with their incomes might not strive to find new customers or, having received their poundage, vigorously pursue bad debts.

Joshua Waddilove's original instructions anticipated these problems. Full-time agents incapable of recruiting for two successive weeks (four weeks for part-time agents) would be dismissed. Similarly, those failing to collect 75% of their weekly total faced stringent investigation.[43] Webb advised managers not to tolerate any "slacking off," advising them to fire inadequate agents and train and motivate the merely inefficient.[44] In any event, as Chairman Victor Waddilove pointed out in a 1935 circular, a regular turnover of agents was potentially advantageous if well managed, since each recruit was a potential source of new business.[45]

As Waddilove suggested, local knowledge and contacts were vital in recruiting customers. Even those who recruited few customers before leaving the business were valued, since customers were invariably retained after the agent's departure.[46] Mail order companies benefited from a similar system, using vast armies of largely female part-time agents who received small commissions for selling items from catalogues displayed to family, neighbors and fellow workers. The 1927 Moneylenders Act removed this possibility from licensed moneylenders who were prohibited from canvassing door-to-door. However, discretion was essential in successfully canvassing working class neighborhoods. In 1929 Provident's staff were advised as follows: "If the street is flooded with canvassers, people are apt to be shy of letting their neighbors know of their desire to take credit. If they do, they prefer to think that it is unknown to the outside world."[47] Although unpopular with agents, regular canvassing was essential to build up trade. Although Provident preferred canvassing to press advertising, because of the cost and the opportunity to emphasize its reputation directly, it noted in the late-1920s that smaller competitors made greater use of local newspapers.[48]

Once recruited, agents screened potential customers' creditworthiness. In the absence of collateral, Provident's key means for verifying an ability and willingness to pay were home visits, informal inquiries and testing. Besides furnishing information on income and consumption, home visits allowed agents to evaluate the borrower's position in the family life cycle.[49] Information gleaned from neighbors and local retailers helped corroborate or refute claims about patterns of consumption and employment. If customers passed this scrutiny their reliability would be tested by a small initial check, increasing in value if repayment was satisfactory. Home collection imposed an important discipline upon borrowers.[50] This, according to Webb, was only possible if agents were similarly disciplined. Collection should coincide with payment of wages and be regular to avert opportunities for missed payments. Recalcitrant payers might require the "right word or hint" or a "straight talk," while the most difficult customers warranted "extensive pressure on visits," the withdrawal of credit being the ultimate sanction.[51] These methods proved highly effective and helped minimize scrutiny of the business.

But Provident's ability to discipline customers was limited by its dependence upon recurrent lending. As with other forms of credit[52], customers were aware that missed payments might jeopardize future borrowing. However, as Rowlingson's analysis of modern moneylending emphasizes, borrowers can exploit the lender's dependency to extract more favorable terms[53]: given fixed nominal repayment, extending the loan's term effectively reduces the annual percentage rate of interest (APR) payable. Provident's inability to impose penalty charges tacitly recognized the limits of its authority, although it publicly presented necessity as a virtue. However, borrowers could only negotiate the terms of trade at the margin before exclusion from the system ensued.

Bouthard notes that credit and debt are wrongly used interchangeably.[54] This may be so, but oral testimony reveals that credit and indebtedness were closely identified with a lapse in respectability.[55] Certainly, working class families on low and/or uneven incomes encountered significant difficulties in making purchases beyond those possible within weekly budgets. But as Johnson notes, the significance of credit went far beyond the accumulation of goods: credit helped "preserve a family's status by preventing a fall into public destitution, or to elevate it by permitting an accumulation of additional goods or services."[56] Interestingly, it appears Provident checks were often not seen as credit in the conventional sense due to the personal relationship with the agent and the prospect of paying "cash prices" for a small fixed charge. Furthermore payments could be informally suspended to divert money towards more pressing needs. Goods purchased with checks could also be pawned in emergencies to raise cash.[57] On other occasions checks were bought and immediately sold at a discount to neighbors, or even the agent. The Economist Intelligence Unit's 1964 report noted that some more affluent customers used checks "as a kind of savings insurance."[58]

Provident strongly promulgated the view that it operated in the customer's interest and rejected accusations that it locked customers into exploitative relationships. In particular it contested claims that customers did not fully comprehend the true costs of the system:

> The working class population are not simple unintelligent people who, in some way or other have been induced to adopt for some 60 years, a system of trading which they do not need and which is not to their advantage ... They fully understand the system and know exactly what they have to pay.[59]

If consumers made a rational decision to use Provident's services, then they did so in light of the alternatives available. These were limited for many working class families. Hire purchase was one alternative, and Wright suggested that HP and checks were "mildly complementary" in the 1950s, as consumers with HP commitments used checks to buy clothing and household goods.[60] However, HP was impractical for many Provident customers since the goods they wished to purchase were insufficiently valuable or durable to justify a HP agreement. Mail order was attractive since it also operated via agency and also offered weekly terms. Provident warned customers against catalogue retailers but many households evidently used both types of credit.[61]

The co-operative movement's mutuality clubs offered the most direct competition to the check trade. Established in the 1920s, they had an annual turnover of around £40 million in 1957, two-thirds that of the independent check traders. They charged comparable collection fees but could offer guarantees about the equivalence of check and cash prices. Furthermore all purchases were eligible for the quarterly dividend paid to society members, thereby reducing the effective cost of credit.[62] However, these clubs imposed certain restrictions: they only extended credit to members with healthy balances with the society and spending was limited to co-operative stores. More importantly, it was necessary to clear outstanding debts each quarter to qualify for the dividend. Mutuality clubs clearly reduced the overall potential scale of the check trade, but were not a perfect substitute for many consumers. Other alternatives also tied the customer to particularly retailers. In the North East of England ticket schemes operated by department stores such as Parrishes of Newcastle-upon-Tyne had many of the feature of check trading but were only available for use in the one shop.[63] Elsewhere thousands of small to medium sized retailers operated weekly payment schemes that also tied customers to their operations. That none of these schemes was looked upon as favorably as the Provident system is evidenced by the secondary market in credit. This consisted of customers who sold their checks or tickets to a third party at a discount to raise cash. It appears that Provident checks were always the most highly commodity in this market because of their portability.[64] Finally, consumers could also use pawnbrokers and conventional moneylenders, although they appear to have been used as a lender of last resort. However, most working class families in the first half of the twentieth century had some experience of the pawnbroker (and perhaps the moneylender also) as they experienced the vagaries of the life cycle, the trade cycle, illnesses, births, deaths and marriages.

Provident was sensitive to allegations that shopkeepers covertly raised prices for check customers or sold inferior goods to cover the discount, such as those published by the *Daily Express* in 1938.[65] Contracts with retailers, it claimed in a memorandum submitted during the reading of the Hire Purchase Bill, prohibited price discrimination against check customers: establishments guilty of this offence faced ejection from the scheme. Provident argued that complaints had been negligible.[66] However, the same memorandum tellingly revealed anxiety and unease about overcharging:

> He [the customer] is advised not to produce his check until after the transaction is completed so that even if a shopkeeper was tempted to increase the price in order to meet the discount ... he is not given the opportunity of doing so.[67]

Provident's agreement, though, did not prohibit retailers from charging high prices for all classes of customer or stocking goods inferior to those cash-only stores might supply. In an era when consumers received little statutory protection many retailers undoubtedly acted opportunistically in either (or both) respects.

Critics and Regulation

One unusual feature of the check trade was the comparative lack of criticism it attracted together with the almost complete absence of regulation prior to World War Two. This was not true of all forms of working class credit. Moneylending had been subjected to rigorous parliamentary debate during the course of the 1900, 1911 and

1927 Moneylending Acts. County Court judges, social workers, the press and politicians had formed a consensus regarding the abuses of HP by the 1930s, culminating in the 1938 Hire Purchase Act.[68] This is not to imply that check trading was without critics. As Judge Frankland opined during correspondence on the 1938 Act: "Please do not think that companies such as the Provident (ironic designation) are in any way eleemosynary," arguing that the company realized a gross profit in excess of 20% on its lending.[69] However, given the expense of maintaining a vast army of agents, managers and clerical workers net profits were closer to 5-7% of turnover in the mid-1930s.[70]

Check trading, along with forms of working class credit, attracted criticism due to its costliness and tendency to lock borrowers into indebtedness. Critics claimed lenders exploited financial exclusion and lack of competition to charge socially harmful interest rates. The most prominent and influential critique came in *Our Towns*. "Inferior types of clothing club" (i.e. check trading) were among the nine most wasteful expenditures by working class households.[71] Poundage and retailers' discounts were highlighted as the system's major defects. Were Provident's charges extortionate? Poundage at the pre-war rate is equivalent to an APR of approximately 23.3%. Although more expensive than bank loans, this was significantly lower than the interest paid to licensed moneylenders, which had been set at a maximum of 48% by the 1927 Moneylenders Act. However, the comparison looks less favorable when we consider the full amount extracted from working class communities: *Our Towns* suggested that consumers received goods valued at as little as 16 shillings and 6 pence per pound for the cost of 21 shillings.[72] These goods, it continued, might well be inferior, such as "shoes with compressed cardboard soles, cotton blankets [and] kiddies' blazer suits of very inferior flannel."[73] In contrast, co-operative mutuality clubs were commended as a "genuine effort" to help working class families.[74]

Given public anxiety surrounding credit, why did check trading fortuitously evade regulation? One possible explanation lies in the Crowther Committee's observation that check trading existed in "a sort of legal limbo" —companies were not moneylenders since they only issued promissory notes and did not make any claim to goods as did HP financiers.[75] But legal ambiguity was the consequence of a lack of regulation and does not explain either the cause or persistence of this privileged status. The most plausible explanation is that, unlike moneylenders and HP companies, check traders and their customers avoided the courts. McManus's argument concerning the origins of the 1938 Hire Purchase Act is instructive in this respect. McManus suggests that social pressures and the operation of the courts were crucial in shaping subsequent legislation.[76] While grievances of the poorest users of HP attracted little attention, those of middle class clients more readily found expression. Second, the legal position of HP and its abuses were tested daily in the County Courts, with Scott suggesting that judges continued to "articulate their own distinctive conception of a moral economy."[77] Neither popular enmity nor extensive judicial opinion was evident with respect to check trading. The Women's Group on Public Welfare argued that "the public at large know next to nothing of that vast installment purchase organization, the clothing clubs."[78] Provident's effective use of the agency system minimized legal costs and shielded business practices from unpredictable judicial scrutiny. Consequently, it proudly claimed in 1938 that its use of the County Courts for debt recovery was "practically nil,"[79] and there is no significant record of action against the company by disgruntled retailers. Equally there is no record of high levels of consumer dissatisfaction with check trading. What is certain is that reform of check trading never captured the public imagination as had HP.

This privileged existence was interrupted during the 1939-45 war. Desirous to control consumer expenditure and possible circumvention of maximum price orders, and possessing drafts of *Our Towns* and a communiqué from James Mallon of Toynbee Hall[80], the Board of Trade suspended poundage payments in October 1942, effectively granting borrowers zero interest on checks.[81] Check traders were also forced to accept lower discounts from retailers, averaging 12%. Several companies unsuccessfully attempted to evade regulation by reducing repayment schedules, introducing penalty charges and by encouraging agents to work freelance, strategies proscribed by subsequent Orders.[82] After substantial pressure, including support from the National Union of Distributive and Allied Workers who represented many agents, poundage was restored in January 1949 at the higher rate of 1 shilling 8 pence in the pound (APR = 37.3%), reduced to 1 shilling and 6 pence in August 1950 (APR = 33.9%) for the remainder of the period under examination. Minutes of meetings with the Board of Trade reveal that the latter was unsympathetic towards check traders, particularly restoration of poundage at pre-war levels.[83] Its eventual reintroduction was undoubtedly motivated by recognition of the necessity of credit for working class consumers and a desire to avoid driving check customers towards more expensive credit bargains, such as those offered by moneylenders. These fears persisted into the 1950s: a 1953 Liverpool police report conducted for the Board of Trade concluded that the withdrawal of check trading would harm trade and increase moneylending, thereby creating "a far greater evil than that which it is alleged is afforded by systems of check trading."[84]

Freedom from regulation does not appear to have conferred any demonstrable advantage after the war. Although Provident's business gradually returned to prewar levels, growing affluence under full employment and new patterns of retailing saw other modes of credit such as HP and mail order develop substantially greater markets. Mail order retailers were the check trader's greatest postwar rivals. The HP market grew appreciably through the 1950s and 1960s.[85] In addition, smaller check traders, such as Cattle Holdings, which sought market share by offering more generous terms or better discounts, increasingly contested Provident's dominance.[86] Provident's response to competition was to radically reorganize the business in 1962. It became a public limited company and began issuing vouchers – a higher value variant of the check (often issued for specific purchases or retailers) repayable over longer periods and intended to compete with HP. However, since the 1970s, Provident has gradually transformed itself into a conventional moneylending business that is the subject of regular criticism.[87]

Conclusion

Check trading, and by association the Provident Clothing and Supply Co. Ltd., have enjoyed a subterranean existence in the history of consumer credit in the UK. But however dull by comparison with the iconic consumer goods available between the 1920s and 1960s, check trading played a more significant role in the everyday consumption choices of many low-income households. A eulogy read at Joshua Waddilove's funeral observed that "he went into business and stuck to business: not for the sake of fun but for the sake of money" to pursue his philanthropic ambitions.[88] In this he was certainly successful, since his enterprise grew to cover the country and attracted over one million regular customers. The system he devised was simple and undoubtedly more easily comprehended than many other forms of credit. The company's *modus operandi* – careful screening of creditworthiness, diligent collection and avoidance of the courts – helped it successfully evade scrutiny and regulation, so that criticism never coalesced to become a *cause célèbre.*

Ultimately, check trading must be evaluated in terms of its costs for working class communities, including the costs of available alternatives. There is no doubt that the sums extracted from borrowers and retailers were significant. Check trading also embodied the potential to generate indirect costs for consumers through higher prices at participating shops and inferior goods requiring more frequent replacement. It is obvious that the welfare of Provident's customers could have been improved had the system's costs been lower. The check trade's non-market costs, such as the pressure to renew loans and make repayments in order to retain creditworthiness, should also be acknowledged. But one need not fully subscribe to a model of consumer rationality to believe that Provident's customers tacitly understood the costs and benefits of using checks. The choice of one form of credit over another is contingent upon several factors in addition to the cost of capital, including the future availability of credit, the quality of goods purchasable and the perceived economic and social risks of each method of borrowing. These factors were reasonably transparent with respect to check trading. Considering the total attributes of the check trade credit bargain, it is possible to argue that it was at least as good as the next best alternatives (shop credit, moneylenders, pawnbrokers, HP), and in many respects superior, while in no way excusing the defects of the system. Saving and thrift, as extolled by the Women's Group on Public Welfare[89], simply denied the twin realities of low, irregular or inadequate incomes and the increasing calls of burgeoning consumer society upon the working class family's pocket book. As Joshua Waddilove told the *Daily Mail* in 1908, many working class households found it difficult to "leave the shilling untouched."[90]

Ultimately, the check trade appealed to a sizeable yet limited group of working class consumers. The market had stagnated by the late-1950s as the extension of the banking services to working class households, reform of the HP business, the perceived convenience of mail order and increasing affluence began to constrain the market for low value checks. Provident began the transformation of the business in 1962 by becoming a public limited company and developing the vouchers trade. Its subsequent move into direct moneylending using the agency system for weekly collection excluded retailers from the system and transferred the entire cost of borrowing onto consumers at considerably higher rates of interest. While it is unwise to directly compare the historical check trade with the current home collected credit business, it is interesting to observe the robustness of Joshua Waddilove's original business model and reflect upon the continued need for such services and the continuing debates, between free market and interventionist ideologies, that the system has fostered.

Notes

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1. The company motto. Provident Finance Group, PFG/03/007: *Colonnade*, (newspaper of the Provident Group) special issue— "Provident's ninety years of service," (1970): 3.

2. John Benson, *The Rise of Consumer Society in Britain, 1880-1980* (London: Longman, 1994); Peter N. Stearns, "Stages of Consumerism: Recent Work on the Issues of Periodization," *Journal of Modern History* 69, (1997): 102-117.

3. J.J. McManus, "The Emergence and Non-emergence of Legislation," *British Journal of Law and Society* 5, (1978): 185-201; Sue Bowden and Michael Collins, "The Bank of England, Industrial Regeneration, and Hire Purchase Between the Wars," *Economic History Review* 45, (1992): 120-136; Peter Scott, "The Twilight World of Interwar British Hire Purchase," *Past and Present* 177, (2003): 195-225.

4. Public Record Office, PRO/BT64/3430, Hire purchase and consumer goods (12 November 1943); Committee on Consumer Credit, *Consumer Credit: Report of the Committee* (London, HMSO, 1971), 43.

5. Benson, *Rise of Consumer Society*; Margot Finn, "Scotch Drapers and the Politics of Modernity: Gender, Class and National Identity in the Victorian Tally Trade" in *The Politics of Consumption: Citizenship and Material Culture in Europe and America*, ed. Martin Daunton, and Matthew Hilton (Oxford: Berg, 2001).

6. UK mail order retailers' use of credit as a competitive strategy was distinct from US firms, who competed with local retailers on price. Dilwyn Porter, Sean O'Connell and Richard Coopey, *Home Shopping in the UK since 1880: A Business and Social History* (Oxford: Oxford University Press, forthcoming 2003).

7. Melanie Tebbutt, *Making Ends Meet: Pawnbroking and Working Class Credit* (Leicester: Leicester University Press, 1983).

8. Tebbutt, *Making Ends Meet*; Paul Johnson, *Saving and Spending: The Working-class Economy in Britain 1870-1939* (Oxford: Oxford University Press, 1985); Avram Taylor, *Working Class Credit and Community since 1918* (Basingstoke: Palgrave, 2002).

9. Paul Johnson, "Class Law in Victorian England," *Past and Present* 141, (1993): 147-169.

10. Elizabeth Rappaport, "A Husband and His Wife's Dresses: Consumer Credit and the Debtor Family in England, 1864-1914," in *The Sex of Things: Gender and Consumption in Historical Perspective*, ed. Victoria De Grazia (Berkeley: University of California Press, 1996), 163-187; Gerry R. Rubin, "The County Courts and the Tally Trade, 1846-1914," in *Law, Economy and Society, 1750-1014: Essays in the History of English Law*, ed. Gerry R. Rubin and David Sugarman (Abingdon: Professional Books, 1984).

11. Similar behavior was evident in the mail order catalogue business.

12. For an analysis of this form of credit, see: Rubin, "County Courts and the Tally Trade".

13. The Provident Clothing Club was acquired by the Provident Clothing and Supply Company Co. Ltd in 1899, a company incorporated in 1899 especially for this purpose. Monopolies and Mergers Commission, *Trading Check Franchise and Financial Services: A Report into the Supply of Trading Checks in the United Kingdom* (London: HMSO, 1981), 16.

14. PFG/03/007: "Provident's Ninety Years of Service," 3.

15. This is a greatly simplified representation of Provident's business: the company maintained an extensive hierarchy of regional, area and branch management. Monopolies and Mergers Commission, *Trading Check Franchise*, 117.

16. The upper limit was £30 by the early 1960s. Economist Intelligence Unit, "Check Trading," *Retail Business* 71, (1964): 44.

17. PFG/01/067: The National Check Traders' Federation. Memorandum upon Miss Ellen Wilkinson's Hire Purchase Bill (18 January 1938); PRO/BT250/37: Committee on Consumer Credit, Evidence of the National Check Traders Federation.

18. PFG/01/067: Memorandum upon the Hire Purchase Bill.

19. Earlier shopping guides indicate that Provident did not always offer a wide range of retailers. For example, a 1907 guide for Woolwich customers ran to six retailers. PFG/04/076: Woolwich Shopping Guide, 1907.

20. Clara Grant, *Farthing Bundles* (London: C.E. Grant, 1931), 90.

21. PFG/04/076: Dublin Shopping Guide, 1910.

22. PFG/04/081: Bristol Shopping Guide, 1933.

23. PFG/04/076: Dublin Shopping Guide, 1910.

24. PFG/01/068: Poundage: or service charge to customers - Memorandum on the Check Trading (Control) Order 1942: Summary of Case for Check Traders.

25. Ibid.

26. Ibid.

27. PFG/01/067: Memorandum upon the Hire Purchase Bill; Economist Intelligence Unit, "Check Trading," 45.

28. Tebbutt, *Making Ends Meet*, 170.

29. PFG/04/051: Summary of returns.

30. Women's Group on Public Welfare, *Our Towns, A Close-up : A study Made in 1939-42 with Certain Recommendations* (London: Oxford University Press, 1943).

31. PRO/LC02/1513: Hire Purchase Agreements: Hire Purchase Bill 1938. Reasons why the check and credit trading should be differently dealt with to ordinary credit trading; Economist Intelligence Unit, "Check Trading," 44.

32. Adjusted using GDP at constant factor cost at constant 1960 prices. C.H. Feinstein, *Statistical Tables of National Iincome, Expenditure and Output of the U.K. 1855-1965* (Cambridge: Cambridge University Press, 1978), T22.

33. Industrial disputes in the mining industry and the General Strike correspond with exceptional contractions in lending, the company noting that in the wake of "the strike of 1926 the North and Midlands were at once in a sad plight." PFG (uncatalogued): Report on general situation and sundry suggestions (14 December 1931).

34. Bad debts in 1933 were estimated at ¾ pence in the pound. PFG/01/105: Shareholders' meeting minutes (23 April 1934).

35. The number of managers and assistants at district and regional offices was estimated at about 900 persons circa 1938, with the company employing about 800 clerical workers at its Bradford office. PRO/LC02/1513: Hire Purchase Agreements.

36. *Credit Trader*, 18 January 1947; Interviews by Sean O'Connell with Michael Lilley (former credit draper and founding member of Consumer Credit Association) and Tom Chirnside (former credit draper and former President of Retail Credit Federation). Sean O'Connell, "Credit, Class and Community: Working Class Belfast 1930-2000," ESRC award R000223822.

37. PFG/03/007: *Colonnade*, May 1971.

38. PFG/04/037: Field Organisation. We have identified 368 districts opened before 1959. The opening date of 30 districts is unknown but two thirds of these closed between 1940 and 1956, suggesting that they were short-lived ventures.

39. Ibid.

40. Ibid. Some 303 branches were identified as open in 1949. Of these, information on customer numbers was unavailable for 26 branches, and the opening date was not know for a further sixteen.

41. PFG/03/156: *Check and Credit Trading*, unpublished typescript by H. Webb (1929).

42. Derived from: PFG/0/4051: Summary of returns. This figure is net of poundage.

43. PFG (uncatalogued): Provident Clothing Club: Rules and Instructions, signed by J.K. Waddilove (no date.).

44. PFG/03/156: *Check and Credit Trading*, 23-35.

45. PFG/01/077: Circular letter from Victor Waddilove (Chairman)(25 October 1935).

46. PFG/03/156: *Check and Credit Trading*, 49.

47. Ibid., 89.

48. PFG/01/064: Private Letter Book No 8 letter dated 9 August 1928.

49. PFG/03/156: *Check and Credit Trading*, 63. According to Webb, agents should restrict credit to families with young children, increasing lending when the children began earning and reducing it again when they set up home.

50. Johnson makes a similar point regarding insurance agents. Johnson, *Saving and Spending*, 38-39.

51. PFG/03/156: *Check and Credit Trading*, 39, 57.

52. Johnson, *Saving and Spending*, 145-148.

53. Karen Rowlingson, *Moneylenders and their Customers* (London, Policy Studies Institute, 1994), 132-3.

54. Richard Bouthard, "Credit, Debt and Poverty," *Social Security Advisory Committee Research Paper* 1 (1989): 1.

55. See, for example: Judy Giles, "'Playing Hard to Get': Working-class Women, Sexuality and Respectability in Britain, 1918-1940," *Women's History Review* 1 (1992): 239-255. Interviews in Belfast corroborate Giles's findings. O'Connell, "Credit, Class and Community."

56. Johnson, *Saving and Spending*, 192.

57. PRO/CUST 49/1984: Moneylenders: liability to licensing of clothing club agents issuing credit cheques *(sic)* or cash.

58. Economist Intelligence Unit, "Check trading," 44-45.

59. PFG/01/068: Poundage file.

60. L.C. Wright, "Consumer Credit and the Tally Man," *Three Banks Review* 44 (1959): 20.

61. See: Giles, "'Playing Hard to Get'."

62. Economist Intelligence Unit, "Check Trading," 43-47.

63. Taylor, *Working Class Credit*.

64. PRO/BT258/172: Control of Check Trading Order (1948) – evidence of contravention.

65. *Daily Express*, 31 August 1938.

66. PRO/LC02/1513: Hire Purchase Agreements.

67. Ibid.

68. Scott, "Twilight World," 219.

69. PRO/LC02/1513. Letter from Judge Frankland to A.E.A. Napier (23 June 1938).

70. PFG/01/105: Shareholders' meetings minutes including chairman's address (1935-1937). Net profit as a percentage of turnover was 5%, 5% and 7% in each year respectively.

71. Women's Group on Public Welfare, *Our Towns*, 10.

72. Ibid., 58. This assumes a retailer discount of 17.5%.

73. Ibid., 59.

74. Ibid., 57.

75. Committee on Consumer Credit, *Consumer Credit*, 76.

76. McManus, "Emergence and Non-Emergence of Legislation," 189-195.

77. Scott, "Twilight World," 221.

78. Women's Group on Public Welfare, *Our Towns*, 56.

79. PFG/01/067: Memorandum upon the Hire Purchase Bill.

80. Mallon was the acknowledged architect of the 1938 Hire Purchase Act.

81. Board of Trade Order Order S.R & 0. 1942 No. 1236.

82. Hugh Dalton, President of the Board of Trade, subsequently pronounced that freelancing did not contravene maximum price orders, since the Board could not legitimately object to one individual employing the services of another. PFG:01/068: Board of Trade letter (10 July 1944).

83. PFG/01/068: Memorandum of interview at the Board of Trade (30 June 1947).

84. PRO/BT258/172: Control of Check Trading Order.

85. Mail order houses had an estimated turnover of £35.2m in 1950, rising to £205.4m by 1961. W.G. McClelland, *Costs and Competition in Retailing* (London: Macmillan, 1966), 312.

86. Joseph R Cattle, who began check trading in Hull in the 1920s and founded Cattle (Holdings) in 1955. It expanded through acquisitions and by accounted for 10% of check credit by 1979. Monopolies and Mergers Commission, *Trading Check Franchise*, 87.

87. See, for example: New Economics Foundation, *Profiting from Poverty: Why Debt is Big Business in Britain* (London: New Economics Foundation, 2002).

88. *Yorkshire Observer*, 20 February 1920.

89. Women's Group on Public Welfare, *Our Towns*, 9-10.

90. *Daily Mail*, 16 April 1908.