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Towards an ecology of retail financial services: understanding the persistence of door-to-door credit and insurance providers

Andrew Leyshon
School of Geography, University of Nottingham, Nottingham NG7 2RD, England;
e-mail: Andrew.Leyshon@nottingham.ac.uk
Dawn Burton
Leeds Business School, University of Leeds, Leeds LS2 9JT, England; e-mail: db@lubs.leeds.ac.uk
David Knights, Catrina Alferoff
School of Management, University of Keele, Keele ST5 5BG, England;
e-mail: d.knights@mngt.keele.ac.uk, c.alferoff@keele.ac.uk
Paola Signoretta
School of Geography, University of Nottingham, Nottingham NG7 2RD, England;
e-mail: paola.signoretta@nottingham.ac.uk
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Abstract. In this paper we explore the relationship between knowledge, trust, and space in the production and consumption of retail financial services as part of a wider enquiry into processes of financial exclusion. We argue that the relationship between knowledge and trust helps to explain the evolution of financial services and the production over time of distinctive *ecologies* of financial service production and use. We discuss the changing scales of financial knowledge and trust in relation to the evolution of the UK financial services industry. We identify two idealised ecologies and networks of retail financial services. The middle-class suburb represents an ecology and network of privilege within the contemporary retail financial services market. It displays relatively high levels of aggregate knowledge about the financial system and constitutes an important part of the retail financial services network, with strong and frequent connections to the financial services industry as a whole. Poor inner-city areas and peripheral local authority housing estates, meanwhile, have very different financial ecologies. Areas of relative deprivation and poverty, they constitute 'relic' financial ecologies that have been bypassed and mostly ignored by the mainstream financial services industry. They are colonised by a distinctive set of financial institutions that include firms that operate door-to-door. We look at the formation and evolution of these ecologies over time and discuss the potential of enriching the ecology of the poor inner-city and peripheral local authority housing estate through public policy.

1 Introduction

In this paper we explore the relationship between knowledge, trust, and space in the production and consumption of retail financial services as part of a wider enquiry into processes of financial exclusion.[1] The analysis in this paper is influenced by two metaphors that have recently been the subject of considerable critical attention within the social science literature. The first metaphor is that of the *network*. From the work of Castells (2001), and that of actor-network theorists such as Latour, Callon, and others (Callon, 1988; Law and Hassard, 1999), the metaphor of the network is now widely used within economically oriented research to give a sense of the relative connectedness of individuals, institutions, and places to broader social processes (for example, see Bloomfield and Vurdubakis, 1999; Hull, 1999; Lee and Hassard, 1999). Thus, the financial system may be seen as an exemplar of 'network society' (Castells, 2000)

[1] This paper is based upon research undertaken as part of a study into door-to-door delivery systems within the retail financial services industry. We are particularly concerned with the potential educative functions of such services as a means of combating financial exclusion (see the acknowledgements for more details).

in a number of respects. For example, individuals and households are differentially connected to the financial system, depending upon their social, economic, and geographical location. The financial system is sensitive to perceived geographical variations in levels of risk and reward and has become more discriminating in this regard over time, as systems have been developed to codify and abstract risks and rewards in relation to existing and potential financial assets. Thus, through use of credit scoring and geodemographic data, the financial system has become dependent upon what actor-network theorists describe as "at-a-distance mechanisms" (Miller and Rose, 1990; page 2),[2] where practices based upon "Intuition and rule of thumb" (page 16) have been replaced by technologies that enrol statistical techniques to sort and discriminate between different kinds of customers (Leyshon and Thrift, 1999). These changes have enabled the financial system to operate over great expanses of space, but they also mean that there are places in which the *mainstream* financial system prefers not to operate. The rapid advance of space-shrinking and time-shrinking information technologies is too often assumed to be bringing about the absolute 'death of distance' or the 'end of geography', but this process is relational and linked to the geographical distribution of economic and social capital. Therefore, whereas some individuals are located firmly 'inside' the financial system, others have to exist outside it or are only partially connected to it. Thus, if we consider the spatial arrangement of the financial system then it may be seen to resemble a network that connects to some places better than others and that is disconnected or only partially connected to other places.

However, in this paper, although we are interested in the dynamics of financial networks, we are more interested in their effects. Thus, one of the weaknesses of some network approaches is their inattention to place and a failure properly to consider the spatial implications of the working through of relations through networks (Thrift, 1999).[3] This is despite the fact that the differential level of connectedness of financial networks to people and places over time has spatial impacts that are cumulative and dynamic. Therefore, we argue that it is the relationship between knowledge and trust that helps to explain the evolution of financial services and the production over time of distinctive ecologies of financial services production and use. Thus, the second and more important metaphor to animate this paper is *ecological*. We have been influenced here by earlier attempts to ascribe ecological properties to social arrangements by authors such as Star (1995) and Nardi and O'Day (1999) in the field of science and technology studies. These writers develop an ecological approach in opposition to traditional systemic approaches to technological systems, arguing that systems are in effect made up of numerous interrelated technological and informational ecologies:

> "The notion of an ecology as we use it is metaphorical, intended to evoke an image of biological ecologies with their complex dynamics and diverse species and opportunistic niches for growth. Our purpose in using the ecology metaphor is to foster thought and discussion, to stimulate conversation" (Nardi and O'Day, 1999, page 50).

This is a political strategy, for, by fragmenting systems to the level of the different ecologies that constitute them, it becomes possible "to find individual points of leverage, ways into the system, and avenues of intervention" (page 50).

We want to draw similar parallels in thinking about the financial system, to argue that it too is made up of smaller, constitutive ecologies. We argue that it is possible to

[2] The term 'at-a-distance' originates within the writings of Bruno Latour and, in particular, within *Science in Action* (Latour, 1987).

[3] Thrift's criticism is directed in particular at Latour and other actor network theorists. The network approach of Castells is arguably more focused on the consequences for those places outside the dominant economic and political networks.

draw an analogy between the organisation of retail financial services and ecosystems, whereby certain arrangements emerge that are reproduceable over time. These processes unfold across space and evolve in relation to geographical difference so that distinctive ecologies of financial knowledge and practice emerge in different places. This approach is focused particularly on the interrelationship between institutions and actors in space and the ways in which different competences and practices evolve to enable these ecologies to reproduce themselves (or not). In other words, we are concerned with the formation and reproduction of what might be described as distinctive financial 'habitats'. We are particularly interested here in the persistence of a set of institutional arrangements and practices within the retail financial services industry that might be described as a 'relic' financial ecology; that is, door-to-door delivery systems within the retail credit and insurance industry utilised by a set of niche financial institutions that ply their trade within spaces either that have been largely abandoned by the mainstream retail financial services industry or that have never constituted markets for such firms.

Although we use the metaphor of ecology, we stress that this paper is a work of political economy rather than political ecology. Thus, the approach and scope of the work described in this paper differs from those of Douthwaite (1999) and Harvey (2000), for example, who attempt to combine an analysis of the monetary system with a prescriptive agenda for reforms that would bring about a sustainable settlement between financial and environmental imperatives. Nevertheless, we make a set of more narrowly defined policy prescriptions later in the paper and draw on some of the ideas for more locally responsive and responsible institutions advocated by writers such as Douthwaite and Harvey (for example, see Douthwaite, 1996).

In this paper, then, we make a preliminary attempt to identify ecologies of retail financial services. We do so in order to contribute to the contemporary debate around levels of access to retail financial services and of financial exclusion, which has been identified as a significant factor in the production and/or reinforcement of social inequality. We argue, in relation to this debate, that poorer neighbourhoods constitute a distinctive financial ecology produced by the exclusion of a significant number of inhabitants in such areas from mainstream financial services.

The remainder of the paper is organised in three main sections. In section 2 we develop a theoretical framework for the paper, drawing upon literature on financial knowledge and trust and their relationship to geographical space. We discuss the changing scales of financial knowledge and trust in relation to the evolution of the UK financial services industry. In section 3 we identify two distinctive financial ecologies in the form of the affluent middle-class suburb (which we discuss briefly) and the poor inner-city and peripheral local authority housing estate (which we discuss in more detail). In section 4 we look at recent developments, particularly from a public policy perspective, that may bring about a diversification of the financial ecology of the poor inner-city and peripheral local authority housing estate within the United Kingdom. Section 5 concludes the paper.

2 Financial knowledge, trust, and space

Knowledge and trust are central to the reproduction of monetary phenomena and are produced through intersubjective and institutional practices. A central proposition to the argument being developed in this paper is that, over time, the production of both financial knowledge and trust has become increasingly 'distanciated', which has enabled the majority of financial producers and consumers to engage in financial activity 'at-a-distance'. Knowledge and trust about financial practices that were once embodied and intersubjective have become codified, abstracted, and institutionalised.

This has enabled financial producers and (most) consumers significantly to increase and widen the choice of counterparties with whom they do business.

However, this process of distanciation is incomplete, on the part of producers and consumers. The institutionalisation of trust in producers by consumers has enabled some financial producers to become national (even international) brands, whereas others remain locked into regional or even local markets. Meanwhile, the institutionalisation of trust in consumers by producers has enabled some individuals and households, because of their possession of certain socioeconomic and geographical attributes, to become valorised as highly attractive and desirable clients. But others, because of attributes that point in another direction, are ignored or shunned by the mainstream retail financial services industry.

The production of trust is central to the reproduction of financial services (Knights and Vurdubakis, 1993) because one of the key roles of money and finance is to bridge time and space. Indeed, a key attribute underlying the development of money and finance is its capacity to assist the coordination of social action over time and across geographical space (Leyshon and Thrift, 1997a). A hypothetical example, drawn from the dawn of the mercantile capitalist era, illustrates both the coordinating capacity of money as well as the centrality of knowledge and trust to the reproduction of the financial system as whole. One of the earliest financial products developed in the early capitalist era was shipping and commodity insurance. Merchants bought insurance policies to protect against the risk of their cargoes and vessels being lost at sea before they reached the market. The development of such insurance markets depended upon merchants being able to trust that the underwriters of the risk, to whom they paid their premiums, would honour the policy in the event of a loss. Meanwhile, in order to fund the expensive chartering of ships and the purchase of commodities in often far-flung places, merchants would secure loans from (merchant) banks for the duration of the voyage. For these arrangements to work, the bankers had to invest trust in the merchants, anticipating that they would return the loan—plus interest—that they had advanced.

Although backed up by the development of law, such intersubjective trust was usually based upon personal knowledge and interaction. The emergence of financial centres at this time, such as Amsterdam and the City of London, was predicated upon the intermingling of social actors and the exchange of information and knowledge, not only about commercial developments but also about individuals and enterprises (Kynaston, 1995; Schama, 1987; Thrift, 1994). What such interpersonal relationships of trust seek to do is to minimise the chronic problem of information asymmetries that pervades retail financial services (Stiglitz, 1985; 2000; Stiglitz and Weiss, 1981; see also Bennett, 2000; Leyshon et al, 1998). That is, counterparties in financial transactions always have unequal access to information about the 'capability' of the other to honour their end of the deal. This is a chronic problem for financial services providers, particularly in relation to debt products; borrowers always know more about their capacity to service the debt than do lenders. Each time a lender provides credit to a customer or client there is a danger that this money will not be returned and ultimately will be lost. Thus, the problem of information asymmetries is usually manifested in the necessity to make an a priori decision about the suitability of customers. In order to minimise this risk, credit-granting organisations have sought to determine the extent to which borrowers are capable of servicing their debt, and this has traditionally been achieved through copresence, in place; that is, by meeting potential borrowers and assessing their creditworthiness and trustworthiness through face-to-face dialogue and evaluation. Communities of trust are built on class and establishment norms. Insurance provides a supplement or a substitute for trust.

This particular solution to the problem of information asymmetries in part helps to explain the formation and persistence of financial centres (Agnes, 2000; Clark and Wojcik, 2001; Pryke and Lee, 1995; Thrift, 1994) and also why retail financial services have developed in ways that have traditionally placed great emphasis upon extensive networks of branches and/or field agents. Branches and agents served not only as distribution networks for the sale of financial products but also as sites that regulated access to the financial system, gathered information about customers, and monitored their performance in servicing their accounts. Thus, in the past, customers would usually be required to present themselves to the bank in person on opening an account or if they wanted to borrow money. (For business bank loans, this still continues, although in almost cases collateral security will be required.) In so doing, customers would subject themselves to the in-person surveillance of a senior member of the branch staff, who would evaluate whether or not these were people to whom the bank's trust should be extended (Leyshon and Thrift, 1999). Should customers' subsequent financial performance fall below the required standard, despite having successfully negotiated this hurdle, then branches often asked them to represent themselves in person at the branch, so that their behaviour could be 'explained' and advice or warnings offered.

An emphasis upon 'local knowledge' in the production of credit-related trust has also been identified in the development of store-based credit. Jeacle and Walsh (2002), for example, observe that until the 1920s and 1930s credit was advanced by retail stores only to customers that the stores knew sufficiently to provide reassurance that the account would be properly serviced. Jeacle and Walsh argue that

> "local knowledge [of customers] appears to have been a precondition for credit. In the absence of local knowledge, larger stores generally insisted upon cash with the exception of the affluent customer and the use of in-store banking facilities. Smaller stores continued to be a part of a local nexus of credit and … it was the ability to offer credit which ensured the survival of smaller stores in the United Kingdom" (2002, page 740).

The field agents of financial services firms, who were once employed en masse by insurance companies and nonbank money-lending organisations, perform similar in-person regulatory functions surrounding the issue of credit. A key role of such agents was to act as a commission-driven sales force (Leidner, 1993), but agents also acted as embodied reminders to customers of the need to continue making recurring premium or loan repayments through the act of turning up in-person at customers' homes at regular intervals. We shall return to the role of field agents in section 3.

In the past, the copresence of financial institutions within the communities in which their customers lived also helped to engender trust in the institution's probity and prudence. A good example of the importance of physical presence is revealed in Cronon's (1991) account of the opening up of the Mid West of the United States during the 19th century and of the financial crises that frequently beset this frontier economy. As trust and faith in money itself were undermined by crisis, individuals tended to place greatest faith in the banknotes of banks based in New York and Chicago, but uncertainty meant that "most banknotes circulated at a discount from their face value" (Cronon, 1991, page 322), although the preference was for cash to be in the form of gold or silver coins, the value of which was seen to be more durable. In the United Kingdom, the early establishment of a central bank in the form of the Bank of England and the monopoly its notes assumed over the economy ensured greater stability and trust in money over a longer period. Nevertheless, the legacy of the regional origins of Britain's leading financial institutions (Pratt, 1998) is that some are stronger in some regions than in others. However, during the 20th century leading institutions combined

strategies both of organic growth, by opening new branches, and of merger and acquisition, to create organisations with extensive branch networks so that all aspired to cater for a national market. Thus, for consumers, the choice of bank for retail banking services increasingly had less to do with an investment of trust linked to local presence; trust was more or less taken for granted given the status and profile of such institutions. Rather, bank selection was a product of other factors, such as perceived levels of service, etc, which the presence of a local branch could help to reinforce. Branches did not retain much, if any, local character; they were satellites of larger organisations and operated in similar ways in different places. However, the power traditionally delegated to the management of branches within banks over matters such as the assessment of creditworthiness ensured that some discretion in lending policies could be exercised, which managers justified on the grounds of sensitivity to local conditions and factors. But this trust had to be established partly through other means.

Branch networks were essential to banks and most other credit-granting institutions because of the role that they played in tackling information asymmetries. Although branches were also effective sites for the distribution and marketing of financial products, their central role in regulating and monitoring the creditworthiness of customers meant that a branch network became a key requirement of and a barrier to entry to the retail banking market.

However, over the past twenty years or so the role of the branch within retail financial services has been significantly downgraded as the growing prominence of credit-scoring systems has permitted the problem of information asymmetries to be tackled at-a-distance (Leyshon and Pollard, 2000; Leyshon and Thrift, 1999). Such systems enable financial services firms to make risk assessments of customers from extant data and past financial performance, and credit scoring quickly became a core competency of the credit-granting industry. It was seen to be more accurate than face-to-face assessments and enabled firms to make significant labour savings by stripping out entire levels of middle management previously employed to perform such tasks. Rather than presenting themselves in person, potential customers or borrowers were now required to fill in a form or to provide information over the telephone. These data were entered into a credit-scoring system, which would produce standardised recommendations of the creditworthiness of the applicant (Leyshon and Thrift, 1999).

But in moving to a more efficient system that seemingly abandoned the need for face-to-face assessments, the leading banks also undermined the effectiveness of the branch network, which had previously acted as an effective barrier to entry for potential competitors in the mainstream retail financial services market. As a result, new competitors with strong brand identities—such as supermarkets, retailers, and network brand-based entities such as Virgin—began to enter the market, buying credit-scoring systems 'off the shelf' and setting up or outsourcing call centres and web interfaces as their main means of communicating with customers. As a result, the retail financial services market became an increasingly competitive terrain.

In this part of the paper we have argued that the production of knowledge and the generation of trust in retail financial services have become increasingly abstracted and lifted out of the local. Whereas information asymmetries were once tackled exclusively face-to-face, the problem of producers producing trust in consumers has become increasingly systematic and based upon a range of discriminatory technologies that gives credit-granting institutions the confidence to produce knowledge and generate trust at-a-distance. The majority of financial customers, too, thanks to the development of financial media plus information and communication technologies, have been able to broaden their choice of providers and escape the 'tyranny' of local firms. All this has taken place against the background of regulatory changes that have sought to open up

the retail financial services industry to increased competition, replacing structural regulation with prudential regulation that, in the United Kingdom, has accelerated since the mid-1980s.

However, these processes of abstraction and systemisation have not been universal and have unfolded in an uneven manner. In so doing, they have produced distinctive ecologies of retail financial services. In more affluent communities, we find examples of highly economically rational consumers 'playing' the market, often remotely via the Internet, searching for the best rates on savings and borrowing. At the lower end of the market there is what could be interpreted as a 'relic' ecology of retail financial services in that it harks back to a very early form of retail financial services provision. Thus, in the next part of the paper we turn our attention to two distinctive ecologies of retail financial services: affluent middle-class suburbs, on the one hand, and poor inner-city areas and peripheral local authority housing estates, on the other.

3 Two contemporary ecologies and networks of retail financial services

In what follows we identify two idealised ecologies and networks of retail financial services. These examples are used for heuristic purposes, and we recognise that we override much of the complexities of real-world situations in presenting them as we do. However, it is significant that through the use of forensic and discriminatory technologies the financial services industry is increasingly developing its own heuristic-based view of the world as it seeks to abstract and disembed financial practices to fit geodemographic models of risk and product pricing. Moreover, our analysis is deliberately asymmetrical in that we spend less time considering the ecology of the middle-class neighbourhoods than we do analysing poorer neighbourhoods. This is partly because of space constraints, but it is also because it is in poorer areas that the relic forms of financial services that we are most interested in persist, and it is poorer areas that represent an exceptional ecology in comparison with the mainstream ecology of the middle-class suburb.

3.1 The affluent middle-class suburb

The middle-class suburb represents an ecology and network of privilege within the contemporary retail financial services market. It contains what the industry describes as the 'prime' market of retail financial consumers (Burton et al, 2003). It is made up of subjects and household formations that are associated with the requisite amount of disposable income to constitute residents as the most desirable financial customers. Thus, most residents living in such locations may be identified as the 'financially superincluded', to whom the financial services industry markets its products most intensely and aggressively (Leyshon and Thrift, 1996).

Because of who they are and where they live, most residents of the middle-class suburb display the most favourable geodemographics and generate the highest scores on credit-scoring systems. Such areas contain a higher than average number of homeowners and managerial and professional workers with higher than average incomes and relatively stable career paths. For such people, growing competition between financial services providers has been mostly beneficial, as incumbents and new market entrants compete for their business. Indeed, many of the new entrants have specifically targeted the inhabitants of these areas as their preferred customers, seeking to eliminate from the outset a whole subset of customers deemed to be relatively unprofitable over the long term.[4]

[4] This was the strategy of the early call-centre-based financial services firms, typified by insurance companies such as Direct Line.

Not only do the inhabitants of such areas tend to have multiple accounts but also, because of higher levels of financial literacy and confidence, they tend to be more active consumers and are more likely to 'churn' their accounts. At the extreme, the middle class suburban consumer of financial services turns his or her privileged position against the financial services industry. This is well illustrated in the case of the pejorative identification in the industry of the so-called credit-card rate chaser; that is, an individual who uses successive introductory offers of credit cards with time-limited 0% interest to move debt from one card to another, avoiding paying any interest for as long as possible.(5) But such people are able to pursue this strategy precisely because the credit-scoring systems that underpin such cards identify them as desirable customers.

Such areas also possess a relatively dense concentration of financial infrastructure. Although middle-class suburbs suffered their share of closures in the wave of bank and building-society branch closures of the 1990s (Leyshon and Thrift, 1997b), this process had much less real impact than it did in other areas because it was this geodemographic segment that was the target of, first, telephone-based distribution systems and, then, of web-enabled online financial services. For the inhabitants of such areas journeys to town centres and high streets to visit financial institutions are less of a barrier, either socially, in terms of having the confidence to speak about financial matters with what are often perceived as middle-class institutions (Collard et al, 2001), or physically, in that travelling to such areas is less constraining. Moreover, middle-class consumers are more likely to have telephones and the computing equipment necessary to be able to substitute 'distanciated' contact for face-to-face contact and to take advantage of the keener rates and more advantageous conditions offered by providers using such distribution systems.

Thus, the middle-class suburb is a retail financial ecology with high levels of competition between service providers and of comparatively high levels of product choice among consumers. It displays relatively high levels of aggregate knowledge about the financial system and constitutes an important part of the retail financial services network, with strong and frequent connections to the financial services industry as a whole. Moreover, as Dymski and Veitch (1996) have demonstrated within the US context, the financial advantages enjoyed by residents in middle-class suburbs are strongly relational in that such privileges are enjoyed at the expense of those in poorer, more disadvantaged areas. Through a process they describe as 'financial dynamics', Dymski and Veitch argue that middle-class areas enjoy considerable long-term positive spillover benefits through continuous and progressive investment through the financial system. Thus, the fact that residents in middle-class areas are more likely to be homeowners, often with equity and relatively high incomes, means they are more likely to be able to tap private debt markets for further investment in their properties for expenses such as maintenance and improvement. Moreover, Dymski and Veitch argue, just as richer countries often receive net capital flows from poorer countries, some of the debt used to invest in more affluent areas may well be funded from investments made in the mainstream financial system by individuals and households in poorer neighbourhoods. This is because although it is possible for those with surplus cash to invest in the mainstream financial system it is more difficult for those in poorer areas to obtain credit from that system, which means that savings from poorer areas may well be pooled and loaned out for expenditure in middle-class areas (in addition, see Leyshon and Thrift, 1997).

(5) In fact, the vernacular description within the industry of such individuals is even more pejorative: 'rate tart'.

We now turn our attention to the financial ecology of poorer neighbourhoods, which is the main analytical focus of this paper.

3.2 Poor inner cities and peripheral local authority housing estates

Poor inner cities and peripheral local authority housing estates (PIC/PLHEs) are taken together here to form a distinctive ecology because they share geodemographic profiles and have similar relationships to the retail financial system. PIC/PLHEs have very different financial ecologies from that of middle-class suburbs. The socioeconomic characteristics of people living in PIC/PLHEs means that they fare much more poorly on the credit-scoring systems employed by mainstream financial service firms than do the majority of the population. Lower incomes, a lower instance of homeownership, and a more limited engagement with financial services products in the past mean that such individuals become categorised as risky, potentially problematic, or unprofitable customers. Higher instances of unemployment and insecure employment means that many individuals and households in such areas are unable to satisfy the financial services industry expectations of a stable, linear subject who, through the pursuit of a progressive employment career, can service financial products over relatively long periods of time (Burton et al, 2003). In addition, many residents of such areas choose to self-exclude themselves from the mainstream financial services industry because of perceptions that such products are 'not for them' or because the difficult process of juggling finances on a low income means that it is often safer to avoid the risks of incurring the penalties that many firms impose for going overdrawn, missing payments, etc by not applying for products or by closing existing accounts (Collard et al, 2001)

Thus, whereas the residents of middle-class suburbs make up the 'prime' financial services market, those living in PIC/PLHEs are what the industry describes as 'sub-prime'. This is the part of the market that, until recently, and until the development of what the industry describes as the complex subprime market (Burton et al, 2003),[6] the mainstream industry has chosen to ignore, which has ensured that a very different ecology of financial services has emerged in such areas. They suffered higher than average closures of bank and building-society branches during the 1990s (Leyshon and Thrift, 1997), despite the fact that these closures took place against an already low base as these areas have never been particularly important to the mainstream industry and so they only ever attracted a relatively thin scattering of branches. A preference for cash and the problems of securing credit mean that these are areas where firms that have traditionally used field agents that sell financial services and collect the premiums or repayments are based.

This form of financial services delivery system has a particularly long history, and a particularly disreputable reputation, associated with the dread figure of the debt collector. This reputation continues to beleaguer the industry, although 'home service' has been a tried and tested delivery system for the financial service industry for well over 150 years. In the 19th century it emerged as a delivery system that succeeded in extending life assurance to the able-bodied working classes through so-called 'industrial' divisions. The earliest policies were 'whole life', sold as a means of ensuring that the relatively poor could avoid the indignity of a pauper's funeral, but eventually the endowment policy was created as a regular savings vehicle. Agents took advantage of the high population densities of emerging industrial areas, and the precarious lives

[6] Greater confidence in the power of credit-scoring systems has given birth to a new category of financial lending, known within the industry as complex subprime. Since the late 1990s firms have sought to break into the subprime market by attempting to 'skim off' the better risks by identifying them remotely through credit analysis, in an attempt to capture the market formerly controlled by the home-collected credit providers (see Burton et al, 2003). However, it is too early to say whether these firms have actually been able to extract any profits through these practices.

of the working class, to offer regular door-to-door collection of premiums that made saving through life assurance possible for people on low incomes. In so doing, these firms became effective aggregators of working-class savings (Davies, 1994). The growth of these firms—such as the Co-operative Insurance Society (CIS), Prudential, the Pearl, the Royal London, the Refuge, and the Pioneer—was based on their ability to operate successfully within the cash economy and on their tailoring of a delivery and collection system to match. More traditional insurance companies had targeted their products at the relatively wealthy and affluent and had collected their premiums on a monthly, quarterly, or annual basis by cheque, but industrial insurers employed the "door-to-door canvasser and collector, who timed his regular weekly visits just after the breadwinner arrived home [who] was of course paid in cash" (Davies, 1994, page 325)

Over the course of the 20th century the cash economy retreated—a result in large part of employers using direct bank transfer to pay salaries and wages, for reasons of efficiency and security, meaning that most of those in work have become incorporated into the intermediated world of the financial system. Trades unions also reinforced this system of payment because they sought a 'check-off' system of deducting membership fees directly from pay to the union's bank account. Nevertheless, the industrial branch operations of life companies continued to operate in working-class areas up to the beginning of the 21st century. This was despite the fact that, in order to cover the labour intensity of this particular delivery and collection system, the policies sold in this way were more expensive than those where premiums were paid through the bank or by deduction from wages or salary. Although their industrial branch market began to grow much more slowly, these companies began to compete for a share of the 'ordinary branch' business, where premiums were paid less frequently and usually through the automatic bank transfer system of bankers' order or direct debit. In a market where generally consumers had to be persuaded to buy insurance and savings products, their distribution system gave them an advantage over other companies. They were able to use the agent's personal contact with customers as a means of prospecting for new customers (relatives and friends as well as existing customers) and then negotiate the sale through trained sales personnel (that is, inspectors) who would accompany the agent on his or her calls.

Despite competing very favourably on the more upmarket policies, the home service companies continued also to sell industrial branch policies that were much more expensive. This was possible for a number of reasons. First, many of the policies had very small premiums, many customers up until recently still did not hold bank accounts, and agents with little sales training could feel comfortable selling the policies without the assistance of an 'expert'. There was also inertia, where households that paid for insurance through regular cash payments lacked the information or the confidence to overcome the transaction costs necessary to shift to a more economical form of insurance. It also has to be remembered that the costs of insurance were never transparent until new regulations, aimed at the point of sale, in the 1986 Financial Services Act and subsequent legislation and rulings, made them so. In many cases, the reasons for the persistence of home service insurance firms were perhaps social and cultural, in that household members built up relationships with agents over a period years and chose to continue doing business with someone they knew and trusted rather than giving their business to what they saw, in comparison, as anonymous and faceless companies. A further reason was perhaps the way in which this particular method of collection enabled individuals to make relatively small payments on a regular basis rather than having to make larger but less frequent payments, which has budgetary implications. In addition, many of the agents had traditionally distributed other products such as credit drapery (store credit for the purchase of clothing) or money lending along

with the insurance. Customers would often feel tied or dependent economically and sometimes morally to the agent such that a power relation prevailed.

However, after 2000 the industrial branches of the UK insurance companies all but disappeared, but the collapse of this 'relic' form of financial services delivery in insurance was not caused by the inexorable advance of at-a-distance providers or of intermediated financial services; rather, it was caused by changes in financial regulation. The 1986 Financial Services Act imposed higher barriers to entry in the form of training and qualifications for all those offering advice related to investment. Anyone selling investment-related financial services had to achieve a financial planning certificate at three levels, but this proved either too difficult or too daunting for many of the agents of the home service companies, as few of them possessed formal qualifications and many felt that it was either undesirable or too late in their careers to start studying for exams. But even this was not ultimately the reason for the collapse of industrial branch business, as the agents could have been redeployed as collectors, with sales handed over completely to those with the qualifications. The decisive blow for this form of provision came later when the regulator began to target the sector for special attention, both because of the high costs of industrial branch products and because of the failure of the companies to ensure proper compliance to the regulations. A number of high-profile regulatory fines and the necessity to withdraw sales staff from the field for retraining acted in combination with pressure to provide strong justification for selling industrial branch in preference to ordinary branch business to force firms to undertake an overhaul of their distribution systems. Long before regulations had made the business look vulnerable, the largest home service companies had withdrawn from industrial branch business to concentrate upon more upmarket direct and intermediary distribution systems. Pressure from the regulators to offer lower cost products, the cost of training, and the need to rationalise so as to compete more effectively with the rest of the industry meant that all but the CIS and a few friendly societies stopped offering new business in industrial branch. They had, of course, the legacy of existing clients that they sought to convert to ordinary branch or service through outsourcing to collecting agencies.

The withdrawal of the insurance companies from this particular financial ecology means that credit or money lending is now the only financial services business offered to new consumers that is provided through door-to-door delivery. The 'home-collected credit industry' has evolved from three distinctive credit-granting practices within mainly working-class communities.[7] The first practice was 'credit drapery'. The second was the issuing of 'scrip' by credit companies, which was exchangeable within designated retail outlets and repayable in cash to the lender over a period of time. The third and final practice was money lending itself. As indicated earlier, many of these services were also distributed through the industrial branch insurance agents, as these agents were often self-employed and therefore could not be prevented from supplementing their income through such peripheral activities. Sometimes, the peripheral money lending became the core business of these firms as it often proved more profitable than insurance. These practices have evolved and mutated into three related practices that are currently undertaken by firms that constitute the UK home credit industry. Thus, credit drapery now takes the form of the direct sale, on credit, of certain

[7] The information that follows was obtained via interviews and fieldwork with representatives of the home credit industry, undertaken during 2002 and 2003. The research involved a series of semistructured interviews with members of industry organisations and leading firms within the sector as well as participant observation with agents on their rounds. Space constraints mean that we draw upon this information only sparingly in this paper.

specialist goods (such as Christmas hampers). Scrip issue takes the contemporary form of selling gift vouchers for certain retail outlets (such as Argos, a no-frills, pile-them-high, sell-them-cheap, general retailer), which are repaid over time at interest. However, the majority of the business is made up of the perennial staple of such companies—direct money lending.

It is difficult to assess the size of this market, as no official statistics exist. However, the representative organisation for the industry, the Consumer Credit Association (CCA), estimates that in 2003 the industry as a whole employed over 28 000 agents and over 3000 office staff serving in excess of 3 million customers (John Lamidey, Director CCA, personal communication 2003). The institutional structure of the market is highly bifurcated, being dominated by a handful of large national or subnational firms but with a large tail of very small operations, which may be as small as one or two individuals (table 1). The largest firms within the home credit market are Provident Financial and Cattles. Between them, in 2002, these companies had over 2 million customers, employed over 15 500 agents, ran over 800 offices, and generated a combined turnover of just under £1500 million (see table 2).

Table 1. The home-collected credit industry, 2003: firms, by number of agents [source: Consumer Credit Association (CCA), personal communication, 2003].

Number of agents	Number of firms
1 – 10	470
11 – 100	32
101 – 2000	9
⩾ 2001	2

Note: figures are for members of the CCA only; that is, for licensed money-lending firms.

Table 2. The two leading home-collected credit firms in the United Kingdom, 2002 (sources: company reports; authors' research).

Company	Turnover (£ million)	Profit before (£ million)	Number of customers	Number of branches	Number of agents
Provident Financial	875.0	171.4	1630 000	362[a]	12 600
Cattles	499.2	93.6	700 000	470	3 000

[a] Consisting of 28 traditional branches, 235 management centres, and 99 service centres.

The success of these companies within this particular financial ecology is because they are particularly well adapted to operating in PIC/PLHEs, and for at least four reasons. First, they overcome the problem of information asymmetries by the use of field agents who use tacit, face-to-face observational skills to assess the creditworthiness of a population that is for the most part written off by at-a-distance credit-scoring techniques. Moreover, they police the repayment of debt through regular rounds through which agents exercise moral suasion over their customers. Second, they operate through the medium of cash, which accounts for a much greater number of transactions in such communities than elsewhere (Kempson, 1994). Loans are both issued and repaid in cash. In this sense, home credit firms may be accurately described as 'fast companies', as they turn their cash around much quicker than do conventional financial services firms (compare Fine, 1998). Third, these companies deal in much lower value loans than do mainstream lenders; whereas the minimum loan issued by a high-street lender tends to

be at least £1000, home credit firms are prepared to lend less than £100 at a time (Kempson and Whyley, 1999). A list of the debt products and their prices provided by one home-collected credit company is illustrated in table 3. Fourth, these lenders are able to offer a degree of certainty and tolerance to default that means that the cost of the loan to the customer will not change, even if a few payments are missed. However, to build in such certainty, the home credit industry inverts the normal process of pricing debt to cover the risk of default. In the prime market, the assumption is made that payments will be made on time and in accordance with the agreed contract. The customers who subsequently default are charged prohibitive penalties which more than cover the extra costs of debt recovery and which also help to cross-subsidise the loans of 'good' customers. However, in the home credit market, products are priced based on the assumption that *all* customers will default, so that the costs of recovery are built into all the loans made. This means that customers who borrow from such sources and who do not miss any payments are, in effect, cross-subsidising those who default.[8]

Table 3. Home-collected credit product types: adapted from case-study company's marketing literature, 2003.

	Popular (£200 – £500)	Select (250 – £750)	Jubilee (£300 – £750)	Gold (£750 – £2000)
Example:				
Amount borrowed (£)	216	324	324	1080
Insurance premium (£)	16	24	24	80
Amount received (£)	200	300	300	1000
Total repayments (£)	320	480	500	1750
Weekly payment	32 weeks at £10	40 weeks at £12	50 weeks at £10	70 weeks at £25
Annual percentage rate	276.4	190.9	160.01	116.5

Pricing debt products in this way means that they are more expensive than mainstream loans. The cost of these products is also inflated by the fact that they are administered by a highly labour-intensive distribution network. A detailed breakdown of the additional costs associated with this form of credit has been provided by Kempson and Whyley (1999, page 6):

> "Interest rates vary according to the size and length of loans and range from 105% for a 104 week loan of £800 to 481% on a 20 week loan of £60 (Rowlingson, 1994, p29). It should be noted, however, that these charges include the costs of home collection as well as the costs of late payment. Indeed, the Consumer Credit Association (the trade association representing the majority of such companies) has calculated that the cost of home collection is around 15% of the total sum collected by their agents. Of this 8% is paid as commission to agents and a further 7% covers management of the agents and back office loan and repayment administration of small weekly payments. So, for example, a £100 loan repayable over 26 weeks would incur total charges of £40. Of this £21 would cover the costs of collection (ie 15% of £100 plus £40). It is also claimed that the majority of loans are not paid on time, and for example, a 26 week loan is typically repaid over 30 weeks. Taking both these factors into consideration would reduce the APR [annual percentage rate] on a £100 loan from 292.4% to 82.8%."

[8] In this sense, it might seem to be economically rational for customers to miss a few payments as they are paying for such 'holidays' in any case. However, customers realise that missing payments without good reason may effect their ability to obtain credit from the agents of such firms in the future.

Given that at the time of writing high-street loans can have APRs as low as 10%, this form of borrowing is clearly much more expensive if compared like-for-like. However, despite this, such firms find a ready market for their products. For many customers, it would appear, the costs are deemed to be worth paying precisely because they deliver a short-term, low-risk product in low denominations in a manner that is recognised as 'expensive' and yet seen to be affordable because of the modest amounts of money that have to be paid out each week. Moreover, these firms are particularly well embedded into the areas in which they operate, using field agents who often are well known within the local community (and in many cases, often are former customers, Rowlingson, 1994).(9)

The money-lending firms that make up the home credit industry are not the only organisations that operate within this financial ecology. They compete with a host of other types that operate within this relatively low-income milieu that offer credit or other kinds of financial service. These include traditional providers, such as mail order companies (which are also serviced by field agents), cheque cashers, and pawnbrokers as well as newer institutional forms in the form of franchised companies such as Cash Converters and Brighthouse (formerly Crazy George).(10) These firms are variations on pawnbroking (in the case of Cash Converters), and the selling of white goods on credit with a return option (in the case of Brighthouse) and, like all the above, have raised concerns about the cost and terms of the credit they provide to their customers (Kempson and Whyley, 1999).

As part of community economic development initiatives to counter what are seen to be the regressive social effects of the cost of these market-based financial services, considerable attention has been paid to the possibilities of 'alternative' financial institutions, such as rotating credit and savings societies (Sterling, 1995) and credit unions (Fuller, 1998, Hayton, 2001; Wilman, 2000) to enrich the financial ecology of PIC/PLHEs. However, although these institutions have the laudable aim of providing small amounts of credit over short periods of time—thereby providing a substitute for the loans provided by money lenders—the democratic and open nature of decisionmaking within such organisations deters some potential borrowers, who fear that their financial affairs will become public knowledge should they submit themselves to appraisal by loan-approval committees. Thus, for some individuals within this particular financial ecology, financial privacy would appear to be a price worth paying for.

(9) These firms also display a distinctive gender culture (compare McDowell, 1997) in as much as around 80% of agents and their customers are women.

(10) Cash Converters is an international franchise operation that seeks to transform the idea of pawnbroking and the trading of second-hand goods from a traditional, down-at-heel, seedy operation to something that resembles mainstream retailing. The company was started in Perth, Australia, in 1984 and, at the time, of writing had 500 stores worldwide, with over 90 in the United Kingdom (see http://www.cashconverters.co.uk/). The Brighthouse business model is set out on their website: "At BrightHouse we aim to provide anyone, regardless of their household income, employment or credit status, with a wide choice of high quality products for their home at affordable prices. We do this by providing you with the benefits of credit without the traditional strings attached. At BrightHouse you can either pay outright in cash, spread the cost with affordable weekly payments or pay monthly by direct debit. What's more our optional service cover gives you the added benefit of a full service package and the ability to return your product at any time, without penalty. You can even restart your agreement up to 12 months later, and the payments you have made will still count against a product of similar age and specification" (see http://www.brighthouse.info/howitworks.asp). Thus, the core business of Brighthouse is selling white goods to low-income individuals and households through credit schemes. According to Kempson and Whyley (1999), concerns have been raised about the charges applied when customers exercise these options.

Morever, it is important to point out that, as far as PIC/PLHEs are concerned, there are ecologies within ecologies. Thus, whereas inhabitants of traditional local authority housing estates are normally able to obtain services from all of the above providers, inhabitants of high-rise council flats are usually unable to obtain loans from licensed home credit firms. The agents of such firms are either prevented from, or reluctant to, work in such environments because of the perception that they are more likely to be attacked—because the architecture of such buildings produces confined spaces and restricts their line of sight—and because of the difficulty agents often experience in gaining access to tower blocks in order to undertake their rounds. These areas, therefore, are given over to unlicensed money lenders, who operate illegally, charge much higher rates of interest, and use all manner of disreputable means to regulate the repayment of debt.

In the next part of the paper we discuss various measures that might be employed to enrich and diversify the financial ecology of PIC/PLHEs.

4 Diversifying financial ecologies

The financial ecologies outlined above have remained a fairly persistent feature of the financial services landscape for nearly half a century, and for much longer than that with respect to industrial branch insurance. However, in recent years there has been much more interest in combating financial exclusion and marginalisation from the position of the long-term wellbeing of individuals, and in the wider interests of society. From a public policy perspective the existence of such radically different financial ecologies creates a significant dilemma. On social justice grounds, it is particularly problematic that one section of the population should be expected to pay significantly more for products that, for the majority, are not only much cheaper but also available from a much wider range of providers. This would seem to be the position taken by the UK Department of Trade and Industry which, at the time of writing, is embarking upon a programme to 'reign in' the home credit industry by seeking to impose higher barriers to entry and greater regulation of the sector. This programme is being complemented by negotiations with mainstream retail financial services firms to provide products specially tailored to low-income consumers.

However, despite the social responsibility arguments, we suggest that the emergence of these distinctive financial ecologies—and, in particular, the financial ecology of PIC/PHLEs—is based upon an underlying economic rationality. That is, it *is* more difficult—and therefore more expensive—to provide financial products for those on the margins of society who have irregular and variable incomes. This is why the agent-based model of delivery has been so successful; because it enables firms to cope with the uncertainty and unpredictability that often accompanies the employment careers of many who live in the inner city and on council estates; of the greater incidence of unemployment and precarious employment of those living in such areas.[11] Although agents are required to deploy a wide range of skills which, on occasion, and with particular clients, can involve expressions of empathy, as well as providing counselling and advice (Rowlingson, 1994), above all else the agent's regular appearance on the doorstep at the same time each week acts as a persistent and physical reminder of the need to find the money to repay debts. This discipline is effective partly because of the awareness that agents are often calling on neighbours, and many individuals who manage on comparatively small incomes place great store in being thought of as creditworthy or financially self-disciplined, and do not

[11] In our fieldwork we discovered that the main reason that customers encountered problems in paying their loans was episodes of unemployment.

wish to acquire the stigma in the community of being otherwise.[12] In addition, these agents represent a potential source of financial knowledge for individuals and households in PIC/PLHEs. Thus, home credit companies are successful partly because they have married a delivery and collection system that it is appropriate to a section of the population that is deemed too risky for conventional retail financial practices. But by developing systems that enable them to operate within such an environment, these firms have, until relatively recently, enjoyed significant competitive advantages in as much as they have had the market virtually to themselves. Thus, one social justice policy recommendation that emerges from the perspective developed in this paper would be to encourage institutional diversification within the PIC/PLHE ecology.

There have been calls for a much broader social role for mainstream banks for a number of years, but it is only relatively recently that they have begun to take this seriously. One important step forward in this direction is the development of financial exclusion units in many mainstream financial institutions. A cynical view of these developments might be that they are simply an attempt to avoid legislation akin to the 1977 Community Reinvestment Act and the 1975 Home Mortgage Disclosure Act in the USA, where lending institutions are required to demonstrate that they use nondiscriminatory lending practices (Leyshon and Thrift, 1997a). Significantly, this legislation was informed by concerns that mainstream financial institutions in the USA were creating and sustaining economic, social, and racial segregation through red-lining practices that favoured more affluent areas over poorer areas. Nevertheless, in the United Kingdom, coalitions and the interaction between various types of financial services providers, including mainstream banks, are working towards diversifying ecologies of trust and financial services production in places such as PIC/PLHAs. Other aspects of this changing financial services landscape include a much broader interest from the Financial Services Authority (FSA) in protecting vulnerable and disadvantaged consumers. Another important strand in this new environment is the UK government's Exclusion Unit that has established a policy action group specifically to tackle the issue of financial exclusion.

It might be anticipated that this different political and regulatory environment for financial services would bring about the transformation of the financial ecology of PIC/PLHAs. Indeed, as Aldridge (1998) has argued, the development of a commodified mass market for financial services will occur by lowering not just the economic threshold to financial services but also the threshold of cultural capital (in the form of financial education) needed for their acquisition. In this respect, a number of initiatives have been put in place to integrate individuals within lower socioeconomic groups into mainstream financial services provision. One attempt is the development of 'no-frills' basic financial products that are easy to understand and use, such as basic bank accounts. However, even in the case of basic bank accounts there are still some consumers who will be unable to access these services as a result of not having long-term permanent residency or because of their poor credit histories. For example, bankrupts are excluded from most of the current offerings.

The low-cost pricing of basic products has also been another strategy in mainstreaming the financially marginalised. For example, the offering of stakeholder pensions has been enforced on the financial services industry by the government as part of a strategy of reducing the costs of buying pensions for the less well off—that is, for those on incomes of between £9000 and £20 000 per annum. But, again, although

[12] However, as our fieldwork revealed, this form of moral suasion was quite ineffective with a minority of customers who, according to the agents we spoke to, either arranged to be out at the time they call, or simply disputed that the time at which the agent called was the one that had been agreed.

these policies have charges capped at 1%, to keep costs down, this also means that they have to be distributed without customised advice. And yet it could be argued it is this sector that, because of lower levels of financial capability and knowledge, is in most need of such advice. Furthermore, although the government has been keen to enlist the FSA in its fight against financial exclusion, one of its main achievements to date has been to drive home service insurance companies out of the door-to-door market, as documented in section 3.2, but without engineering a substitute service, so that an important vehicle for savings within PIC/PLHEs has been removed, with the result that this ecology has become *less* rather than more diversified.

One of the limitations of such approaches, we argue, is that they have failed to recognise how localised the problem of financial exclusion is, and how practical the strategies to combat it need to be. Thus, strategies that seek to bring about institutional diversification within the financial ecology of PIC/PLHEs and to provide tangible alternative providers of basic financial services are more likely to be successful than the introduction of regulatory norms based upon a more abstracted notion of transparency. Thus, a far more hopeful development has been to utilise the existing financial service infrastructure to provide basic banking services. The role of the Post Office has been invaluable in this respect as post offices still exist in areas vacated by mainstream financial institutions or in areas where such institutions have never existed. In order to avoid government impositions on the banks to service the less well off directly, post offices were permitted to sell the banks' basic accounts. This meant that social security and pensions could be paid through this mechanism and customers could settle utility and other bills through the Post Office. Individuals who use money lenders will usually also be familiar with using post offices to cash various government payments and benefits.

The creation of a much wider role for credit unions is another strategy that has considerable potential to diversify existing financial ecologies. Credit unions generally have a more in-depth knowledge of the specialist needs of low-income consumers and have been positively encouraged in Britain via recent regulation (Jonas and Fuller, 2003). Some of the largest credit unions provide a very wide range of services, and have city-centre or town-centre offices and even 'office hours' in local communities (churches, schools, and community centres). Many credit unions are therefore directly competing with money-lending agencies and use comparative interest-rate advertising and comparisons of total repayment charges as an integral part of their marketing strategies. This is an important development. Although creditors use various techniques of credit referencing to 'weed out' customers to whom credit will not be granted, until fairly recently there was no countervailing service warning consumers that they had been too pessimistic about their choice of creditor and would have been able to obtain it from a supplier offering better terms.

To date, the financial services literature has tended to focus on the existence and function of financial institutions in particular places. Far less attention has been placed on the social, economic, and political relationship between financial institutions. In part, this lack of attention could be justified as the institutions were more insulated from one another before the economic deregulation of the 1980s. Apart from insurance being distributed by banks and the interbank cooperation regarding automated teller machine provision (for example, Link), collaboration was extremely limited. A contemporary feature of the emerging financial services landscape is the existence of collaborative initiatives between different types of financial services suppliers that, although at the pilot stage, could have profound implications for generating new ecologies of financial knowledge. One example is the collaboration between Leeds City Credit Union (LCCU) and the exclusion unit of Barclays Bank. Since the late 1980s, the UK government has

been seeking to facilitate greater cooperation between mainstream financial institutions and credit unions by reforming legislation that has limited their ability to undertake new functions and cooperate with other organisations (HM Treasury, 1998). This initiative, at the pilot stage at the time of writing, has enabled LCCU, with funding support from Barclays, to underwrite the debts of twenty families to enable them to end their 'relationships' with high-cost money lenders, with the debts being transferred to LCCU. If the initiative is successful it will be rolled out with funding from a wider range of mainstream financial institutions. LCCU was not able to fund the loans itself because of the high level of risk involved, but, on social responsibility grounds, Barclays was willing to act in partnership.

Although still thin on the ground, similar partnerships between mainstream banks and local, 'alternative', financial institutions and development organisations are emerging in other UK cities (for example, on Bristol, see Collard et al, 2001; French and Leyshon, 2003).

5 Conclusions

In this paper we have explored the relationship between knowledge, trust, and space in the production and consumption of retail financial services to argue that the relationship between knowledge and trust helps to explain the evolution of financial services and the production over time of distinctive ecologies and networks of financial services use and production. The production and consumption of retail financial services products has become more distanciated over time, but this process has evolved unevenly. We have illustrated this by examining two distinctive financial ecologies: that of the affluent middle-class suburb and that of the PIC/PLHE. The middle-class suburb represents an ecology of privilege within the contemporary retail financial services market, whereas its corollary and antithesis is the PIC/PLHE. These ecologies are both characterised by distinctive socioeconomic formations and different means of producing trust and knowledge in and about financial processes: at-a-distance processes for the most part characterised the middle-class suburb, whereas face-to-face processes were more characteristic within PIC/PLHEs.

We have argued that these distinctive ecologies have emerged over time as a result of changes in the ways in which the financial services industry has sought to price risk and develop markets. In many respects, the PIC/PLHE represents a 'relic' financial ecology, one that has been passed by and ignored by the mainstream financial services industry. Its inhabitants either are regarded as either too poor to lend to or display erratic and variable financial histories so that they are deemed too difficult to be regulated or disciplined through the arm's-length at-a-distance means of assessment and surveillance currently mobilised by the retail financial services industry. For the mainstream industry, the normative expectation is that their market *is* the middle-class suburb. The market within the PIC/PLHE is, for the mainstream financial services industry, exceptional and problematic.

By ignoring or abandoning PIC/PLHEs the mainstream industry has created market space for other providers to move in and develop practices more suitable to regulating and monitoring high-risk customers. Moreover, what limited research has been done in this area would suggest that these firms are able to generate significant loyalty among their customers by being particularly well embedded within the communities in which they operate (Rowlingson, 1994).

However, from a public policy perspective, the existence of such radically different financial ecologies creates a significant dilemma, given that poorer people have to pay significantly more for a narrower range of products. However, there remains the possibility that the emergence of these distinctive financial ecologies is based upon

an underlying economic rationality, that it *is* more difficult—and therefore more expensive—to provide financial products to those on the margins of society who have irregular and variable incomes. This is perhaps why the agent-based model of delivery has been so successful; because it is well adapted to a credit market within which repayments may be irregular and variable

Thus, perhaps a more effective route for public policy in this area would not be to regulate the home credit industry out of existence but rather to crowd it out of its current market. This could be achieved through the encouragement of the institutions discussed in section 4 or through the creation of not-for-profit divisions run by the mainstream financial services industry that also operate a distribution network based on field agents. Given the additional costs of this redistribution system and the higher risk of default, products offered by such organisations would still be more expensive than those offered to the mainstream market—unless the additional costs were covered by the state—but the fact that they were administered by not-for-profit firms would make them cheaper than those currently offered by the home credit industry and broaden the choice of provision within this particular financial ecology.

In other words, regulators should seek to encourage a more enriched and diversified financial ecology. Indeed, we are deeply sympathetic to Nardi and O'Day's argument that the advantage of using a metaphor such as 'ecology' over terms such as 'community' is that it opens up a way of thinking about arrangements that are always open to possibility of change but that are also freighted with danger and risk:

> "The word 'ecology' is more evocative for us than 'community', despite some similarities. Ecology suggests diversity in a way that community does not .... Ecology implies continual evolution. The idea of community does not put the same emphasis on change ... There is an urgency in the notion of ecology, because we are all aware of the possibilities of ecological failure due to environmental destruction (Nardi and O'Day, 1999, page 56).

Thus, by imagining financial arrangements in place as ecologies it becomes possible not only to adopt a developmental understanding of such arrangements but also to think about the sustainability and desirability of different ecologies within the context of normative evaluations about social justice, 'the injuries of class', and uneven economic development (for example, see Sayer, 2002).

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