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Christian Finance?

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Debt is a spiritual issue and one which is pressing in our culture. Christians need to practise self-control in their use of money, learning to save and to live simple lifestyles. Christians need to demonstrate generosity and to be prepared to offer interest-free loans to another. Christians need to practise fellowship in financial matters, sharing with one another and offering those in need alternatives to the money-lenders. Christians should be committed to mutual growth, supporting micro-credit initiatives which provide start-up capital to small businesses. These would be key steps towards honouring God with our finances, both individually and collectively.

Introduction

Christian responses to the current financial crisis have both called for increased regulation and insisted on the need to encourage virtuous behaviour by the actors in the global financial system. Apart from occasional suggestions that it is time for the Church to re-visit its teaching on usury,[1] there has, however, been relatively little call for the creation of a Christian financial sector.

By contrast, Islamic finance is one of the major areas of interest for academics and practitioners in the financial services sector. What is distinctive about Islamic financial products is that they have been approved as compliant with Sharia (Islamic law) by a reputed Muslim scholar. A central plank of Islam's economic teaching is that the charging of interest (*riba*) is forbidden. However, to any observer with even a rudimentary training in economics, many so-called Islamic finance products have the same economic effect as ordinary, interest-bearing financial products. For example, the payments made under an Islamic murabaha differ little from those under a conventional mortgage. A Christian approach to finance requires radical re-thinking, not just the adoption of different legal forms.

There are perhaps three main reasons why there has been relatively little discussion of a Christian financial sector. The first reason is that it is assumed that our current financial system is, if not wholly compatible with Christianity, one which has emerged as a result of the Church's teaching on financial matters becoming enlightened as the prohibition of usury was watered down by the Reformation and the Counter-Reformation.[2] The second reason is that Christian-inspired initiatives to include moral criteria in financial matters have not been branded as such. So, instead of Christian investment we have ethical investment; instead of Christian trade we have fair trade. The third reason is that Christians have often addressed specific issues rather than developing a holistic approach towards money.

The current financial crisis has focused attention on two aspects of British life to which the Church has not yet responded adequately. One is the way in which the social transformation begun by Mrs Thatcher has led to a British economy which is heavily, perhaps excessively, dependent on the City of London and the financial services sector. This is not to say that the financial services sector is intrinsically evil. Financial services can be a force for good provided those in the sector recognise that the finance is there to serve. Second, British people have undoubtedly become overly indebted. Consumer debt relative to household income was between 40% and 50% in the 1970s, and by 2008 it was 170%.[3] Debt is the number one issue dealt with by Citizens Advice Bureaux, representing one in three of all enquiries.

We all know Jesus' teaching about Mammon, the god of money. Jesus said: 'No one can serve two masters. Either he will hate one and love the other, or he will be devoted to the one and despite the other. You cannot serve both God and Money.' (Matthew 6:24; Luke 6:13). Fewer, however, have meditated on Proverbs 22:7 which reminds us that 'The rich rule over the poor, and the borrower is servant to the lender.' Debt is a spiritual issue. Slavery and imprisonment as the consequences of not repaying debts may have been abolished, but excessive debt leads to family breakdown, mental health problems and even suicide. Moreover, the two thoughts found in Proverbs 22:7 are not unconnected. Money-lending is, in many situations, a means by which the rich become richer and the poor become poorer.

Four principles might inform holistic Christian teaching about finance: the virtue of self-control, the virtue of generosity, the practice of fellowship and the commitment to mutual growth.

The virtue of self-control

Perhaps the first financial lesson which the Church needs to teach is the virtue of self-control. In our credit-based economy the providers of credit want us to act as consumers, to buy things for consumption now, and worry about how to pay for them later. Whilst the structure of our society is such that there are some things like houses and cars where most people will need to borrow money in order to be able to afford them, there are many other items where there is no such necessity. Learning to save up for such things is to fight against the love of money and an important Christian discipline which the Church needs to teach and model. Moreover, in an era of climate change, pressure on world food supplies and other global challenges, Christians need to model distinctive lifestyles of simplicity as acts of love for all our neighbours on this planet.

However, for many with whom the Church has contact, they need to discover how to control their money in the first place. Many people need to taught how to budget, so that they can learn to live within their means. Hence the importance of the money courses offered by Christians Against Poverty and Holy Trinity Brompton, and the "Made of Money" course developed by Quakers and used in the Diocese of Portsmouth.

The virtue of generosity

The virtue of self-control needs to be cultivated alongside the virtue of generosity. The stereotype of the miserly Calvinist is not an attractive figure. The discipline of generous giving can be a powerful solvent to the temptation of money. Moreover, for those trapped in poverty, a combination of gifts and interest-free loans may be the only way of restoring them to financial stability. Churches can buy or provide essential household items to the poorest in their fellowship. Whether or not it is morally acceptable to charge interest in a commercial setting, the unambiguous teaching of the Pentateuch is that loans to fellow members of the people of God should be interest-free (Exodus 22:25; Leviticus 25:36-37; Deuteronomy 23:19-20).[4]

The practice of fellowship

Essential to the Bible's teaching about economic matters is the practice of fellowship. To make a loan is to grant credit (a word whose Latin root is *credere*, to trust). It is to trust that the borrower will repay the loan. Part of the interest charged by a money lender is to take account of the risk that the borrower will not repay the loan. Sometimes that will be because the borrower is feckless or dishonest. Sometimes that will be because the borrower suffers from a misfortune, such as illness or unemployment, which prevents repayment. Where there is fellowship between the borrower and the lender, there is a much smaller risk that the borrower will be feckless or dishonest. Christians are called to reflect our trust in God by displaying an appropriate level of trust in one another. In situations of close fellowship this means lending money without charging interest. Fellowship may also mean, if a borrower cannot repay because they have suffered a misfortune, forgiving all or part of the debt. After all, as the parable of the unmerciful servant (Matthew 18:21-35) reminds us, all of us have been forgiven an unpayable debt by God Himself.

Conversely, where there is no fellowship between borrower and lender, the risks of dishonesty are much greater. In financial matters, we have seen a move away from close relationships between bank managers and their customers towards a model in which the financial institution which ends up in the shoes of the lender is often remote from the customer. In the US mortgage market where the current crisis originated, borrowers often lied about their income and other circumstances in order to get a loan in the first place.[5]

The idea of mutuality is at the heart of the philosophy of credit unions, small scale financial associations united by a common bond.[6] Such associations can be faith-based. There are many Catholic credit unions as well as Pentecostal and other ones. Credit unions encourage their members to learn self-control through the discipline of saving. They then lend the money saved to other members of the credit union. Credit unions are forbidden by law to charge more than 2% interest per month, with many charging no more than 1% per month. Therefore they provide low cost credit to those in need. Because there is mutuality between the borrowers and the lenders, the risk of non-repayment is lower which means that the credit union can charge a lower rate of interest than would a commercial lender. Such loans cannot, however, be interest-free, because credit unions have to pay the costs of being regulated by the Financial Services Authority, may have one or more staff members to pay, and have to pay interest on the deposits made by savers. Credit unions have been enormously successful in Ireland (both North and South of the border) and in the Caribbean. In Britain, they are grossly underused.

Whilst credit unions are not perfect, they represent an important practical part of the answer to a vast problem. In the UK today, payday lenders charge interest at 1,290% APR and home credit companies offer short term loans at rates of 600% to 1,000% APR. In 2005, legal doorstep lenders lent £1.5 billion to low income families excluded from the normal financial sector. In addition, there are approximately 165,000 households in the UK borrowing money from illegal money lenders. These borrowers make up 6% of households in the most deprived areas in our country! Credit unions, by contrast, only lent £353 million in 2005.

At present, doorstep lenders have the advantage that, through their doorstep collection agents, they have a direct relationship with their borrowers. However, they are almost a paradigm example of the way in which money-lending transfers wealth from the poorest to the already rich. Church-based credit unions could offer a relational alternative, providing low cost credit where there was real need as well as offering an ethical home for Christians' savings.

The commitment to mutual growth
One of the consequences of the current financial crisis is that it has become more difficult for small businesses to borrow money. All around the world, small businesses face two problems: first, getting access to start-up capital and second, having enough lines of credit to be able to manage their cash-flow. In many countries outside the UK, economic development is inhibited because many potential businessmen and women do not have access to even the small amount of credit which they would need to start up a business. Christians have been influential in some organisations, such as Shared Interest, which have attempted to address this problem by providing micro-credit.

However, loans at interest to companies do not reflect a true mutuality between the borrower and the lender. The company has to make the interest repayments however well or badly it is doing. Christians should therefore favour approaches to business finance such as equity finance in which the lender profits if the business prospers. At the moment, the fact that interest repayments are tax deductible is one major legal obstacle which makes this form of finance less attractive than borrowing money at interest.[7]

Conclusions

As salt and light, Christians should be leading a revolution in thinking about financial matters. In Britain in particular there is a pressing need for Christians to be teaching and modelling the virtues of financial self-control and generous giving, to be practising financial fellowship and to be committed to forms of finance in which both borrowers and lenders can profit.

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1. Rowan Williams, answer to a question at his 'Civil and religious law in England' lecture, 7 February 2008, available on-line at http://www.archbishopofcanterbury.org/1594.
2. This is at least partly historically inaccurate. The key turning point was probably not the developments made by Calvin and the neo-scholastics but rather Jeremy Bentham's *In Defence of Usury* (1797).
3. B. Griffiths, 'Christian Perspectives on Consumer Debt', in P. Booth (ed.), *Christian Perspectives on the Financial Crash* (London: St Pauls, 2010), 89.
4. For general discussions of usury, see A. Lilico, 'Usury and bailouts – morally doubtful and morally disastrous', in P. Booth (ed.), *Christian Perspectives on the Financial Crash* (London: St Pauls, 2010), 77-88; R. Van De Weyer, *Against Usury: Resolving the Economic and Ecological Crisis* (London: SPCK, 2010); P. Mills, 'The ban on interest: dead letter or radical solution?', *Cambridge Papers* (March 1993), available on-line at http://www.jubilee-centre.org/resources/the_ban_on_interest_dead_letter_or_radical_solution
5. Base Point Analytics found some degree of borrower misrepresentation in 70% of US early payment defaults in a study of 3 million loans taken out between 1997 and 2006: 'Early Payment Default – Links to Fraud and Impact on Mortgage Lenders and Investment Banks', available on-line at www.basepointanalytics.com/mortgagewhitepapers.shtml
6. M. McAteer, 'The Role of Credit Unions', in P. Booth (ed.), *Christian Perspectives on the Financial Crash*, 102-20.
7. Wm. Poole, 'The Credit Crunch of 2007-08: Lessons Private and Public', 40; H. Kaufman, *The Road to Financial Reformation, chapter 5 'Debt: The Threat to Economic and Financial Stability'* chapter 5 'Debt: The Threat to Economic and Financial Stability'

For further reading:

- Credit Action, 'Thinking about Money', available on-line at www.creditaction.org.uk/publications.html
- Paul Mills, 'The ban on interest: dead letter or radical solution?', www.jubilee-centre.org/resources/the_ban_on_interest_dead_letter_or_radical_solution
- Paul Mills, 'The Bible and Money: Managing one's money in the end times', www.jubilee-centre.org/resources/the_bible_and_money_managing_ones_money_in_the_end_times
- Michael Schluter, 'Should Christians use Islamic financial products?', at www.jubilee-centre.org/resources/should_christians_use_islamic_financial_products
- Peter Selby, *Grace and Mortgage: The Language of Faith and the Debt of the World* (London: Darton, Longman and Todd, 1997)
- Paul Mills, 'The Great Financial Crisis: A Biblical Diagnosis', Cambridge Papers (March 2011), http://www.jubilee-centre.org/document.php?id=414

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