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Pawnbrokers Thrive as Rising Gold Price Entices Hard-Up Britons  
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By Colm Heatley

Sept. 7 (Bloomberg) -- Pawnbrokers, who arrived in England with William the Conqueror in 1066, are thriving in a spluttering economy as banks lend less and gold prices soar.

Albemarle & Bond Plc, Cash Converters, H&T Group Plc and Cash Generator are reporting higher earnings and opening stores as government spending cuts bite and households seek quick sources of money, the companies said. That's boosted the shares of H&T and Albemarle & Bond.

"Pawnbroking is one of the few areas to be benefiting from austerity Britain," Robert Sanders, an analyst at Arbuthnot Securities in London, said in a telephone interview. "One of the key factors is that banks are unwilling to give people overdrafts. Another big advance is gold purchasing. Everything is set fair for them at the moment."

The traditional symbol of a pawnbroker is three gold balls suspended from a bar, and gains in the price of precious metals have made the business more lucrative. The price of gold increased 31 percent this year and touched a record \$1,921.15 an ounce yesterday as investors sought refuge from turbulent financial markets. Silver has risen 36 percent.

The environment is "looking good," H&T Chief Executive Officer John Nichols said by telephone on Aug. 23, adding that full-year profit will exceed the most optimistic of analysts' forecasts. "Rather than trying to borrow more from banks, people are still tightening their belts. The high price of gold does the advertising for us."

#### Trading Goods

The U.K. economy expanded at its slowest annual rate since early 2010 in the second quarter as people have less money to spend. Jobless claims rose the most in more than two years in July, while inflation accelerated to 4.4 percent, more than double the Bank of England's target and compared with wage growth of 2.6 percent, data from the Office for National Statistics show.

Pawnbrokers offer customers a loan for a fixed period of time in exchange for goods that can be reclaimed with a ticket once the money plus interest is paid back. Should the client fail to return and take the possessions back, the pawnbroker advertises them for sale and recovers the debt.

Over the centuries, the brokers have financed everything from wars with France to exploring the globe.

Albemarle & Bond reckons there's potential for more than 3,000 pawnbroker outlets in the U.K. for the industry, compared with about 1,200 today. The company, which is based in Reading, southern England, and has about 160 shops, said in May that full-year profit will be at the "top end" of analysts' estimates when it reports earnings on Sept. 27.

## Less Credit

Rising gold has boosted demand, along with "banks closing branches and cutting the access of credit to their customers,"

Barry Stevenson, CEO of Albemarle & Bond, said in an interview.

Shares in the chain have risen 17 percent this year, compared with a 12 percent decline in the benchmark All-Share Index. H&T, which has 150 outlets and was founded in south London in 1897, is up 15 percent.

Stephen, 32 and unemployed, said he is regularly forced to pawn goods such as computer games and collectable teddy bears.

He declined to be named in full because he didn't want his friends and family to know what he has to resort to.

"I've two kids and one on the way, I need the money," Stephen said at an east Belfast Cash Converters store. "After a while, you rely on it. A lot of people around here do it."

Cash Converters, a chain of more than 600 stores worldwide, including almost 200 in the U.K., had record net income last financial year. Cash Generator, founded in 1994 in Bolton, northwest England, now has 150 stores and plans to open 50 stores a year, according to its website.

## Needing Cash

Business has "been noticeably better over the past couple of years," Martin McGrath, 60, who owns the franchise for Cash Converters stores in Northern Ireland, said at his outlet in Belfast. The number of customers who "sell out of need" has risen, McGrath said.

In 1338, Edward III pawned his jewels to raise money for his war with France, according to "A History of Pawnbroking Past and Present," by William A.H. Hows. By the end of the 14th century, a network of pawnbrokers existed across Europe concentrating on the "top end of the market," and by 1750 around 250 large shops existed in Britain, Kenneth Hudson wrote in "Pawnbroking, an Aspect of British Social History."

Queen Isabella of Spain pawned her jewelry in order to send Christopher Columbus out to what he believed was the Indies.

The pawnbrokers' symbol of three balls is attributed to the crest of the Medici family of Florence, which divided in the 15th century with one half becoming bankers and the other pawnbrokers, according to the National Pawnbrokers Association of the U.K. website.

Pawning goods is "no longer associated with something that you have to be really impoverished to do," said Danielle James, an analyst at Shore Capital in Liverpool, northwest England, who recommends investors buy H&T and Albemarle & Bond shares. "It has become less stigmatized."

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