Part A on "Affection and/or knowledge: bonds between financial consumers and financial institutions"

# What's in a name? Provident, The People's Bank and the regulation of brand identity

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The front cover of the October 15 1965 issue of *The Investors Chronicle* featured an illustration of a family standing on a document rendered, with the help of fringed edges and some graphic licence, as a magic carpet. The family - husband, wife, two children, one girl, one boy - look comfortable in that conspicuously modern 1960s style adopted by so much commercial imagery of the period. The magic carpet they are standing on is a Provident Check, a form of documentary credit that the issuing company, Provident Clothing and Supply, had then been trading in for just under 90 years. The cover referred to a featured article, 'Provident's New Image', that was prompted by the investment potential offered by the company since it listed on the stock exchange in 1962. In its short history as a public company Provident had performed well and, as the article counselled, had made certain adjustments that were poised to help it perform even better.

These adjustments had a sudden incongruity measured against the precedent of the company's history. For its first 80 years the Provident Clothing and Supply Company had been a profitable family business operating a remarkably stable business model. This model revolved around the doorstep distribution of documentary credit in the form of checks that could be redeemed at specific retailers. As the 'clothing and supply' descriptor implies, this was credit designed to supply everyday needs and it was targeted directly at poorer households. The company negotiated discounts with retailers and charged fees to customers in a system that worked to both spread and control the costs of credit. During that time the Provident cultivated a quiet, conservative image using trademarks, logos and standard information on internally printed corporate paperwork that seldom varied over decades. The

1960s, in contrast, saw a sudden burst into colour and the first representations of Provident customers enjoying the modern standards of living that credit could furnish began to appear.

For a company that had built its business in supplying the means to buy 'clothes, boots and coal' to those with very limited resources, this was quite a shake-up. It signalled the start of an era in which the business model, the products offered, the means of delivery and the corporate image would change frequently and substantially alongside the identity the company was striving to name. If Stuart Hall's lesson that identity is always 'a process of becoming rather than being' (Hall, 1996: 4) is attended to and extended from questions of cultural to those of corporate identity, Provident, by the early 1960s, had started trying to become something both like, and unlike, what it had been. Identity however is neither a fixed essence nor a free for all and the resources of history, language and regulation bear down upon it. It was ultimately the latter that thwarted the company's attempt to name itself what it meant to become: the People's Bank. In the firm's long history, regulation had rarely acted so decisively but it was nevertheless always at work, in negotiation with practice and language to shape, motivate, enable and constrain. Regulation, as Bill Maurer (2012) has argued, offers a selective ethnography of past practice in the way that it highlights the problems it's attempting to solve. Some of these problems arise when companies attempt to have, that is to acquire, things, properties, shares, names and identities that mark out contested forms, descriptions or rights of practice. At the same time as addressing these problems, regulation creates spaces and opportunities for forms of practice that fall outside its retrospective gaze to emerge and to thrive. Provident's identity as a company and market leader and the fate of its later attempts to establish a new 'brand' identity as the People's Bank were, in some substantial part, outcomes of regulation.

## Provident and the identification of the clothing and supply sector, 1880-1950

> Actually identities are about questions of using the resources of history, language and culture in the process of becoming rather than being: not 'who we are' or 'where we came from', so much as what we might become, how we have been represented and how that bears on how we might represent ourselves. (Hall, 1996: 4)

Joshua Waddilove founded the Provident Clothing Club in 1880. Waddilove was an active Methodist who had witnessed the financial difficulties experienced by the poor first hand while working as an industrial assurance[i] agent and collecting premiums from door to door. In choosing the name Provident he followed the lead of insurance companies which had an established practice of adopting names, like the Prudential, the Rock, the Refuge and even in several cases the Provident, that were meant to signal thrift, judgement, foresight and security. Names like these were an overt attempt to identify companies with positive moral values and sentiments that was all the more important given the turbulent history of the financial sector in the nineteenth century.[ii] The Provident was named in brazen, calculated – although not necessarily cynical – defiance of the dubious moral associations of credit. Waddilove set out to develop a form of credit with the capacity to correct the poor's moral shortcomings and instil self-discipline, thrift and sobriety that would hence be worthy of its frugal and farsighted name.

These moral undertones are marked within the form of credit, documentary check trading, the Provident offered. Check trading was based on the issue of checks that were redeemable by arrangement at local shops supplying necessary things like clothes, boots and coal. According to company lore, (PCS, 1930; 1970; PFG, 1980) Provident checks originated as a philanthropic service Waddilove performed for the poorest housewives he encountered in his work as an insurance agent. This involved giving them promissory notes that could be redeemed at local shops with Waddilove later settling the bill. After being approached by prospective customers willing to pay for the notes Waddilove made a business out of issuing the checks for a fee. Within a decade, the Provident was trading in ten towns in Yorkshire and Lancashire and in 1899 it was incorporated as Provident Clothing and Supply Company Limited. By then there were many locally or regionally based check trading companies offering what had become a significant form of credit provision for the poor.

Provident was the biggest player by far in check trading throughout the sector's history and it was the place where the core business model, methods and equipment were developed. As the system was originally set up, checks were bought and paid for in instalments over 20 weeks and initially goods were to be had only after six payments had been made or after one payment if a charge for 'poundage' was paid. By 1908, 95 per cent of customers preferred to pay the poundage fee rather than wait for their goods and the advance payment option was later dropped. Retailers were persuaded to accept the checks and grant the company a discount averaging around 12 ½ up to 15 per cent (BPP, CMND 4596, 1971; Leslie, 1971). In return turnover would increase while the risks of bad debt would diminish. As Waddilove put it 'where bad debts are incurred we ourselves pay them. We increase the purchasing power of the people. A tradesman has to look on the all-round effects of our system on his business' (PFG, 1980).

The claim to encourage thrift was based partly on restrictions on the use of checks to necessary forms of consumption (they couldn't for example be spent on gambling or alcohol) but more importantly on the way the instalment system was operated through doorstep collection. Agents were recruited to sell checks and then collect payment in weekly home visits. The system relied upon careful selection followed by close and frequent personal contact. At first very small amounts of credit would be offered to new customers, with gradual increases allowed as payment histories began to be built up, in a system that was designed to 'train' borrowers and limit exposure to bad debt (PCS AR 1963). Provident agents in the 1920s were instructed to keep credit low for those with young children, to raise it when older children started working but to be ready to lower it again when they left home (O'Connell, 2009). This was a method of credit control that combined past payment history with agents' 'screening' (Poon, 2009) of would-be borrowers' character judged through proxies like the condition of their houses, gardens and clothing, together with word-of-mouth recommendations from relatives, friends and neighbours.

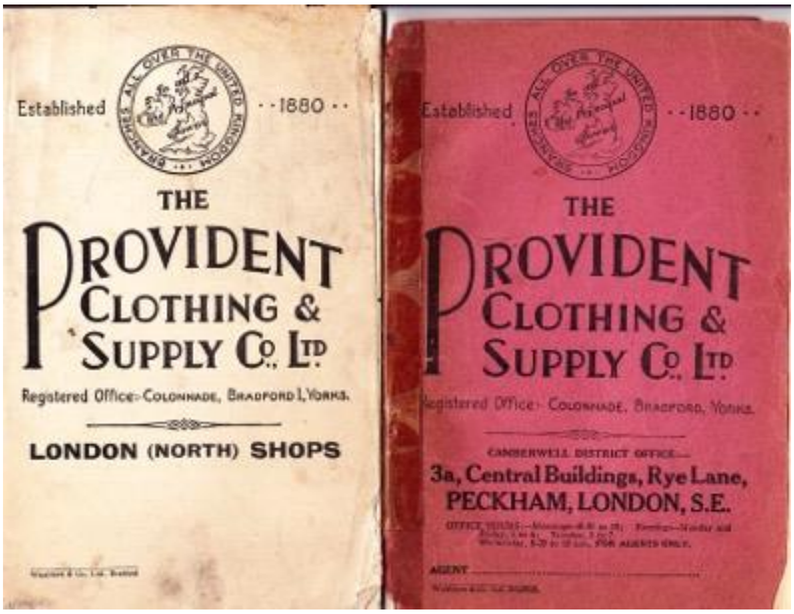
Agents kept collection books, listing the details of all customers, their orders and payment histories. They also issued and filled in payment receipt cards that were held by customers. In addition to recording details of orders and payments received, the receipt cards briefed customers on the rules of the system. All orders must be paid up by weekly instalments in 20 weeks, all customers were 'urgently requested' not to take more orders than they could 'pay regular weekly payments upon' and customers 'must only obtain orders for their own use and the use of their families'. Agents also issued customers with another key artifact, the Shopping Guide. Shopping guides contained long lists, and sometimes illustrated advertisements for shops, explanations of the system and advertisements for agents. They pointed out to customers how and where their checks could be spent and were therefire critical in defining the utility and appeal of checks.

Within a decade of establishment, the Provident employed 325 agents, by 1910 there were 3000, rising to 4000 in 1920 and 11,000 in 1960. In 1900 these agents were spread across just under 30 branch offices mainly in Yorkshire and Lancashire. A decade later there were 84 branch offices and a push into southern counties resulted in 110 offices opening by 1920, rising to 160 in operation in 1930 and 288 by 1951[iii]. This rapid growth was accompanied by an equally rapid extension in 'necessary' goods and the shopping guides record the possibility of using checks in the 1930s to pay for drapery, furnishing, hardware, stationery, tobacco, paints, wallpaper, wirelesses, baby goods, barometers and all sorts of 'fancy goods' at hundreds of different shops in each branch district (PCS, 1934). There were agreements in force with 14000 different retailers by the 1930s rising to over 20000 in 1961 (PCS 1962).

This extending range of possibilities was the nub of Provident's system. Credit options for the poor have historically been linked to specific traders: credit drapers, local shops offering 'tick', clothing clubs and catalogues all provided borrowing facilities but only – as the Provident always reminded customers in its shopping guides – against their own products. The Cooperative, which had initially opposed credit mechanisms in its stores, also developed a credit club system in the interwar years in response to dwindling sales and a context in which hire purchase multiplied twentyfold between 1918 and 1938 (Tebbutt, 1983). But although the Cooperative offered far better terms than most forms of credit it still could not, as the Provident's Shopping Guides pointed out, compete with the portability of checks. This was 'the glory of them … you could take them to 20, 30, 40 or even more shops' using them 'just like as if you had money in your purse' (in Taylor, 2002: 128). Shopping guides listed every shop accepting Provident checks in the area and emphatically reminded customers of this vital affordance - 'Provident checks (or Orders) are TAKEN AS CASH by all the tradesmen on this list and ‘have EXACTLY THE SAME PURCHASING POWER AS READY MONEY’ (PCS, 1961; 1957; 1954; 1934).

*Figure 1 Provident Shopping Guides, 1954; 1934*

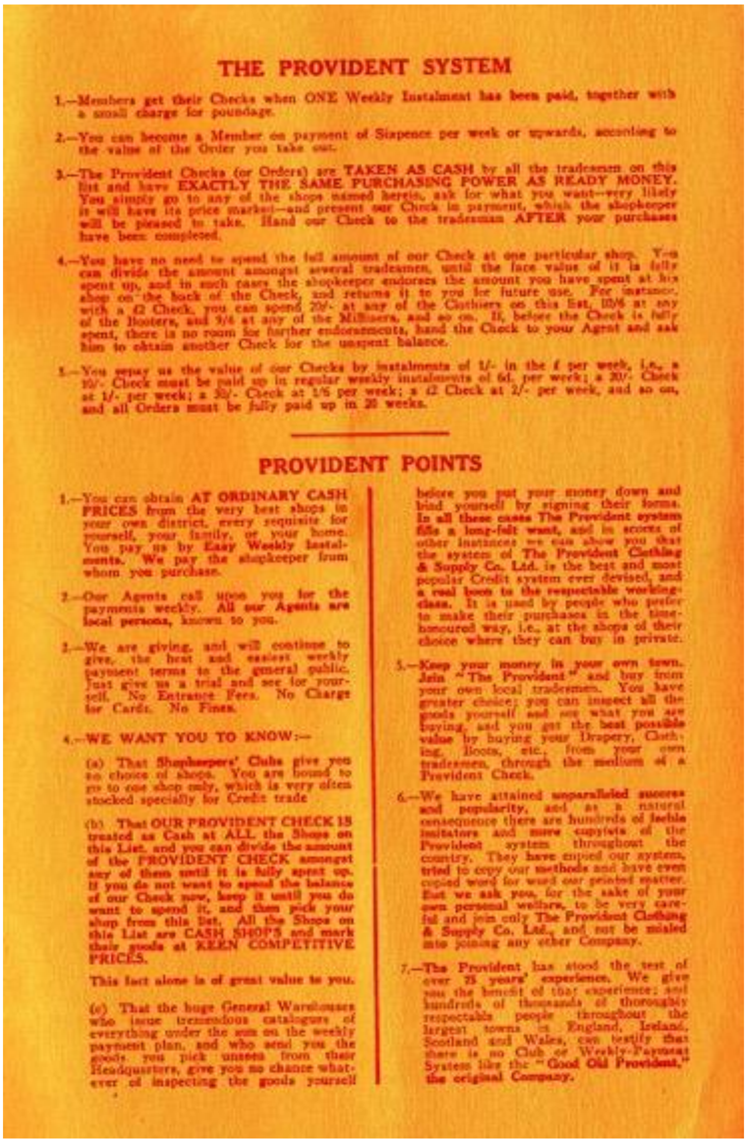
(Source: photograph of author’s own copies)




Beyond steady expansion, the details of the Provident system - the role of agents, the nature of arrangements with retailers, the 20 week collected instalments, even the nature and style of key artefacts like shopping guides and payment receipt cards - varied little over the years. The only real innovation that happened in the first 80 years of trading was the introduction of the ‘travelling check,’ which enabled a single check to be spent gradually at several different suppliers (BPP, 1981). In Figure 1 the guide on the left was issued in 1954 and the other in 1934. The similarities in design continue inside in nearly identical text outlining the five features of ‘The Provident System’ and the seven ‘Provident Points’ that were designed to drive home the benefits. The wording used to convey the ‘system’ and ‘points’ was very similar in 1934 to that featured in Figure 2’s extract from a 1957 guide. The only significant change was that the 1934 guide named its competitors as ‘the Travelling Draper, Scotch Packman, Credit Draper, Tickman, Boot Clubman’ while by the 1950s reference was made only to the disadvantages of 'shopkeepers clubs' and 'general warehouses'. The wording remained otherwise intact, and was placed somewhere in the inside covers until after 1962.

*Figure 2 The Provident System, 1957 Shopping Guide*

(Source: photograph of author's own copy)



## THE PROVIDENT SYSTEM

1.—Members get their Checks when ONE Weekly Instalment has been paid, together with a small charge for poundage.

2.—You can become a Member on payment of Sixpence per week or upwards, according to the value of the Order you take out.

3.—The Provident Checks (or Orders) are TAKEN AS CASH by all the tradesmen on this list and have EXACTLY THE SAME PURCHASING POWER AS READY MONEY. You simply go to any of the shops named herein, ask for what you want—very likely it will have its price marked—and present our Check in payment, which the shopkeeper will be pleased to take. Hand our Check to the tradesman AFTER your purchases have been completed.

4.—You have no need to spend the full amount of our Check at one particular shop. You can divide the amount amongst several tradesmen, until the face value of it is fully spent up, and in such cases the shopkeeper endorses the amount you have spent at his shop on the back of the Check, and returns it to you for future use. For instance, with a £2 Check, you can spend 20/- at any of the Clothiers on this list, 10/6 at any of the Booters, and 9/6 at any of the Milliners, and so on. If, before the Check is fully spent, there is no room for further endorsements, hand the Check to your Agent and ask him to obtain another Check for the unspent balance.

5.—You repay us the value of our Checks by instalments of 1/- in the £ per week, i.e., a 10/- Check must be paid up in regular weekly instalments of 6d. per week; a 20/- Check at 1/- per week; a 30/- Check at 1/6 per week; a £2 Check at 2/- per week, and so on, and all Orders must be fully paid up in 20 weeks.

## PROVIDENT POINTS

1.—You can obtain AT ORDINARY CASH PRICES from the very best shops in your own district, every requisite for yourself, your family, or your home. You pay us by Easy Weekly Instalments. We pay the shopkeeper from whom you purchase.

2.—Our Agents call upon you for the payments weekly. All our Agents are local persons, known to you.

3.—We are giving, and will continue to give, the best and easiest weekly payment terms to the general public. Just give us a trial and see for yourself. No Entrance Fees. No Charge for Cards. No Fines.

4.—WE WANT YOU TO KNOW:—

(a) That Shopkeepers' Clubs give you no choice of shops. You are bound to go to one shop only, which is very often stocked specially for Credit trade

(b) That OUR PROVIDENT CHECK IS treated as Cash at ALL the Shops on this List, and you can divide the amount of the PROVIDENT CHECK amongst any of them until it is fully spent up. If you do not want to spend the balance of our Check now, keep it until you do want to spend it, and then pick your shop from this list. All the Shops on this List are CASH SHOPS and mark their goods at KEEN COMPETITIVE PRICES.

This fact alone is of great value to you.

(c) That the huge General Warehouses who issue tremendous catalogues of everything under the sun on the weekly payment plan, and who send you the goods you pick unseen from their Headquarters, give you no chance whatever of inspecting the goods yourself before you put your money down and bind yourself by signing their forms. In all these cases The Provident system fills a long-felt want, and in scores of other instances we can show you that the system of The Provident Clothing & Supply Co. Ltd. is the best and most popular Credit system ever devised, and a real boon to the respectable working-class. It is used by people who prefer to make their purchases in the time-honoured way, i.e., at the shops of their choice where they can buy in private.

5.—Keep your money in your own town. Join "The Provident" and buy from your own local tradesmen. You have greater choice; you can inspect all the goods yourself and see what you are buying, and you get the best possible value by buying your Drapery, Clothing, Boots, etc., from your own tradesmen, through the medium of a Provident Check.

6.—We have attained unparalleled success and popularity, and as a natural consequence there are hundreds of feeble imitators and mere copyists of the Provident system throughout the country. They have copied our system, tried to copy our methods and have even copied word for word our printed matter. But we ask you, for the sake of your own personal welfare, to be very careful and join only The Provident Clothing & Supply Co. Ltd., and not be misled into joining any other Company.

7.—The Provident has stood the test of over 75 years' experience. We give you the benefit of that experience; and hundreds of thousands of thoroughly respectable people throughout the largest towns in England, Ireland, Scotland and Wales, can testify that there is no Club or Weekly-Payment System like the "Good Old Provident," the original Company.

By the 1920s, Provident was still the only company trading nationally and until the 1960s almost all of its many competitors were small, local concerns. The 'clothing and supply' system it had established had spread across an estimated 600 firms by the 1960s[iv] Competitors included Bradford Clothing and

Supply, People's Provident Supply, District Clothing and Supply, Practical Clothing and Supply, Crescent Premier Supply, National Clothing and Supply and Equitable Clothing and General Supply. Almost all of these companies were later bought out in the consolidation period that began after 1962 by Provident or by one of its two largest competitors, John Paget and Son established in Sheffield in 1900 and Hull Clothing and Supply founded in 1927 and trading as Cattle's (Holdings) Ltd in the early 1960s (BPP 1981). As the near ubiquity of 'clothing and supply' in the company names of check traders implies, Provident had identified a system that was widely copied. There were:

> hundreds of feeble imitators and mere copyists of the Provident system throughout the country. They have copied our system, tried to copy our methods and have even copied word for word our printed matter. But we ask you for the sake of your own welfare, to be very careful … hundreds of thousands of thoroughly respectable throughout the largest towns in England, Ireland, Scotland and Wales, can testify that there is no club or weekly payment system like the "Good Old Provident," the original company' (PCS, 1934).

This complaint was still being parroted in the 1961 edition of the guide and it bears some merit. Competitors clearly did identify the key features of check trading from the Provident's system and adopted very similar practices, regulations and artifacts. National Clothing and Supply (NCS, 1968), for instance, listed rules including 20 week instalments, customer responsibility for orders, renewal restrictions as well as advice to avoid shopping on busy Saturdays, all of which were features of the Provident. The stability of a system that barely changed in 80 years and its identification with just one company is remarkable. This however is not just down to Provident's perfection of the check trading system, it is also a function of how it developed outside the gaze of regulators.

Credit was largely unregulated until 1900 when the first Moneylenders Act required moneylenders to register with a magistrate and granted courts the power to dissolve agreements judged unfair. This attempt at credit regulation only tackled moneylending as the most controversial, and therefore most visible, form of credit. As O'Connell's authoritative history notes it was not a success and exposed 'the lack of knowledge about slum lending' and the difficulties of creating a workable model that could address 'the very different types of lending taking place in such diverse environments as the West End of London and the back streets of Liverpool' (2009: 131). The revised law enacted in 1927 increased the costs of registration and introduced a nominal annual interest rate ceiling of 48% that O'Connell documents led many moneylenders to return to illegal lending. By changing the moneylending environment it also inadvertently helped produce the conditions in which 'hire-purchase' systems could thrive. These were then left largely unregulated in England even after the toothless Hire Purchase Act 1938, until terms control orders were introduced in 1952 followed by the tougher Hire Purchase Act 1954 (Thornely and Zeigel, 1965). Check trading benefited from falling largely outside the scope of any regulatory efforts until the 1940s when conditions started to change. The major reshaping of the sector that began in the 1960s was a response to the constraints and opportunities that the regulatory framework presented in the context of post war affluence.

**Becoming Provident C & S**

After decades of steady expansion the Provident and other check traders had a difficult war. Retailers had responded to the purchase tax and price controls that government had imposed on utility goods by reducing the discounts they allowed check traders and the latter had attempted to pass the cost back to customers with an increased poundage charge. This attempt coincided with the damning account of check trading published in 'Our Towns' by the Women's Group on Public Welfare which informed the Board of Trade's decision in 1941 to prohibit the poundage charge entirely (O'Connell, 2009). Despite being queried in parliament[v] the prohibition remained in place until 1949 and by then the Provident had seen its customer base fall from 1,100,000 in 1939 to 535,000 in 1944. Customer numbers recovered somewhat when the prohibition was removed but by that time another problem was starting to emerge.

> Although Provident's customer numbers returned to their pre-war levels of just over one million in 1951, growth was more sluggish thereafter and it stalled in the late 1950s. Data from the company's archives also reveals that demand for checks became more seasonal in the late 1950s, with customer numbers rising by between 80,000 and 100,000 from the third to fourth quarter. The average value of checks taken out grew at a substantially slower rate than average earnings during the 1950s, rising barely at all between 1955 and 1959. This suggests that for increasing numbers of customers, checks were becoming less a part of their weekly routine and more of an additional option, at Christmas. (O'Connell, 2009: 71)

The challenge was to figure out how to counter the current of increasing affluence that would leave their product reserved for emergency use. The solution, of course, was to re-position their offering not against the current but within it. There were though, a few obstacles in the way. The things that Provident checks might supply had steadily increased in variety since the 1880s but the emphasis remained mainly on smaller, softer things like clothing and drapery while the hard, sought after durables of post-war Britain, the washing machines, vacuum cleaners and refrigerators were outside the scope of checks. These goods were primarily supplied to poorer customers through hire purchase schemes that became subject to terms control orders after 1952. The 1952 Hire-Purchase and Credit Sale Agreements (Control) Order introduced a requirement that goods could only be purchased on hire purchase over an 18 month term and after a minimum 33% cash deposit was paid. The sudden stringency of these terms led the Order to be described in parliament as 'a vicious piece of class legislation … unnecessary and unfair discrimination against the poorer sections of the community'[vi]. Terms control also opened up a potential space for check traders, whose low value products fell outside the scope of the various orders that were brought into effect at intervals until they were finally dispensed with in 1982 (c.f. O'Connell, 2009).

To get into the market for the things hire-purchase schemes supplied, the 'dish washers, drying cabinets, ironing machines and irons, wringers and mangles, floor polishers, vacuum cleaners, water softeners and so forth, apart from all kinds of office furniture, bicycles, tricycles and practically every kind of mechanically-propelled vehicle'[vii], required a new kind of product that could be used to borrow larger amounts over longer periods. The introduction of vouchers sounds like a relatively trivial matter but it was probably the biggest change in the company's operations since it was founded. Vouchers were the centrepiece of a strategy designed to respond to both the increasing seasonality of demand for checks and the 'interesting and even exciting possibilities' (PCS AR 1962: 10) the new affluence afforded. One of the first changes the firm made was to quietly dispense with the limitations implied in the name 'Provident Clothing and Supply' by subtly altering it to Provident (C & S) Ltd in March 1961. The name change was part of a restructuring which saw a 'new' company acquire the whole of the share capital of the 'old' company and its subsidiary, the printing works Waddilove and Co. Ltd that had produced all their stationery since the 1890s, both of which were placed in voluntary liquidation at the end of the year (PCS AR 1961). This technical restructuring was a precursor to the company's listing on the stock exchange in March 1962 and a change to the Articles of Association to permit the directors to borrow, without the prior consent of shareholders, up to five times the amounts paid up in share capital (PCS AR 1962).

These changes were designed to give the company the liquidity to defer revenue and finance the increased supply of credit they anticipated providing after the introduction of vouchers in July 1961.

> In the past our check business was mainly restricted to clothing, shoes, drapery, linen and other soft household and family goods which could come within the 20 week payment period. Our customers had to look elsewhere for their other requirements. Now, however, vouchers provide our customers with a much more comprehensive service and can be used to acquire the whole wide range of domestic durable goods such as washing machines, cookers, refrigerators and the like with payment periods of up to 100 weeks. We have found this additional facility to be most welcome to customers and to shopkeepers. (PCS, AR, 1963: 10)

Vouchers were heralded as a means of closing the gap between the company's traditional business, and emerging customer requirements. If this were to work it would take more than recognition of the opportunities afforded by the new, and already exhaustively debated, affluent desires of their customers. It also required technical planning and organisation to ensure that a fit could be engineered between new patterns of living and corporate experience. 'We', the annual report in the year of their introduction noted, 'have taken a searching new look at our organisation and methods – forging new links, examining incentives, setting up new sales promotion and generally initiating a policy of planned expansion. This policy must be soundly based and prudently executed if it is to produce lasting and reliable results' (PCS, AR 1962: 10). All the firm's costing and debt experience was based on lending small sums up to a maximum of £20 over twenty week loan periods; offering sums of up to £100, for between 40 and a maximum of 100 weeks, was a different proposition and it was embarked on cautiously. One symptom of that caution was the decision initially to cap vouchers at £100 and to restrict them only to existing Provident customers. An increase in deferred revenue in 1962 was attributed to the introduction of vouchers and the longer periods of credit involved, and a further increase in 1963 combined with record turnover marked their secure establishment (PCS AR, 1962, 1963). Press headlines confirmed Provident's strong financial performance in 1963 and plans were announced later the same year for further expansion of the voucher business alongside the removal of their restriction to existing customers[viii]. Another symptom of the organisational care taken was a delicate rebalancing of the role of agents in screening risk while promoting consumption.

By the late 1950s, the check trading labour market had shifted from being male dominated and part-time to almost three quarters female with many working full-time (O'Connell, 2009). This shift was part of a broader feminisation in sectors like mail order which had cottoned on to the advantages of a labour supply with the 'natural' characteristics, interests and activities of women. Women agents were;

> after all, particularly sympathetic and alive to the nicely balanced details of the family budget. They sense in some cases better than men what their customers can or cannot afford … operating as they do in their own communities they have a native ability to appraise the creditworthiness of the men and women around them' (PCS AR 1963b).

All agents were 'inculcated' from the start 'with the basic idea that Provident checks are not meant to be frittered away on frivolous things' (PCS AR 1963b). Agents' income was based on commission on both the total value of the collection *and* new business. The balance between these two sources of income had to be carefully managed given the regulatory sensitivities surrounding credit. Provident's assertion in the 1963 Annual Report that 'by far the greater part of the agent's remuneration is based on their total weekly collections and not from the value of new business introduced' was in part a sincere reflection of the firm's still relatively conservative lending policy. It was also designed to reassure brand new shareholders that, in a period in which there was a push for consumer credit controls with more teeth, Provident's lending was safe and unlikely to face tighter regulation.

This was not exactly the case. There was broad awareness that check traders escaped terms control and while this might have been tolerable when they were dealing only in short-term lending for smallish amounts, the introduction of vouchers brought them into effectively the same market as hire-purchase providers. As the market for vouchers grew, there were calls for the loophole to be closed. 'If we are leaving one wing of credit-sale distribution uncontrolled then there are dangers that malpractices in the uncontrolled wing will start to dominate the other', the Labour MP, Richard Winterbottom, argued before pointing to the difficulties of regulating the varieties of short term credit (*HC Deb,* 24 June 1964, 697, c468). If the diversity of the sector and the scale, terms, relative affordability and 'necessaryness' of check credit had escaped much regulatory surveillance, a sense that credit providers in the affluent 1960s were 'running amok', led to increasing attention and ongoing deliberations about how best to respond. In the interim Provident did very well out of the regulatory gap as reported in *The Economist*.

> So far the Bank of England has not sent Provident Clothing a letter telling it to restrain its lending; but Provident is unlikely to be affronted by this lack of official recognition while its business continues to grow rapidly. The credit extended to its customers at December 31st was £26 million, £5 million (or 24%) higher than a year earlier. Provident has escaped the official net, it seems, because it cannot be treated as either a hire purchase company or a bank. (1966: 1047)

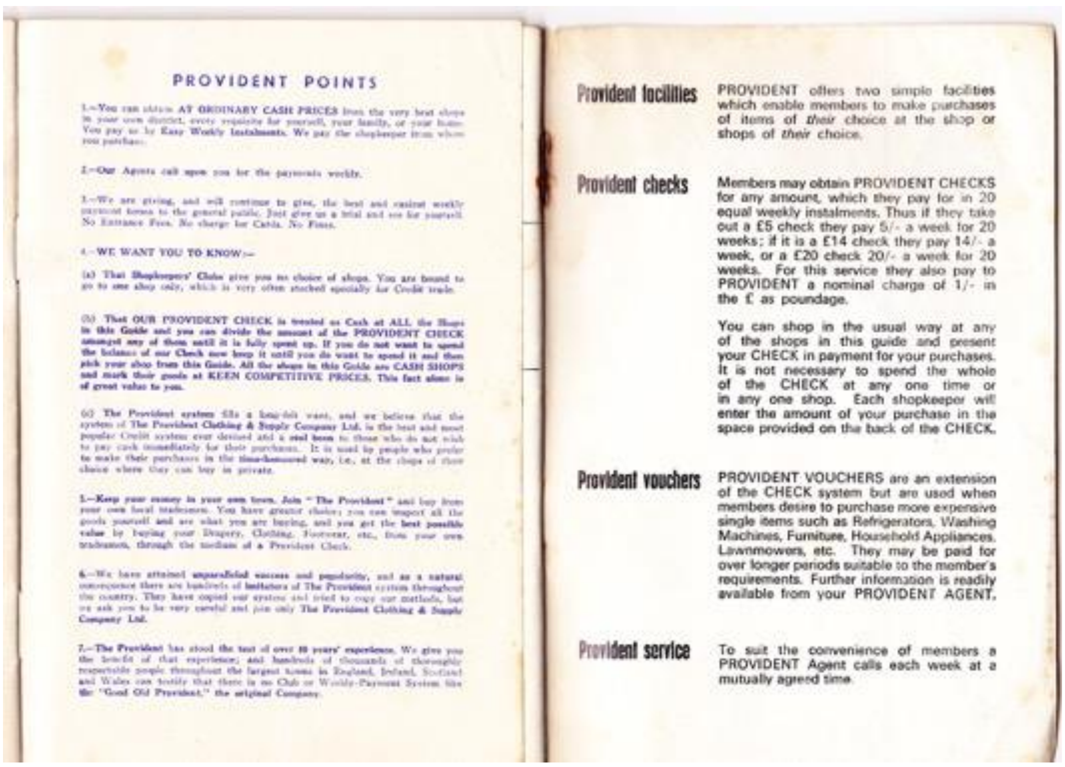
Provident, the article went on, had never had a 'traumatic bad debt period', which it attributed to the regular weekly visits by collecting agents who learn their customers' credit ratings quickly[ix]. This was the same argument that Provident itself made - agents were incentivized to work for 'sound, dependable turnover' not to persuade families to enter into commitments they could not meet (PCS, 1963b).

This was true but it was also not quite that simple particularly as the sector grew into the 60s. The Provident's credit 'rating' system was qualitative and approximate. This didn't make it inefficient as the low bad debt ratio testified, but the introduction of vouchers also changed the qualitative calculations – what Franck Cochoy (2008) has characterised as 'qualculations' - that agents had to perform to control credit. The shift to a predominantly female, fulltime agency workforce was part of this. Women were not only expected to be more sensitive to the family budget they were considered better attuned to building customers' appetites for the sort of things that would help shift the image of the company away from 'clothing and supply'. Women had a keen eye for all the necessities that would help 'keep the image of our service modern and bright without losing its traditional simplicity and integrity and to ensure that it reaches and is understood by the vast market of present and potential Provident users' (PCS AR 1964: 10). Maintaining a balance between 'bright modern-ness' and traditional simplicity was left to rest partly on the proclaimed superiority of women agents' social sensibilities. The majority of Provident customers were women and it was presumably a little easier for women agents to enter the homes of acquaintances and strangers and develop the kind of relationships that would allow them to 'see' the spaces in the home that credit could be summoned to fill. Women, as sovereign domestic consumers, were expected to have a better eye for any missing or worn out domestic appliances that were essential for the modern home.

By 1964 Provident was representing itself to its shareholders as improving 'the wellbeing of people everywhere'. Its Annual Report that year boasted of helping 'equip better brighter labour saving homes'; enabling 'the family to be better clothed and equipped for all occasions'; providing the 'tools, books and equipment for acquiring skills' and 'encouraging sports and hobbies and holidays and leisure activities generally' (1964: 10). The report continued the trend, established when the company first went public, of taking shareholders 'backstage' this time with a 'pictorial demonstration of the scope and social impact of the company's activities'. This demonstration eschewed the monochrome photographs of the previous two years in favour of comic book style colour drawings of a modern working class home. These sunny illustrations were designed to showcase the Provident's role in supplying the means for the expensive equipment, tools and appliances that every modern home now required. The company was upbeat that the strategy was working since it was also reporting its third successive year of record trading profit and a 55% increase over the three year period at a time when overall economic conditions were difficult, with disappointing overseas trade figures and retail trade statistics that 'lacked sparkle'.

*Figure 3 Provident Points in the 1961 Shopping Guide reworked as customer values in 1966 Shopping Guide*

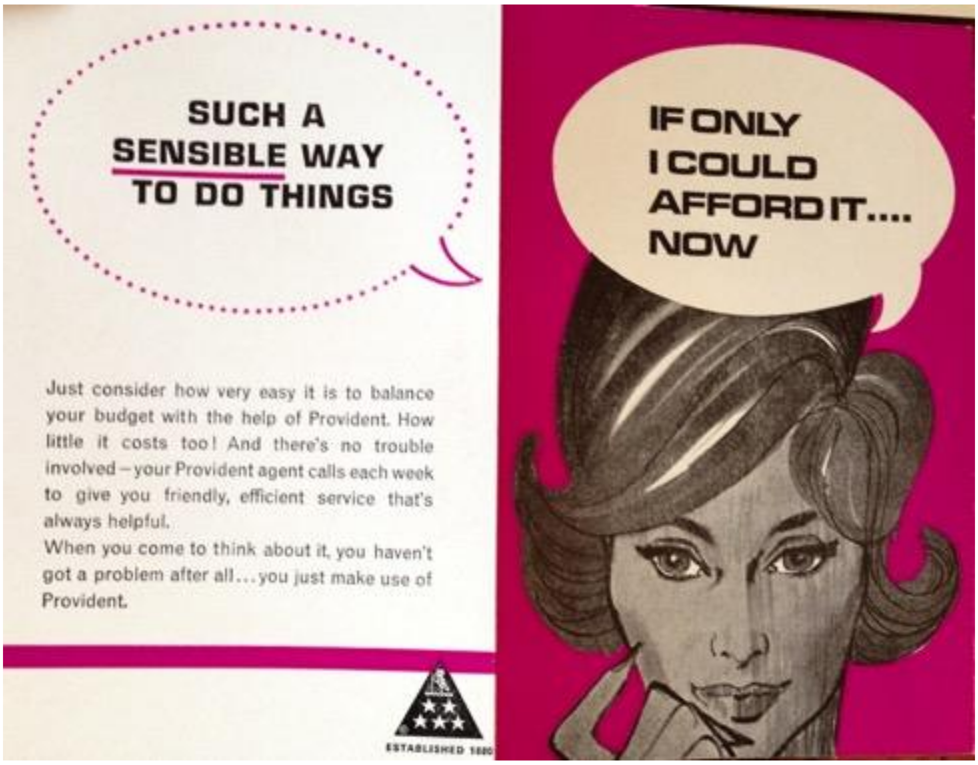
(Source: photographs of author's own copies)



The imagery and mood of the 1964 Annual Report is a world away even from that published three years earlier just before the company went public. The change went across the board. Marketing materials began to appear that shed the subsistence credit image entirely. Even the resolutely functional and unchanging shopping guides were finally redesigned, and the guides to the Provident system rewritten in a way that emphasised customer focused values (see Figure 3). This was an atmosphere in which *Investors Chronicle's* depiction of the voucher as a magical route to 'well being' and 'clean modern living' was in accord with the Company's rebranding and the illustration was reproduced in the 1965 Annual Report. In reality, the average Provident customer lived in homes that were nothing like those beginning to be featured in company reports and marketing. Their customers remained throughout the decade resolutely 'in the CDE sectors, that is working class households where husband and wife are weekly paid' (Leslie, 1971: 24). The distance between the reality of customers' lives and their aspirations, as Provident's newly appointed marketing and consumer credit executives recognised, however was an opportunity, not a problem. By 1962, the firm's 'more youthful outlook, new ideas, new men and a new approach' (PCS AR, 1963: 10) led to the shopping guide system being supplemented with *Arcade,* a catalogue style magazine for customers, the launch of *Colonnade* an internal newspaper designed to improve communication with agents and an increased use of advertising, including for the first time, television advertising.

*Figure 4 1965 Marketing sample*

(Source: photograph of author's own copy)




Mail order companies excelled at showcasing the goods on offer, rather than the credit means of their provision but as with store credit, customers could only buy what was in the catalogue or store – they couldn't shop around. What the changing regulatory environment helped Provident work out in the 1960s, was that they had to re-identify their product from subsistence clothing and supply credit to the means to a whole range of different ends from domestic hardware to foreign holidays, insurance services or even an 'Ashley Russell fur' (PCS, 1966). Revamped marketing (see Figure 4) that hammered home the connections between all the different things that Provident credit would allow customers to have *right now* was part of that. Another part was the concentrated effort that led to agreements with retailers more than doubling from 20000 in 1962 to 50000 in 1965, including numerous multiples. Particular effort went in to getting multiple retailers signed up. This included stores like Fosters Brothers, Hepworths and Singer Sewing machines and department stores like Frasers, Littlewoods and British Home Stores, which were enticed into the system through much lower discounts than were available to small independent stores[x]. This expanding range of destinations and ends helped Provident achieve a striking growth trajectory in the 1960s and set the seeds for it to pursue a strategy that would free it entirely from its associations with catalogues of things.

**A bank for the people?**

Provident described itself in its 1963 Annual Report as a 'fireside bank' and as 'the smaller man's friendly bank manager'. The idea of the Provident as 'the people's banker' had been around for years and reflected the fact that the services it provided stood in lieu of banking for customers who were primarily unbanked. Yet check traders, including the Provident, were not organised anything like banks at the start of the decade: most of the others were fairly small, local concerns, all were specialised in the provision of a limited, standard service and subject to strong constraints in how much they could lend and in how much they could borrow. As the 1960s progressed the technical organisation and structure of the Provident changed dramatically and in ways that would make the idea of it becoming a fully-fledged bank much less unlikely. These changes reshaped Provident's identity from 'check trader' towards a much broader ranging provider of financial services. The changes in the customer market facing side of the business described above were part of that but they were entirely contingent upon a complete restructuring of the capital market side of the business. What the company became was a matter of what it acquired and ultimately what it failed to acquire.

In the years immediately following its 1962 restructuring and public listing the Provident began to get a fair amount of attention in the financial press. A series of articles like the Financial Times' *Provident Clothing pays 2% More Than Forecast* (21 February 1963) appeared referring to the company's 'good start', 'growth', 'interim up', 'good progress', 'payment raised' and 'moving ahead' over the next three years[xi]. During this period the company was bullish and constantly on the look out 'for acquisitions or amalgamations which might be capable of being arranged with other check companies' (PCS AR, 1963: 11). It embarked on a joint venture with United Dominions Trust, an industrial banker with large hire purchase interests, to establish Paybonds Ltd, a company formed to launch a new form of consumer credit in 1964[xii]. 'Paybonds' could be used to borrow up to £250 and were meant to bridge the gap between bank overdrafts and the Provident's other products. Unlike vouchers, paybonds were designed to be portable and could be spent at more than one retailer. They were intended to retain the business of retailers, particularly of electrical goods, who operated on narrow margins, and they involved a different spread of the costs of credit with a greater percentage borne by the consumer to cover the lower discount offered by the retailer. Their introduction was another indication of the diversification in the financial services the firm sought to offer. By 1965 the company was in talks with a US insurance company that would involve its agents selling policies and by 1967 talks with Barclays around their newly launched credit card were being reported.[xiii] In 1968 Provident acquired Practical Credit Service Limited and Bristol Clothing and Supply Company Limited (PCS AR 1968). Profits almost doubled between 1961 and 1966, the record £8.53 million profit posted in 1973 was nearly five times that of a decade earlier, generating almost unvaryingly buoyant press coverage right through till 1973[xiv].

In this atmosphere the idea that Provident could become a more mainstream provider of a full range of financial services was quite credible when the company took the most decisive, symbolic step in that direction.

> In December 1970, we made what could be our most important acquisition – The People's Bank Limited. At present this is a very small operation but the significance of the name to Provident and its relevance to the extension of a wider range of facilities to Provident customers and others are beyond doubt. This year we shall be preparing the Bank and making the necessary arrangements to enable it to take an increasingly important part in Group activities. (PCS, 1970: 7)

Purchasing the People's Bank, according to Richard Davenport, who had succeeded Gordon Waddilove that year as the first chairman from outside the family, would reinforce a major branded consolidation and expansion of their activities to offer a 'totally comprehensive range of family and domestic financial services for the whole field of present and potential Provident customers' (AR, 1971, 1972: 4). This change was enabled by the regulatory loophole that gave Provident relatively free reign in what was effectively the hire-purchase market. This circumstance had not gone unnoticed. The parliamentary debates on hire purchase and the regulatory environment surrounding consumer credit of the early 1960s culminated in the formation of the Crowther Committee in 1965. As evident in its reports to shareholders throughout the 1960s, the company was keenly aware that the committee's recommendation could entirely reshape the scope of their activities. Its diversification strategy was clearly expansionist but it was also anticipatory and defensive. The *Financial Times* reported that having come across the People's Bank by chance, Davenport was 'enchanted by the name (and vaguely uneasy that a competitor might get hold of it' (151270: 20). The article went on;

> Davenport says the purchase has nothing to do with the publication, probably next month of the Crowther Report on Consumer Credit. Even so, a banking status and exemption from the Moneylenders' Act is a pleasant hedge against any future changes in the credit law. More important, Provident's customers are getting more affluent over the years and the People's Bank will be able to provide the more sophisticated financial services they need.

The extent to which fear of Crowther was influencing Provident's strategy is moot, but the connections between it and the regulatory environment were widely reported[xv]. If the Crowther recommendations were enacted, together with the Bank of England's credit control proposals, the effect, Morison (1971) concluded, would likely be to further blur the long established lines of demarcation in financial services as the clearing banks began to challenge finance houses for business and Provident's new banking subsidiary would 'square the circle'. Provident's customers were not clearing bank customers but they were widely expected to soon need banking services from somewhere and Provident would be well positioned to offer such services to the newly banked. There was considerable early confidence that this strategy was working. The People's Bank received Section 123 banking status in April 1972 and a rights issue enabled the company to increase its borrowing ratio from 5 to 7 times capital and reserves in anticipation of the 'expected large volume of additional business' as the bank became fully operational (PCS AR 1973: 4). The strength of the results in 1972 from Provident, and another firm Cedar Holdings, led the financial editor of *The Times* to remark.

> Both firms have already done much to refute earlier suggestions that their profitability depended on a restrictive credit environment in which the larger and more closely controlled lending institutions were at a competitive disadvantage… This new potential is particularly important now that the People's Bank is fully operational. Its exemption from the workings of the Moneylenders Act came through only in April and it took another two months to start lending so it's early days yet for forecasting its impact on the lower end of the credit market. However the goodwill of Provident's existing customers, on whom the initial promotional effort has been concentrated should work in the company's favour. (070972: 18)

The city's view through till 1974, was that the entry into broader financial services could not have been much better timed with the best profit outcomes having become an 'almost perpetual feature' at Provident [xvi]. Provident took a 26.7% stake in its main, though still considerably smaller competitor, Cattle's (Holdings) Ltd in 1973. In the same year it announced that it had become necessary to change its name to something that while 'retaining the word Provident of course' would more suitably indicate the range of the group's activities (PCS AR, 1973: 5). The 1973 report makes reference to the unstable interest rates and increases in money costs that were starting to unfold as the secondary banking crisis of 1973-4 took hold[xvii]. This was the biggest banking crisis of the twentieth century in the UK. It emerged after heavy lending to the property sector led to the failure of a number of secondary banks and threatened the liquidity of the entire banking system (Scott, 1996). By the middle of 1974 it was clear that Provident had not been entirely unscathed. The group reported that although it had not drawn upon the Support Group set up by the Bank of England it had been affected. Added to this it declared a £2.7 million loss caused by unauthorised trading in June of that year. In the following two years ebullient announcements were replaced with quieter claims that the group was weathering the downturn and awaiting improving conditions in which it could return to the 'bolder, more expansionist attitude which is more natural to us' (PCS AR 1974; Financial Times 280275: 30). By the end of 1975 taxable profits rose again as the group returned to its core business of lending small amounts over short periods (Financial Times, 140377: 20).

This concentration on core markets was also at play in the bid to takeover Cattles in 1977. Had it been successful, this would have given the Group a better geographical spread since Cattles mainly had branches where the Provident had not, but the initial bid was rejected, subsequently increased and then lapsed following its referral to the Monopolies Commission[xviii]. Market research commissioned in 1975, after the worst of the crisis, confirmed a high degree of customer loyalty with 2/3 of customers using the firm for more than five years and a core market still concentrated amongst council house dwelling weekly wage earners aged between 25-44 (AR 1975). The Annual Report's coverage of the research emphasised the positive, but the survey also revealed a sharp falling off in custom from younger, better-off fractions of the working class. By 1979 customer numbers fell back again to 721,000 (BPP, 1981) and the Group reported that its newer acquisitions and activities 'supplement rather than challenge the pre-eminence of the traditional home service credit business' (PFG AR 1979).

These were not quite the outcomes that were hoped for after the purchase of the People's Bank. In the wake of the secondary banking crisis the group did eventually introduce a greater range of financial services but it never succeeded in attracting a new, wider customer base. The 1974 Annual Report was entitled *Provident: the Peoples Bank* but changed to the more general *Provident Financial* in 1975. The proposal, reported in the *Daily Mail* in 1970, that all of Provident's larger branches would be rebranded as the People's Bank, was never realised. By 1980, the People's Bank operated only eight branches although there were plans for a further six. It was by then operating a full banking service that the *Financial Times* noted was 'open six days a week on a nine to five o'clock basis. There are no bank charges, current accounts earn 2 per cent interest and deposit accounts repay 15 per cent which is a point or so above that offered by the clearing banks' (160180: 6). These features might well have proved attractive enough for the more general expansion that had been planned but there was a further obstacle in the way.

One of the side effects of the secondary banking crisis was the enactment of a new Banking Act in 1979 that extended the supervisory responsibilities of the Bank of England over lenders. One of the Act's key provisions was that no new deposit taking business could be established without the Bank's permission and those already in operation had to be granted permission to continue (*Financial Times*, 210981: III). The Act distinguished been two types of business, banks and Licensed Deposit Takers (LDTs). In 1980 Provident applied for a licence to operate as a bank and thereby continue using the 'People's Bank' name as an integral element in restarting their long-held expansion plans. The Bank of England was not persuaded and classified the Provident an LDT. Provident did not, the Bank ruled, satisfy all the criteria of a recognised bank they had set out. A bank, according to the 1979 Act, should provide a wide range of banking services and enjoy 'high reputation and standing in the financial community' (*Financial Times*, 170181). Gordon Richardson, then Governor of the Bank of England asserted that 'classification as a licensed deposit taker is not to be seen of itself as impugning the status of an institution – and certainly not the integrity and competence of its management or the good name of the institution' (Financial Times, 210981: III).

This was scant compensation. Names in financial services, as Provident well understood, do a lot more signalling work than marking a 'good' or safe institution. They say something about the history, type and character of the business. There was no avoiding that LDT was a lower 'goat-like' status than bank (*Financial Times*, 160181: 6). Opening Provident's appeal against the decision in 1981, Anthony Graham-Dixon, QC, remarked that the name 'bank', meant people could expect 'probity, prudence, honesty, security and sufficient services in width and depth' to justify its use. LDT status not only did not convey such confidence and would prevent the company from continuing to trade under the People's Bank name. The 1979 Banking Act, Graham-Dixon argued, was essentially a piece of consumer protection legislation that was being loftily interpreted 'from the Ivory Tower of Threadneedle Street' and not from the user's point of view (*Financial Times*, 160181: 6). Provident's aim to bring full banking services to 17 million unbanked British adults primarily from the C2/D social categories, would be permanently halted if it was not allowed to call itself a bank. These arguments did not change the ruling, Provident published a bullish Annual Report in 1981 confirming their plans to roll out more People's Bank branches but in July their appeal was refused.

> The tribunal accepted that People's Bank provided four of the required services: current or deposit account facilities for members of the public or companies; overdraft or loan facilities; foreign exchange services; and financial advice. But it decided that the size of the business in relation to the last two services was " not of sufficient nature or scope to provide the wide range of banking services of a positive nature so as to entitle the appellants to recognition as a bank. (Financial Times, 220781).

**Epilogue**

Posterity offers no certain clues as to what might have happened if the decision had gone in Provident's favour. Perhaps a People's Bank offering a broad banking service on relatively favourable terms would have contributed to the development of a more inclusive financial services sector? The loss of the name to a new regulatory environment however confirmed Provident in an alternate strategy that was as much part of the kind of organisation they had been 'becoming' over their long history, and particularly over the previous two decades, as 'poor man's banker'. The company had always been a provider of credit to customers with scarce means but by the end of the 1970s it was steadily moving away from its long-standing techniques of risk management by screening and stringent controls on the amount borrowed.

The introduction of vouchers offered a way of increasing the amount, and the purposes Provident's credit facilities could be used for but vouchers were still tied to particular retailers. Toward the end of the 1960s, following the introduction of the more portable 'paybonds', Provident had begun to explore other means of diversifying beyond documentary credit. A number of smaller check traders started offering cash loans in the 1960s, and although Provident did not join them until 1972, its loan service grew very quickly. By the end of the decade, all three of the largest documentary credit companies offered loans through their agents (BPP, 1981). Provident's loan book provided the group with £8.2 million of its £9.2 million pre-tax profit in 1979. Loans were a significantly more expensive form of credit than checks or vouchers where customers shared the lending costs with retailers, but this did not deter customers. Provident, and its main competitors, saw customer numbers increase steadily through the 1980s, even as the importance of voucher and check trading diminished, towards an estimated 3 million by the early 1990s (Rowlingson, 1994). Rather than expanding by moving into more mainstream banking services, Provident consolidated its position by specialising in an ever more tightly defined 'down' market of 'excluded', 'non-standard' or 'sub-prime' borrowers. This continued into the 1990s as mainstream credit providers responded to the negative equity housing crisis with a 'flight to quality' (O'Connell, 2009; c.f. Burton et al. 2004; Langley, 2008). By the early 2000s, documentary credit trading had almost disappeared and Provident informed the Office of Fair Trading in 2011 that it no longer issued trading checks or bonds of any kind.

In 2016, the *Financial Times* described Provident Financial as a rarity among UK lenders in having 'had a good financial crisis' (200116). The company now has four main arms; a credit card business called Vanquis Bank, Satsuma an online instalment loan product, a motor finance unit and its home credit, or doorstep lending, arm that still employs 5,000 agents. Vanquis, a credit card with an APR around 40 per cent, now accounts for almost 2/3 of the group's products and the group is trying to scale back its doorstep loan business, which operates with APRs around 1000 per cent. Satsuma, which was launched in 2014 as a direct competitor to high profile payday loan companies like Wonga, has had little impact. The company's recent history shows how much it continues to be shaped by the regulatory environment. Satsuma was intended to take advantage of the expected clampdown on payday lenders, while Vanquis has done well out of the tighter prime lending environment after the crisis. As a name, Provident Financial is accommodating enough for the group to navigate its specialism through the non-standard and near prime credit markets moving up, down and around the stream as conditions permit. The name lacks the specificity of both 'clothing and supply' and 'People's Bank' but this has ultimately allowed the group to operate fairly flexibly within the constraints set by its own history, language and regulation. With the benefit of hindsight, as an increasingly opportunistic lender that is not shy about pricing its specialist risks 'correctly', it may eventually have preferred the regulatory outcome it got. It is not so clear that its customer would agree.

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BPP British Parliamentary Papers
HCD House of Commons Debate
NCS National Clothing and Supply Company Ltd
PCS Provident Clothing and Supply Company Ltd
PFG Provident Financial Group

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[i] Industrial assurance was a form of life assurance targeted at the poor and based on weekly doorstep collection that thrived in the UK, US, Australia, many parts of Asia and elsewhere until the late twentieth century. See McFall (2014)

[ii] Just how roguish Victorian financial capitalism was is a matter of debate c.f Klaus (2015) and Kynaston (1995) but the volatility of nineteenth century insurance, credit and savings organisation is well recorded.

[iii] All data from PCS (1930); PCS (1951); PCS ARs (1961-70) and O'Connell (2009)

[iv] *HC Deb*, 20 May 1963, 678, 107

[v] *HC Deb* 04 August 1942 382 825-6; *HC Deb* 11 September 1942 vol 383 c506

[vi] See, 1952 *HC Deb 13 March 1952 vol 497 cc1695-719*

[vii] According to Eric Fletcher, MP Islington East HCD 13 March 1952 497 c1696; see also *The Economist* (1963)

[viii] *Financial Times, Times* covered higher payments to shareholders than forecast on Feb 21 1963

[ix] A point *The Economist* also made in a 1963 article

[x] It probably also helped that Hugh Fraser was a shareholder; *Times*, 9 November 1962

[xi] See Provident Clothing Expansion. *The Times*, Wednesday, Mar 04, 1964: 17; Provident Clothing's Good Start, *Financial Times*, March 26, 1964:. 18; Provident Clothing Good Progress**,** *Financial Times*, February 18, 1965: 16; Provident Clothing Moving Ahead, *The Times***,** Mar 31, 1966: 19

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[xiv] See PCS AR (1966; 1973) and Provident Clothing Record £8.53m, *Financial Times*, February 22, 1974 : 22. The *Financial Times* and the *Times* between them used words like 'confident', 'happy', 'peak' 'boom', 'boost', 'acceleration', 'strength' in article headlines at least 13 times between 1968 and 1974 not to mention numerous references to increases, more, up, lifts etc. The FT used 'Provident Clothing Confident' alone four times between 1970-74 (March 05, 1970; September 09, 1970; September 07, 1972; April 03, 1974).

[xv] See especially Van Musschenbroek, K. (1970) feature article in the *Financial Times; Daily Mail* (191270); *Financial Times* (190269; 010670) *The Times* (150971; 171273)

[xvi] Times (220273: 24); Financial Times (220973)

[xvii] See Scott (1996) It was the biggest banking crisis of the twentieth century in the UK and occurred when heavy lending to the property sector led to the failure of a number of secondary banks and threatenend the liquidity of the entire banking system.

[xviii] Financial Times, 180177; The Times 100177: 17; 220277: 24