**Consumer credit**

**Workshop at Santander Bank in Frankfurt, 18-19 June 2015**

Consumer credit is one of those Cinderella subjects: if you ignore the somewhat dull term and dig a little, you discover a highly attractive set of issues central to financial history. Following a successful session at the Utrecht EBHA conference in August 2014, a group of consumer credit historians gathered on 18 and 19 June 2015 in Frankfurt to further examine these issues, generously hosted by Santander and jointly organized by the European Association for Banking and Financial History (*eabh*, Carmen Hofmann) and the Gesellschaft für Unternehmens Geschichte (GUG, Andrea Schneider).

Consumer credit formed an integral part of great social, cultural, and economic transformations during the 20th century. From a facility granted by retailers to selected customers, it has become a bank-dominated service available to everyone, and as such it marked, indeed probably propelled, the transition of banking from a privilege of the rich to a basic right for all. Bank loans secured on nothing but future income helped young couples to start out on their own, reversing age-old convictions that saving should come before spending. Changes in legislation throw interesting light on shifting behaviour and attitudes in society. If 19th century regulation was often framed in normative terms to protect consumers against unwanted consequences of their own acquisitive desire, the tendency since the financial crisis is for laws to protect consumers against the financial system.

Consequently, consumer credit provides insight in four big financial history issues. First: the finance-growth nexus. The beneficiaries of consumer credit, that is to say, retailers and manufacturers, usually claim that it is conducive to growth. But is it really? Tentative data suggest it did not during the great postwar boom, but that it probably did from the 1990s onward. Second: law and finance, and more specifically, the practicalities of successfully regulating the financial sector. For instance, since time immemorial public authorities have struggled in vain to drive out usurious practices, clandestine pawn broking, or dubious mail order, doorstep selling, and hire-purchase credit schemes. What worked, what did not, and why? Third: the evolution of financial systems and, more specifically, the continuing differences between them, which the response to the recent crisis appears to have deepened to some extent. Fourth, finance and innovation, i.e. the question what determines whether or not financial intermediaries launch new products. Though old forms like pawn credit show a surprising resilience, innovations such as personal loans, credit cards, and leasing propelled consumer credit to new levels. Countries show fairly wide differences in the extent to which they adopted such products: why?

The case studies presented focused on Britain (Sean O'Connell), France (Sabine Effosse), Germany (Reinhard Frost, Andrea Schneider, Paul Thomes), Belgium (Johan Vannerom) and the Netherlands (Nick Huls, Joost Jonker and Michael Milo). The last two presentations, dealing in detail with the legal aspects of consumer credit, demonstrated the difficulties of regulating consumer credit successfully, as well as the surprisingly wide and apparently deepening differences between these neighbouring countries. The Netherlands follows a more Anglo-Saxon style liberal tradition, whereas Belgium is increasingly concerned with consumer protection. But there were other, striking, differences between the various cases. In France the evolution of consumer credit was largely driven by interaction between associations of producers and of retailers, and the government, whereas in postwar Germany the banks took the lead, and, though key bankers like Hermann Abs long remained disdainful of these mundane services, they provided the bank with a crucial bridgehead for the late-1960s transition to retail banking. As for Britain, the sheer variety of credit forms and the dynamics of institutional evolution stand in sharp contrast to the generally more heavily regulated and institutionalized continental arrangements.

The discussion, and notably the summary and points for discussion presented in his inimitable way by Chris Kobrak, threw up a large number of new issues. Where should we draw the line in defining consumer credit? Participants agreed that it includes pawn credit, hire purchase and other buy now-pay later schemes, credit cards, and overdrafts. Some considered student loans also as consumer credit, perhaps on the basis of their own past experience; others argued that, nowadays, such loans really constitute an investment. Do car loans serve an investment or a consumption purpose? And what about second mortgages taken up for spending on consumer goods? What’s the importance of credit rating bureaus and bankruptcy legislation for individual countries? There are many more exciting issues to be found under that ostensibly dull label of consumer credit, and the group intends to explore more of them in coming workshops.

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