Neither a borrower nor a lender be? Credit unions, the Church and the ethics of debt

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Introduction

First, my sincere thanks to Chichester Cathedral for the invitation to speak about credit unions and the Church as part of their ‘Hot Topics’ series. Thanks, too, to Archbishop Justin Welby, who made such an unlikely topic hot by pledging to help the David of the credit union movement defeat the Goliath of the payday lending industry. The thought of our national vicar flatly telling the CEO of Wonga that he’d put his company out of business galvanised the public imagination.¹ A recent survey by the Church Urban Fund found that about half of all churchgoers now believe that churches should support credit unions materially.²

I have it on good authority that Archbishop Justin didn’t expect his early term to be defined by what the press calls his ‘war on Wonga’—making him sound as though he wants to abolish money entirely, which would come as a surprise to any parish treasurer. In retrospect, however, it’s easy to see why. He told the public not only its favourite kind of underdog story, but he also showed a hugely attractive moral clarity about what seems on the face of it a purely financial issue.

Even so, the moral shortcomings of payday lenders weren’t entirely news. As we’ll see, the Office of Fair Trading had already conducted an inquiry into the industry, and they found many lenders sorely wanting in scruple. But Archbishop Justin said openly and straightforwardly what many in Britain had quietly come to believe—that payday lenders had been peddling irresistibly easy money to needy people who could ill-afford to pay it back, let alone with the eye-watering interest, and that this was wrong.

Payday lending has expanded fill the vacuum left by our failure to make finance affordable to the less fortunate among us. Their exclusion from mainstream society enables it. The natural response is to widen our society’s circle of inclusion—to increase access to finance amongst those outside it. Numerous
organisations dedicate themselves to precisely this end—not least the credit unions. As a matter of social justice alone, they deserve the Church’s support.

But the Church’s particular motivation to combat high-cost lending, and her hope that credit unions can help vanquish it, should also be rooted even more deeply in her special perspective on monetary debt as a reflection of the moral obligations we owe to one another and to God. Archbishop Justin has said that the Church is ‘not the Rotary Club with a pointy roof’. With that in mind, I intend to emphasise not only the social injustice of payday lending, but also the rights and wrongs of debt.

**Neither a borrower nor a lender be**

When I accepted the Cathedral’s invitation to speak, I was asked right away for a title—and it had better be catchy! In minor desperation, I latched onto that well-worn line from *Hamlet*: ‘Neither a borrower nor a lender be’. Had it not been immediately advertised, I might have retracted it. It’s a cliché, straight from the mouth of one of Shakespeare’s most memorable fools. But it has the virtue of catchiness—it’s arguably the most instantly recognised quip about debt in the English language. It also has the virtue, for our present purposes, of casting debt in a moral light.

As the young Laertes prepares to return to France, where his father Polonius suspects he’s been carousing, Polonius cautions him against the moral entanglements of borrowing and lending:

> Neither a borrower nor a lender be;  
> For loan oft loses both itself and friend,  
> And borrowing dulls the edge of husbandry.  

As we know, Laertes didn’t live long enough to heed his father’s advice. As for us, we certainly don’t. Indeed, we honour it almost exclusively in the breach. We’re a nation of borrowers and lenders—we and everybody else in the world fortunate enough to have surplus money or access to it. For good or for ill, borrowing and lending lubricate the engines of our national and global economies. As Liza Minelli famously sang, ‘money makes the world go round’.

According to the latest figures from The Money Charity, total UK household debt stands at about £1.4 trillion. About 90% of it, or just under £1.3 trillion, is mortgage debt. The remaining £159 billion is consumer debt, including £57
billion in credit-card debt. In 1993, total household debt stood at around £400 billion, or £670 billion in today’s currency, meaning real household debt has more than doubled over the past two decades.6

This amount is equivalent to nearly £29,000 of debt for every British adult, or 115% of average earnings. It collectively costs us £59 billion in interest every year, equivalent to about £2,250 per household.7 What’s more, these figures count neither the government debt for which we’re responsible as taxpayers, nor corporate debt, which would together quintuple the total.8

Lest these staggering amounts induce a kind of numbness of mind, let me illustrate my point a little more pointedly. By a show of hands, how many of you in this audience today have ever had:

- A mortgage;
- A credit card;
- A secured loan, such as to finance a car;
- A personal line of credit;
- A student loan, or have a child or grandchild with one;
- An informal loan, such as from family or friends;
- A payday loan;
- A loan against a valuable that you’ve pawned;
- A doorstep loan;
- An unlicensed informal loan, such as from a loan shark?

Conversely, how many of you have ever:

- Bought a bond, such as a government savings bond;
- Invested in a mutual fund holding debt securities;
- Deposited money with a bank making loans;
- Lent money to someone directly?

To this list I should probably add: ‘Made a living by buying and selling debt’, as I once did on the trading floors of two Canadian investment banks. Just so you know I’m not trying to point the finger at anyone.

As you can see from this informal poll, most of us are no strangers to borrowing and lending. You might also have noticed that many of us here prefer a certain kind of borrowing—mortgages, secured loans and credit cards, rather than payday loans, pawnbrokers’ loans and doorstep loans. Or at least we prefer to keep silent about the other kind. I’ll return to this preference later.
In fact, most of us are so familiar with borrowing and lending that we feel rather smarter about it than old Polonius. We understand the benefits of debt, especially when set against stable personal earnings or savings. We borrow prudently to increase our wealth and enjoyment of life, rather than high-mindedly but narrow-sightedly avoid any debt lest it ‘dulls the edge of husbandry’.

Where would we be today without the mortgages that helped us to acquire our homes or even a second, income-generating property? Or the financing on the cars or season tickets that allowed us to commute to better-paying jobs? What about the loans to fund our educations, to start our own businesses or make savvy investments, or the credit cards with which we paid for our holidays or smoothed out the troughs in our budgets? And as happy as we are to borrow wisely, we’re even happier to lend craftily and take our own turns at receiving interest.

Yet we still suspect that Polonius is right, that dealing in money tends to tarnish our relationships with one another and, if not to dull our competitive edge, to weaken our spirit of community and service. As Bishop Peter Selby once put it, ‘It is not hard to imagine a contemporary scenario in which Jesus, inviting someone to become a follower of his, receives a reply not about a father to bury or a yoke of oxen to prove but about a mortgage to pay off’.9

On reflection, we might even conclude that Polonius is somewhat naïve about the true moral dangers of borrowing and lending. A royal courtier steeped in privilege, his tone suggests more contempt for the borrower than the lender. The one is irresponsible with money and maybe a bit lazy, and the other perhaps merely over-indulged a rich friend’s high-rolling habit and then inadvertently offended him by asking for the money back.

Let’s leave aside—for the moment—borrowers less wealthy than Polonius, who find it necessary to take out a payday loan just to stretch the minimum wage through a month of groceries, heating bills, rent and the other basics of life. Let’s also leave aside—again, just for the moment—any temptation to agree with Polonius that borrowers get into trouble through their own fault. We know just the same that lending money is at least as morally corrupting as borrowing it, if not more.

Loan sharks and Mafiosi exemplify the corrupt and even violent lender, but the picture need not be so starkly painted. Gustave Flaubert’s Emma Bovary, one of
literature’s most famous bankrupts, is the very sort of borrower Polonius would scorn. The miserably bored wife of a dull, unromantic country doctor, she borrows her way into a bourgeois fantasy of fine clothes, luxuries and lovers, until reality mugs her in the form of bankruptcy, despair and suicide.

We might also be disdainful of Emma’s irresponsibility and weakness. But Flaubert almost certainly meant for us to think worse of her creditor, the predatory and manipulative Monsieur Lheureux, who bankrolled Emma’s fantasies in the full knowledge that he would be able to cash in on her desperation later. If Emma had been addicted to drugs rather than childish daydreams, we’d call Lheureux her pusher. The pressure to borrow often comes most strongly from those who have money to lend.

It’s precisely this imbalance of power between lender and borrower that makes debt a serious moral issue. It animates our suspicion that debt damages relationships and divides communities—not because, as Polonius would have it, courtesy loans between rich peers might go sour, but because the very act of lending places the borrower at the mercy of the lender. We understand this instinctively, which explains why we find it awkward to deal in money with friends and family. And where the restraints of friendship or love are absent, we rightly worry that the cold arithmetic of principal and interest will serve as a cover for abuse.

**The war on Wonga**

In fact, we worry that this kind of abuse occurs in Britain today. A study by the Bureau of Investigative Journalism found that the turnover of Britain’s top ten payday lenders has grown more than eleven times, to nearly £800 billion, since the most recent financial crisis began in 2008. How are they making all this money?

Payday lenders specialise in small-scale and short-term loans, typically a few hundred pounds over a week or a month. They approve loans quickly, normally within minutes, and with minimal checks on their customers’ backgrounds or ability to repay. Interest rates are stratospheric—in one case reaching 7,000% APR. These rates enable payday lenders to turn a profit despite the high costs both of administering vast numbers of small loans, and of chasing up the inevitably large number of borrowers who default on them.
No one with access to lower-cost finance from mainstream banks—namely, middle or upper income borrowers—would take out a loan at such punishing rates. So payday lenders actively court a natural market of low income or even needy borrowers whom the mainstream banks deem unworthy of credit. The result is a boundary line dividing our society in two. On one side of the line, the comparatively wealthy have the freedom to borrow large, long-term loans from mainstream banks at low cost. On the other, the comparatively poor have no choice but to borrow small, short-term loans from payday lenders at high cost. This is the boundary line of financial exclusion. We stumbled across it during our straw poll earlier, when we noticed our own borrowing preferences.

It’s neither a secret nor a surprise that those less ‘worthy’ of credit must borrow under stricter conditions than those more ‘worthy’. It’s a simple question of maths, of computing the price of risk. But here conventional financial wisdom can slip easily into a dubious moral superiority—when we mistake the interest rates a borrower can command for a measure of character, and give in to the temptation to agree with Polonius that whoever falls on the wrong side of the boundary line of financial exclusion must be lazy or irresponsible.

It seems plausible that poor budgeting and financial illiteracy are factors in at least some personal or family debt crises. But these are disabilities, not sins. And the wealthy gambling addict with a revolving line of credit at a few points over Bank Rate is no less flawed a character than the poor dreamer hoping to get rich quick playing the fruit machines with an instant payday loan. The fact remains that no one would take out a payday loan at 7,000% APR for any reason if they had an alternative source of finance. Rather than ask somewhat condescendingly what must be wrong with the poor that they find themselves desperate enough to do so, it’s much more charitable—not to say more subtle—to ask how society treats them in their desperation.

For the facts seem to tell a different story. The UK’s trade body for insolvency experts, R3, found that 44% of British adults struggle to make it to payday, and most of them blame rises in the cost of living. The consumer advocacy organisation Which? reported that almost 40% of payday loan customers used their loans to afford basic necessities, such as food and fuel. According to Christians Against Poverty, over three-quarters of their clients had at one time or another taken out a payday loan to buy food, over half to pay a power or heating bill, and over a third to cover rent or a mortgage payment. The Children’s Society have found that more than three million British families are
likely to cut spending on food to afford heating this winter, and a half million predict they’ll need a loan to pay the bill.\footnote{15}

This isn’t happening ‘somewhere else’ in Britain. The Government Money Service recently reported that about one in eight of our neighbours in Worthing struggle with debt, as do over one in four in Hastings—the highest proportion not just in Sussex, but the whole of the Southeast.\footnote{16} Commenting on the report, debt advisors in Brighton—where one in seven struggle with debt—said that increasing numbers of their clients have taken out payday loans just to make ends meet.\footnote{17}

Although the impoverished turn to payday loans out of necessity and a lack of alternatives, payday lenders take little care over their fragile customers—far less than mainstream banks take over more robust customers borrowing at much lower cost. According to a study by the Citizens Advice Bureau (CAB), in 87\% of cases payday lenders failed to ask borrowers for any documentation proving that they could repay.\footnote{18} And in an inquiry into payday lending practices, the Office of Fair Trading (OFT) found an inordinate emphasis on speed and simplicity over cost—in some cases amounting to irresponsible lending.\footnote{19}

This lack of due diligence has had the predictable result. The OFT noted that about a third of payday loans are either repaid late or not repaid at all.\footnote{20} But delinquency and default suit the payday lending industry very well. Like Monsieur Lheureux, having captivated vulnerable borrowers with promises of easy money they cannot hope to repay, payday lenders turn a profit on the resulting distress. Consider these findings from the OFT inquiry:

- Over one quarter of payday loans are rolled over or refinanced at least once, providing half of all industry revenues.
- Nearly 20\% of industry revenues come from just 5\% of loans that are rolled over or refinanced four or more times.
- Debt advisers report that borrowers seeking help with payday loans have on average rolled over at least four times, and had six separate payday loans.\footnote{21}

Even more alarming, payday loan contracts generally provide for a continuous payment authority, by which the borrower essentially surrenders to the lender the power to withdraw payments from his or her bank account at will. The CAB have found that more than a third of payday loan cases involve the abuse of this power.\footnote{22}
Were the borrower to complain about such treatment, the complaint would probably fall on deaf ears. The OFT discovered that 38 of the 50 payday lenders inspected failed to comply with at least one of the rules of the Financial Ombudsman Service. In fact, payday lenders tend to make the complaints themselves. The CAB found that in 12% of payday loan cases, lenders harassed borrowers with phone calls and text messages whilst rejecting reasonable offers of repayment.

These findings are shocking. The fact that 5% of the most distressed loans contribute 20% of industry revenues—and quite possibly represent the majority of profits—smacks of exploitation. Yet equally discouraging is the persistence of such unscrupulous practices today. Around the turn of the second century, the Greek moralist Plutarch warned of the moneylender:

If you will not pay him, he demands it from you; if you have funds, he won’t accept payment; if you sell, he beats down the price; if you won’t sell, he forces you to do so; if you sue him, he meets you in court; if you wind up in court, he orders you there; if you go to his door, he shuts it in your face; if you stay at home, he installs himself there and keeps knocking at your door.

There’s humour in this, but also no small embarrassment that we still recognise Plutarch’s exploitative moneylender nearly two thousand years later, in our supposedly more enlightened times.

Can it be that we haven’t yet developed a better model of borrowing and lending? How do we protect vulnerable borrowers, and shepherd them across the boundary line of financial exclusion that divides them from the rest of society? Government scrutiny and regulation certainly have a role to play. Studies from the OFT, the CAB and others, as well as media attention to payday lending over the past year, have now spurred Government to propose tightening payday lending rules, especially by mandating background checks, disallowing multiple rollovers and capping interest rates.

These measures would be welcome, but it’s not enough simply to rein in the industry’s excesses without also removing the financial bottlenecks that force the less fortunate to seek out payday loans in the first place. As Archbishop Justin said to the CEO of Wonga, ‘we’re not in the business of trying to legislate you out of existence, we’re trying to compete you out of existence’.
A consensus has now developed that a vital part of the solution is to promote the growth of credit unions. A credit union is essentially a mutual savings-and-loan society—with emphasis on the word society. They don’t have customers, but rather members who, based on where they live or work, share a common bond—another important word, and one to which I’ll return.

Generally, it’s necessary to save with a credit union to become a member. Members own the credit union in proportion to their savings, which are protected under the Financial Services Compensation Scheme. Only members may borrow from the credit union, and tying borrowing to saving allows credit unions to promote thrift. Moreover, credit unions are strictly not-for-profit societies, meaning that any excess revenues must either be reinvested in the mutual, or distributed to all members proportionately as a dividend.

Here in Sussex, there are three credit unions, each founded on a geographical common bond—the West Sussex Credit Union; the East Sussex Credit Union, which also includes Brighton and Hove; and the Hastings and Rother Credit Union. None is more than 15 years old, and all are small, with loan books ranging from around £200,000 to £1.5 million. Because credit unions loan only to members, this money mostly remains within Sussex.

With a government-capped maximum of 28% APR, a loan from a credit union is far more affordable than a payday loan. Credit unions make it their mission to serve lower-income or financially excluded borrowers who might otherwise turn to payday lenders. But for the middle or upper-income borrower, credit unions are comparatively expensive. For this reason, many people perceive credit unions—if they know them at all—as ‘poor-man’s banks’. The Church Urban Fund found that only 5% of churchgoers are members of a credit union. Of the rest, nearly half feel they have no need of credit unions, around a quarter don’t know enough about them, and about 10% aren’t aware of any credit union they could join.28

At 5%, the rate of membership amongst churchgoers is about double the rate of membership in the general UK population. But compared to, say, Canada, where nearly half the population belong to a credit union, or Ireland, where nearly three-quarters do, membership in Britain is marginal at best. Nevertheless, a study by Experian for the Department for Work and Pensions found that credit unions have a natural market of at least four times current membership.29
One consequence of very low membership is a scarcity of credit. In particular, without a sizable cadre of middle or upper-income savers, the potential demand for credit union loans outstrips available capital. The West Sussex Credit Union, for example, has issued an urgent ‘Patrons’ Appeal’—not for charitable donations from the well-off, but for membership and savings. Incidentally, I’m proud to say that the appeal was launched at the Bishop’s Palace here in Chichester, with Bishop Martin as host and co-sponsor, alongside the Lord-Lieutenant of West Sussex and Bishop Kieran of Arundel and Brighton.

With room to grow, the credit union movement may one day help declaw payday lenders and dislodge them from their perch over the low-income market. By attracting higher-income savers and recycling their money within a community of common bond, they may help erase the boundary line of financial exclusion. To be sure, since credit unions loan only to members, with more due diligence and typically in greater amounts, they don’t compete directly with payday lenders—though one London-based credit union has experimented with smaller, swifter loans. But membership in a credit union, giving access to low-cost finance, would act as a preventative whenever an urgent need for cash would otherwise drive someone to the extreme of a payday loan.

For these reasons, the Department for Work and Pensions consider credit unions the best long-term solution to the problem of financial exclusion. The Parliamentary Committee on Banking Standards, which counted Archbishop Justin as a member, also called for their growth as an integral part of a more ethical financial system. The case against payday lending and for credit unions is clear. For the sake of social justice alone, Archbishop Justin was right to throw the weight of the Church behind it.

**Forgive us our debts**

All the same, we must also remember that Archbishop Justin cautioned against mistaking the Church for the Rotary Club. If the Church is a charity, it’s a charity in St Paul’s sense of the word. She acts in the social sphere not just for justice, but also from mercy and kindness—from a love for neighbour imitating God’s love for humanity.

The prophet Ezekiel gave the Church a model for this sort of godly social action where borrowing and lending are concerned:
‘If a man is righteous and does what is just and right—if he ... does not oppress any one, but restores to the debtor his pledge ... does not lend at interest or take any profit ... he is righteous, he shall surely live,’ declares the Lord God.\(^{33}\)

Somewhat inconveniently for the Church’s full-throated support of credit unions, Ezekiel’s model seems to preclude not only oppressive lending of the payday sort, but also all lending at interest. This appears strange, since we understand that interest is simply the price of money. It is especially strange to those of us who have happily paid that price to buy a better home, launch a successful business, or make a winning investment—hardly the stuff of mortal sin.

Whether Scripture actually prohibits lending money at interest—often called *usury*—is debatable, though the Church once held that it did. For the Church and civil society today, however, *usury* means lending at excessive or exploitative rates of interest, even if that’s hard to define in practice. Scripture certainly doesn’t prohibit all forms of lending at interest. A famous passage in Deuteronomy permits interest on loans between Israelites and foreigners.\(^ {34}\) And like us today, the Law and the Prophets seem to have been more concerned with the harm that lending at interest does to the poor rather than the rich.

For our present purposes, we can set aside the question of whether this divine prohibition—if that’s what it is—could possibly apply in the modern world. Instead, by tracing its origins and probing its meaning, we can glean a finer understanding of the rights and wrongs of debt. We shall see that freedom from debt of the wrong sort is central to right relations with each other and with God. We shall also see that shouldering debt of the right sort is the cornerstone of community and solidarity. Once we’ve made this distinction, it will be clearer why the Church should take a stand on payday loans, credit unions and debt itself.

We begin in Egypt before the Exodus, when the Israelites were slaves to Pharaoh. And not just slaves, but debt slaves—owned by their creditor, who took a free people themselves as payment for a debt they could not otherwise repay. The Israelites had been driven into this debt by a severe famine that had cost them all they had. In desperation they went to Pharaoh’s agent—Joseph, one of their own—and offered their freedom in exchange for food:

\begin{quote}
And when that year was ended, they came to him the following year, and said to him, ‘We will not hide from my lord that our money is all spent.
\end{quote}
The herds of livestock are my lord’s. There is nothing left in the sight of my lord but our bodies and our land. Why should we die before your eyes, both we and our land? Buy us and our land for food, and we with our land will be servants to Pharaoh. And give us seed that we may live, and not die, and that the land may not be desolate. 

The rest of the story is well known. Four centuries of servitude, Moses demanding that Pharaoh let the people go—in other words, that he release them from their debt—and the miraculous flight through the sea in which God drowned the tyrannical creditor. It’s a dramatic story of escape—from debt as well as from bondage.

A people nurtured on such a story would naturally understand God to take a dim view of debt, especially debt used unfairly to exploit people and exact from them more than they can repay. And having been liberated from debt slavery through God’s miraculous intervention, the Israelites would also naturally understand what obligations they now owed to him. In Leviticus, God makes clear that the Promised Land is his, and that the Israelites live as ‘strangers and sojourners’ with him there.

And so, likewise:

If your brother becomes poor and cannot maintain himself with you, you shall maintain him as though he were a stranger and sojourner, and he shall live with you. Take no interest from him or profit, but fear your God. . . I am the LORD your God, who brought you out of the land of Egypt . . .

Just as God maintains his people, so he charges his people to maintain each other. By caring for the poor among them—by lending to them freely, without interest and with no expectation of profit—they honour their debt to God for redeeming them from their debt to Pharaoh. Indeed, so crucial was it to guard against the insidious power of debt to divide the community that God commanded the Israelites to observe a Sabbath year every seventh year, when all debts would be cancelled and everyone would start over again with a clean slate.

But the Promised Land was a land of milk and honey. Inevitably, some were more fortunate there than others, and it proved difficult for them to resist the temptation to turn a profit on the less fortunate by lending out their wealth. Prophets such as Ezekiel periodically had to reinforce the rules against charging interest. Even worse, Nehemiah had to shame publicly Israelites who were taking their own people as debt slaves, and Amos charged that the Israelites ‘sell
the righteous for silver, and the needy for a pair of shoes’.\textsuperscript{39} Centuries later, during the Jewish revolt against the Romans, one of the rebels’ first acts was to burn the debt records—kept not by the Roman overlords, but by their own rulers and high priests.\textsuperscript{40}

For by Jesus’s time, the ruling class had grown rich from the trading opportunities opened up by the Roman Empire. At the same time, they increasingly burdened the general population with demands for taxes and tribute. With the elite awash in money to lend, and the peasantry desperate to borrow, the Jews created their own bright boundary line of social and financial exclusion.\textsuperscript{41} Some men on the wrong side of it, perhaps including the apostle Matthew, became tax collectors just to meet the demands of the state and keep afloat. Some women, perhaps including the tearful woman who washed Jesus’s feet, became prostitutes.

This social backdrop of inequality and indebtedness puts Jesus’s ministry—which he directed explicitly to tax collectors, prostitutes and other socially excluded people—into a financial context. In this context, it’s no accident that the Gospel story of redemption from sin echoes the Exodus story of redemption from debt. According to Luke, when Jesus declared his mission at the synagogue in Nazareth, he deliberately invoked the Sabbath year—the year of debt amnesty—reading to the incredulous assembly from the prophet Isaiah:

\begin{quote}
The Spirit of the Lord is upon me, because he has anointed me to proclaim good news to the poor. He has sent me to proclaim liberty to the captives and recovering of sight to the blind, to set at liberty those who are oppressed, to proclaim the year of the Lord’s favour.\textsuperscript{42}
\end{quote}

Even in the Lord’s Prayer itself, Jesus recapitulated the divine injunction from Leviticus to maintain each other as God maintains us—‘forgive us our debts as we forgive our debtors’. It’s not the translation that introduces the financial metaphor—the Greek word ὀφείλημα means monetary debt as well. By using such a word, or presumably its Aramaic equivalent, Jesus wasn’t suggesting that we could make good our trespasses by keeping up some repayment schedule. Rather, he was stripping the veil away from the kind of financial debts his poor and outcast audience would immediately recognise, to reveal the moral imperatives beneath.

So monetary debt, at least so far as the Church is concerned, should reflect the moral obligations we owe to God and one another. We honour God when we lend
to our neighbour’s benefit, but we honour money when we profit from our neighbour’s need. As the theologian Luke Bretherton explained:

*The admonition that we cannot serve both God and Mammon . . . is not a trivial matter . . . To put the pursuit of money before the welfare of people, and use money to re-enslave and exploit people, especially the poor and vulnerable, is to turn your back on God’s salvation and deny in practice the revelation given in Scripture of who God is.*

From this perspective, payday lending—and any other exploitative use of money—is to be rejected not only as a social injustice, but also as a repudiation of our debt to God and a distortion of his free gift of life to us.

**I’ll have my bond**

But doesn’t this make the whole business of borrowing and lending money demeaning? Is there any better sort of debt that the Church and civil society could embrace, and which would underpin our support for credit unions? I believe there is—and it has to do with debt not as bondage, but as bond.

Once again, Shakespeare helps elucidate the point. In *The Merchant of Venice*, the rich and anti-Semitic merchant Antonio is unable to pay back a loan from the Jewish moneylender Shylock, which he’d guaranteed on behalf of a friend. Antonio’s collateral—or in Shakespeare’s English, his *bond*—was the infamous ‘pound of flesh’, which Shylock intends literally to cut from Antonio’s body. Shylock rebuffs all attempts at reconciliation, answering only: ‘I’ll have my bond’.

But Antonio and his friends not only win remission of the bloody debt in court on a legal quibble, they manage to turn the law against Shylock, bankrupting him and forcing his conversion to Christianity on pain of death.

At first glance, this sordid episode seems merely to underscore how degraded and degrading a model of human relationship borrowing and lending can be. But some modern productions of the play—notably the 2004 film version starring Al Pacino—portray Shylock sympathetically. As a Jew living in the Ghetto of sixteenth-century Venice, where his kind was barely tolerated, lending money at interest would have been one of the only businesses open to him, since it was barred to Christians. Christians like Antonio would spit on Jews like Shylock one day, and come to them for money the next—a hypocrisy that Shakespeare may have intended to expose when he made Shylock say, ‘The villainy you teach me, I will execute, and it shall go hard but I will better the instruction’.
Seen in this light, when Shylock repeatedly proclaims, ‘I’ll have my bond’, it’s as though he’s crying out not for Antonio’s living flesh, or for some kind of monetary compensation, but for the very bonds of civility that Christian Venice denied him. The bonds of community, of fellowship, even of common humanity—‘If you prick us,’ says Shylock, ‘do we not bleed?’\(^{46}\)

The power of these sorts of bond—the ties that bind us—provide the counterbalance to the power of lender over borrower, which when unchecked by friendship or love threatens to damage relationships and divide communities, to oppress and enslave. Had Antonio and Shylock been friends, or simply even considered each other fellows, they would never have made such a repugnant deal. In the bigoted society of sixteenth-century Venice, they both could and did.

I mentioned in passing earlier that Israelites were permitted to lend to foreigners at interest, but not to each other. This is sometimes called the ‘Deuteronomic double-standard’, and it seems at first sight one of those troubling bits of Old Testament tribalism. Reinterpreted as a universal rule by Christians, yet honoured to the letter by Jews, it played no small part in fanning the flames of racism that would culminate in our own time with conspiracy theories about shadowy global cabals of Jewish financiers, anti-Semitic screeds such as the *The Protocols of the Elders of Zion*, and the Nazi Final Solution.

However, the Deuteronomic rules about lending were not a two-faced profit-making scheme. They were a way of keeping the playing field between Jews and Gentiles level. In Biblical times just as in our own—and unlike in Shylock’s Venice—Gentiles customarily lent to each other at interest. It would have made no sense for Jews do have done otherwise with Gentiles. Rather, it would have placed them in greater danger of indebtedness to Gentiles than the reverse. With debt slavery a distinct possibility for any borrower and his family, the so-called ‘Deuteronomic double-standard’ secured a kind of equality between Jews and Gentiles in matters of money.\(^{47}\)

But whilst these rules allowed Jews and Gentiles to enter into commercial relationships more or less as equals, they reinforced the communal divide between them. If a Jew lent to a Gentile, then after recouping his principal plus interest he could be satisfied, and if he chose he would neither have to deal with nor see that Gentile again. If a Jew lent to a Jew, there could never be such separation—according to the Law, she’d restore to the borrower her pledge, and she’d forego the profit she could make from lending the same amount of money to a Gentile. In some sense, they’d always have an open account between them.
You settle accounts completely with people you intend to walk away from. To be in debt to someone is to remain together in a relationship. Indeed, friends and neighbours who value their relationships with one another prefer never to pay off debts. Instead, we purposefully and willingly enter into a back and forth cycle of invitations, favours and gifts that none of us ever tallies up unless we want to foreclose on our friendships.

This kind of debt, when we’re willing to shoulder it, brings us together to create community. What’s more, we’re all debtors in this way—and at a large scale. We need only recall all the people who gave generously of their time, abilities and resources to help us make a good go of life—parents, teachers, friends, mentors, and so on. In many cases, we can never hope to pay them back directly, if at all. We can only express our gratitude, and honour our debt, by doing the same for others or for the next generation. In this way, we recreate the bonds of community once again.

Debt as bond, then, and not as bondage, presents a right model for monetary debt—and in particular for lending to the poor and vulnerable, who are excluded from our community in many ways. Credit unions seem to approximate this model most closely. As mutual societies built around a common bond, taking interest only to cover costs, credit unions forego the profits of the payday lender and keep the accounts in some sense open. The alternative, as we’ve seen, is to fracture ourselves along the boundary line of financial exclusion, and to impose an updated version of the Deuteronomic double-standard—easy finance for the better-off, and predatory lending for the needy.

Payday lenders may have proven that it’s possible to turn a profit on the disadvantaged—a handsome profit—and, having completely settled the account no matter what the resulting injury, walk away as though Jew from Gentile or Gentile from Jew. By contrast, credit unions seem better to heed St Paul’s admonition that, in Christ, there is no longer Gentile or Jew. Inasmuch as they do, they help strengthen the bonds of community.

And community is precisely the point—a point that the poet TS Eliot made well:

> *When the Stranger says: ‘What is the meaning of this city?*
>  *Do you huddle close together because you love each other?’*
>  *What will you answer? ‘We all dwell together*
>  *To make money from each other’? or ‘This is a community’?*
Notes

1 Sam Macrory, “Archbishop’s Move: Can Welby restore faith in the church?”, Total Politics, 24 July 2013.
2 Church Urban Fund, Money speaks louder than words: Credit unions and the role of the church in tackling financial exclusion, January 2014, p 11.
3 Justin Welby, Speech at the Methodist Conference, Westminster, 10 July 2013.
4 Shakespeare, Hamlet, Act I, Scene 3.
7 Ibid.
8 McKinsey Global Institute, Debt and deleveraging: Uneven progress on the path to growth, January 2012, p 2.
10 The Bureau of Investigative Journalism, “Get the data: The top ten payday lenders”, 5 September 2013.
11 Ibid.
14 Christians Against Poverty, “Payday lending customers are typically hungry, cold and worried about eviction, says charity’s findings”, press release, 1 October 2013.
17 Ibid.
20 Ibid.
21 Ibid.
22 Citizens Advice Bureau, “3 in 4 payday loans could have cause for complaint to the Ombudsman”, press release, 5 August 2013.
24 Citizens Advice Bureau, “3 in 4 payday loans could have cause for complaint to the Ombudsman”, press release, 5 August 2013.
25 Plutarch, De vitando aere alieno, 3.
32 1 Corinthians 13.1-3.
33 Ezekiel 18.5-9. All citations from English Standard Version (Anglicised).
34 Deuteronomy 23.20.
35 Genesis 47.18-19.
36 Leviticus 25.23.
37 Leviticus 25.35-38.
38 Deuteronomy 15.1-2, 12.
39 Nehemiah 5.6-8; Amos 2.6.
46 Ibid.
47 This seems to have been Calvin’s interpretation of the Deuteronomic double-standard. See Luke Bretherton, “Neither a borrower nor a lender be”?, in Angus Ritchie and David Barclay (eds), *God and the moneylenders: Faith and the battle against exploitative lending* (London: Contextual Theology Centre, 2013), p 36.
48 Galatians 3.28.