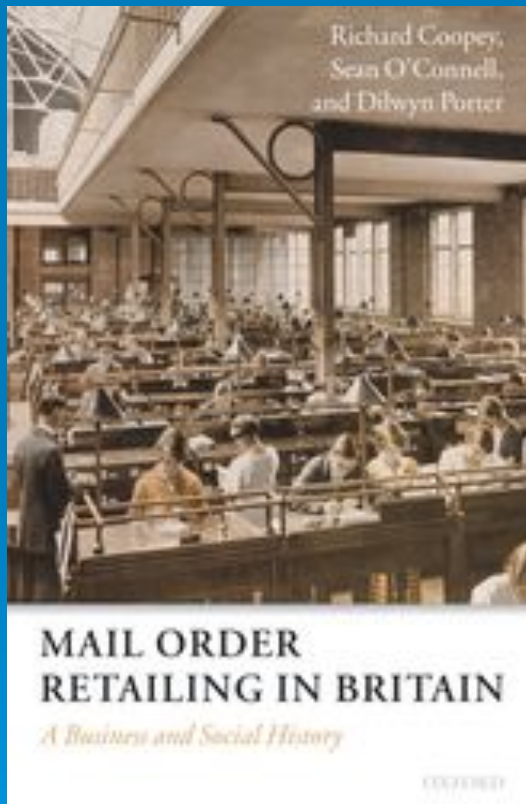


The politics of consumer credit in the UK

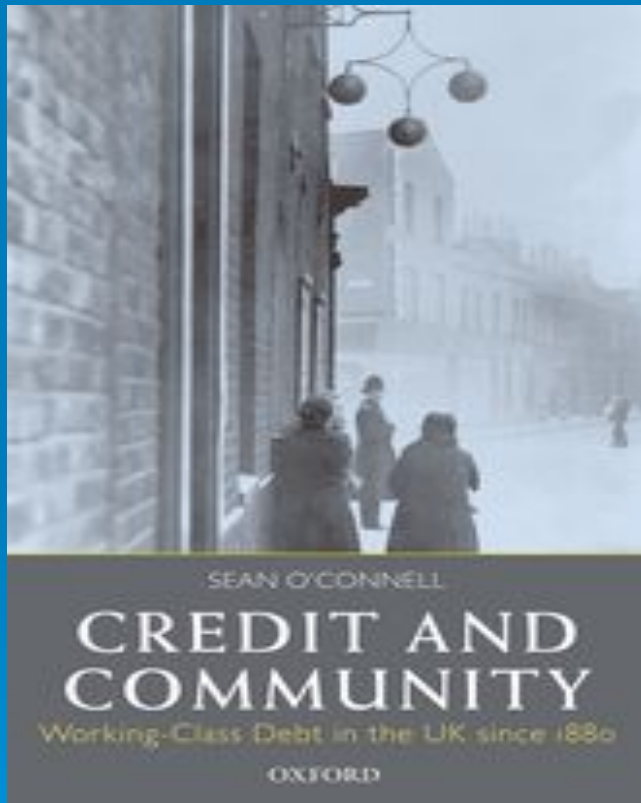


Background to research



- My journey starts with the car
- Continues with mail order catalogues
- Moving me from middle class credit (hire purchase and cars) to working class credit

Contingency



- LSE Business History Unit got me access to Provident Financial archives
- Career move to Belfast presented opportunity to examine part of the United Kingdom with a 'different path'
 - i.e. credit unions

New directions

- European collaborations opened up new questions
 - E.g. with Gilles Laferté on French/British working class 'tallymen'/ Sabine Effosse?
 - Why did Britain follow the path it did?
- What was the role of 'politics' in all of this
- Leverhulme Trust project: The politics of consumer credit in the UK, 1938-1992.....
- With Paul Corthorn and Stuart Aveyard
- And in Europe with Sabine Effosse, Paul Thomes and others

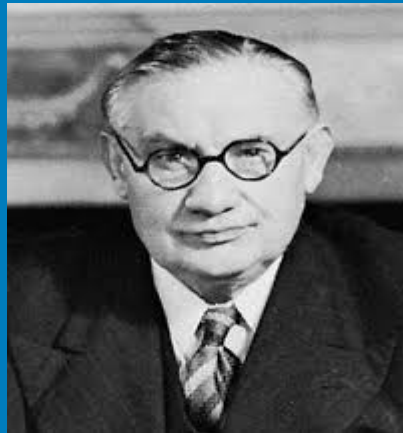
Key questions

- What factors produced political engagement in consumer credit?
- Were these factors economic or social?
- Which actors should be investigated?
 - Ministers
 - Civil servants
 - Banks/finance houses
 - Consumer groups
 - Trade unions

Key questions

- How does the British story compare with its European neighbours?
- What is the role of class, gender and race in the British story?
- What is the role of economic theory?
 - The role of Keynesianism
 - The impact of neo-liberalism in financial markets

Political chronology



- Hire Purchase Act 1938
 - Political and commercial consensus to tidy up hire purchase abuses

- Labour ministers in power (1940s)
 - Moves to nationalise hire purchase

Moves to prohibit check trading (today's Provident Financial)

Hire purchase controls as method of demand management (Treasury versus Board of Trade)



Political chronology



- 1950s Conservative governments
 - Terms control versus Conservative 'freedom'
 - Labour attack class based policy
 - Chancellor Peter Thorneycroft (roots of British monetarism?)
 - Labour's 'productivist' focus fails to produce policies for the modern consumer

British path diverges from Europe

- Response to credit controls = evasion
- Old and new consumer credit options multiply (late 1950s/particularly 1960s)
- Check trading, personal loans, credit cards second mortgages, doorstep moneylending
- Credit unions emerge: response to financial exclusion amongst immigrant communities (Afro-Caribbean)
- Crowther Committee (1968-1971) investigates credit market

The 1970s

- Competition and Credit Control (1971) – liberalisation causes economic turbulence.
- Consumer Credit Act 1974
 - Removes 48% interest rate cap
 - Introduces licensing system for credit companies
 - Champions consumer education
 - Champions voluntary codes of ethical business
 - Focus on female borrowers' rights (linked to
 - UK congratulates itself on being ahead of Europe in regulating consumer credit/protection

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 (Committee on Consumer Credit, 1971).

1980s/1990s



- Further liberalisation of financial sector
- End of the credit corset (1980)
 - HP controls ended (1982)
 - Consumer credit as tool of economic growth
 - Consumer credit debt £9bn to £27bn (1981-7)
 - Further diversification in consumer loans (e.g. remortgaging to finance new cars, companies specialising in targeting families who had bought their council homes; plus buy-to-let mortgages)

1980s/1990s



- Property market/credit bubble linked
- From boom to bust (housing market crash) early 1990s
- Negative equity and debt swelled the sub-prime sector
- UK unique in Europe in having a large sub-prime sector
- Entrants from USA and Australia amongst this sector
- Sub-prime credit cards
- Large doorstep lending sector (Provident Financial)
- Payday lenders
- Crazy George's – thriving in UK/unwelcome in France

New Labour and beyond



- UK diverse market viewed as a strength
- Financial exclusion –
 - Promoted credit unions
 - Rejected ceiling caps on lending
 - Supported by controversial research on German and French illegal lenders
 - Payday lenders capped (2014)

