



West Yorkshire Ecumenical Council Statement on Debt in Society

SUPPORTING MATERIAL

'Forgive us our debts, as we also have forgiven our debtors'

Oxford Place Methodist Centre, Leeds

Ash Wednesday, 25th February 2009

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SUPPORTING MATERIAL

'Forgive us our debts, as we also have forgiven our debtors'

WEST YORKSHIRE ECUMENICAL COUNCIL (WYEC)

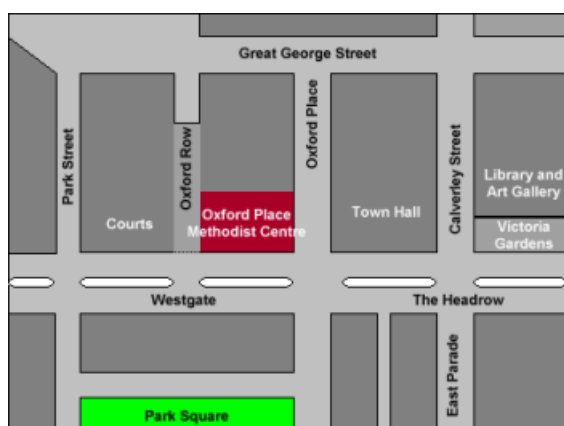
WYEC is a federation of most of the churches of West Yorkshire, and can claim to be the collective voice of a million Christians across the region. Its backbone is a personal covenant by which the Church Leaders (Bishops, District Chairs, Moderators, etc.) commit themselves to work closely together, to the greater glory of God.

DATE

Ash Wednesday, 25th February 2009, at 1pm

PLACE

Oxford Place Methodist Centre, Leeds, LS1 3AX



INTERVIEWS AND ENQUIRIES

The church leaders will be available for interviews at the launch of the statement. Requests for interviews at other times, and all other enquiries, should be directed through the WYEC Office:

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SUPPORTING MATERIAL

1. The Christian Tradition and Usury

[Based on an extract from Philip Bee of The Oastler Centre, Leeds: *Usury in the Christian Tradition*; for the full article, see www.wyec.co.uk.]

The Israelite experience of slavery in Egypt, although not rooted in debt as such, makes them acutely aware of the capacity that usury has to so indebted one person to another that they become a slave to them. So there are injunctions against this. The standard texts are Exodus 22:25-27 (*If you lend money to my people, to the poor among you, you shall not deal with them as a creditor; you shall not exact interest from them*), also Leviticus 25:35-38 and Deuteronomy 23:19-20.

The injunctions against usury spring out of belief in a compassionate God, who rescued his people from slavery. Notice that these injunctions apply to fellow Israelites, but that charging interest to foreigners is regarded as legitimate. That becomes important later as attitudes to usury begin to change.

When it comes to the New Testament, there is very little reference to usury. Luke 6:34-35 is the most direct where Jesus advises his disciples: *If you lend to those from whom you hope to receive, what credit is that to you? Even sinners lend to sinners, to receive as much again. But love your enemies, do good, and lend, expecting nothing in return.*

Less directly, in Luke 4:18-19 (c.f. Isaiah 61:1-2) Jesus identifies his arrival among the people as inaugurating the Old Testament year of jubilee which was the basis of the Jubilee 2000 campaign of the late 1990s, to become Make Poverty History in the new millennium: *The Spirit of the Lord is upon me, because he has anointed me to bring good news to the poor. He has sent me to proclaim release to the captives and recovery of sight to the blind, to let the oppressed go free, to proclaim the year of the Lord's favour.*

There is recognition here that unbridled markets have the habit of favouring some individuals over and against others, thereby creating inequalities in society that effectively enslave one person to another. The real worry is that usury makes the rich wealthier and the poor more impoverished. The compassionate God that Jesus reveals to us is interested in turning such inequalities around.

Early Christian theologians, following Aristotle as well as Hebrew scriptures, regarded usury as a sin - St Jerome went as far as to declare usury as equivalent to murder since it deprived the borrower of life.

The situation in medieval times was confused. If there was any sense of ethical consensus in the Middle Ages, it was to say that lending which involved the sharing of risk in the venture was legal, but that lending at a guaranteed rate of return was unacceptable. This is close to the position that Islam holds today. It meant that merchants could still get loans, as long as they made the lender a partner to the risk. It also meant the agreement of contracts that creatively worked their way around the prohibition on usury by effectively incorporating interest into an inflated price paid for some product.

The poor, by contrast, were required to pledge collateral against loans. Many Christians regarded this as oppression of the poor by Jews operating outside the prohibitions of canon law. In order to address this concern, a poor men's bank was opened in Perugia in 1461 and publicly run pawn shops were approved by the pope in 1467. These were not-for-profit banks that lent to the deserving poor at low rates of interest. Although the Franciscans spread these all over Europe, they were never legalized in England.

In the context of all these developments, theologians came to accept that lending at interest was not always theft. Catholic theologian, Johann Eck defended a 5% rate of interest as harmless if the loan was for the purposes of pursuing a business opportunity - the measure of what counted as usury revolved around the intent of the borrower and lender. Some of the Protestant Reformers were horrified by this position. Martin Luther, for instance, allowed only that loans should be available for the support of the most vulnerable members of society.

John Calvin's famous letter on usury in 1545 offered a different perspective, pointing out that there are two words for usury in Hebrew – *neshek*, meaning to bite, and *tarbit*, meaning to take legitimate increase. To Calvin, it was biting loans that were forbidden, so that one could lend to business people who might make profit using the money. To the working poor one could lend without interest, expecting repayment. To the impoverished one should give without expecting repayment.

There was then increasing tolerance to charging interest for Catholics and Protestants alike if loans were made with good intentions. It was agreed that lending at interest could be a social good. A remaining source of concern was whether or not the rate of interest was punitively high. 10% was allowed by Elizabeth I's Parliament of 1571, but this was reduced to 8% in 1624 in the Act Against Usury.

One could say that by this time, lending at interest and deposit banking had become normal practice that was regulated by the state for the benefit of business and protection of the poor. Adam Smith, for instance, supported the cap on interest rates because it made borrowing cheaper for those who wanted to invest in production, whilst forcing those who simply wished to spend on consumption out into the unregulated market where interest rates were prohibitively high.

A laissez faire position on usury finally arrived with Jeremy Bentham's 1787 *Defence of Usury* in which he argued that adults of sound mind, acting freely with their eyes open ought to be allowed to borrow in whatever way they saw fit. Following on from this, Parliament abolished the law against usury, leaving the matter to private conscience. The Church was left redefining usury as lending at excessive interest without actually defining what either excessive or fair might be.

What is clear from the survey below, is that the best way today for individuals and families to ensure they receive a fair rate of interest is to deal with West Yorkshire's Credit Unions.

2. Personal Debt

The cost of money

It has long been of concern that a large amount of the money spent in deprived communities for the purposes of regeneration has leaked back out again in interest payments to predatory lenders. A contributory factor has been financial exclusion, the inability of poorer members of the community to be granted access to standard financial services – bank accounts and cheap loans, for instance. This makes room for doorstep lenders who may quite legally charge rates of interest as high as 250% on small loans of only a few hundred pounds. The loans are collected weekly by someone who calls at the houses of borrowers and are structured in such a way as to make sense to people who are used to a cash culture. But they effectively deprive the poor of money they could better use for themselves and their families. Added to which, the selling on of loans to companies which may use intimidating methods of debt recovery is a growing concern.

In its worst form, predatory lending is illegally undertaken by unlicensed 'loan sharks', who sometimes charge interest at rates of 1000% or more, and make weekly collections on their debts with menaces. The impact of Trading Standards actions against illegal doorstep sales of loans has been welcome. A major initiative against loan sharks in West Leeds has been pursued by the West Leeds Debt Forum, the result of a partnership between the churches and local agencies.

There remains the ambiguity of the legal sales, not all of which are appropriate to a lender's situation.

In the commercial market, loans are provided to consenting customers who desire or require almost immediate cash. A local agent makes the accessible to customers who might otherwise be daunted by financial forms. "The service is popular because it's personal,

friendly, flexible and well suited to the needs of its customers.” [Provident Financial Corporate Responsibility Report, 2007].

Consider the example of Bradford-based Provident Financial, founded in 1880 “to provide affordable credit to working class families in industrial West Yorkshire”. Regarded by the Sunday Times (25 July 2007) as one of the “Top 100 Companies that Count”, a member of the FTSE4Good Index and a financial supporter of such debt-counselling organisations as the Citizens Advice Bureau and Christians Against Poverty, Provident has grown to become “the UK’s leading provider of home credit”, with 1.66 million customers across the country and 11,650 agents. Supplying such levels of home credit is labour intensive and costly. In the six months to June 2008, Provident issued £435.6m in credit, bringing in a revenue of £324m - 30% of which was written off as impairment – and making a pre-tax profit of £50.2m after costs [Interim Management Statement, 22 October 2008]. The current economic climate means that market conditions are becoming increasingly favourable for the company.

Clearly, the commercial success of the sector is an indication that it has a product which its customers wish to purchase. Nonetheless, there is a price, and however transparent the financial transaction, the human cost of that product for unwary or unfortunate customers can be very painful; and there are many companies less scrupulous than Provident.

Consider a £300 loan, repayable over a period of around one year. Comparison of products from regional suppliers gives the following range.

Company	Weekly payments	Total to pay	APR
Naughton Finance, Leeds	53 x £9.01	£477.01	164.1%
Provident Personal Credit, Bradford	57 x £9	£513	189.2%
Greenwood Personal Credit (part of Provident), Bradford	55 x £9.61	£528.01	220.9%
Pioneer Finance, Leeds (a)	40 x £13.21	£528.01	390%
Pioneer Finance, Leeds (b)	55 x £9.61	£528.01	221%
KDS Finance, Rotherham	43 x £12.31	£528.91	342.5%
ShopaCheck Financial Services, Hull	52 x £10.21	£530.41	246.5%
Morses Club, Manchester	50 x £11.26	£562.51	325.4%

[Data from www.lenderscompared.org.uk, January 2009]

Rates of APR are exorbitant, meaning that the cost of borrowing money for the poor is far higher than for other sectors of the population. By way of comparison, in Britain, most credit cards charge between 14-19% typical APR. Even the consistently higher rates of American Express cards are rarely over 30%.

Although there is currently reduced availability of personal loans from banks, for a narrow band of customer with the right profile and security it is possible to obtain loans of £7,500+ on the high street from 8% typical APR. That is forty times cheaper than a poorer customer would pay to one of the doorstep lenders above.

What other options are available for unsecured loans? Where possible – and not all areas of West Yorkshire are covered - a Credit Union provides a practical and manageable alternative. For example, a £300 loan from White Rose Credit Union, Wakefield, would be repaid over 52 weeks at £6.14 per week, giving a total repayment of less than £319. So the cost of a Credit Union loan could be less than £20, whereas most doorstep lenders, above, would charge over £200.

In support of the poor, the Churches support credit unions.

Unfortunately, the level of coverage of West Yorkshire is mixed. Leeds has the biggest credit union in the country, with a number of accessible branches across the city. Small credit unions do exist covering Calderdale, Kirklees and Wakefield, but branches are few. Most of Bradford is without credit union coverage at all, with only a handful of local exceptions provided by local churches. There is a desperate need for a huge expansion of credit union provision across most of West Yorkshire.



Credit Unions

Credit unions originated in Germany and were begun by Friedrich Wilhelm Raiffeisen, the Mayor of a small town in southern Germany, who in 1849 formed a society for the purpose of assisting people to help themselves out of debt and poverty. The society evolved into the first Credit Union. Today's modern Credit Union is the people's bank, operating not for profit or charity, but for the benefit of the members. Credit unions operate in 96 countries, with over 177 million members worldwide. In Ireland 50% of the population belong to a Credit Union, and in America and Australia 30% of the population are members of a Credit Union.

Credit unions are financial co-operatives owned and controlled by their members. They offer savings and great value loans plus they are local, ethical and know what their members want. Many credit unions now offer a range of services including a current account, benefits direct, ISAs and Child Trust Funds. Around 700,000 people use credit union services in England, Scotland and Wales. Between them they have saved nearly £ ½ a billion and are borrowing over £400 million. Credit unions are regulated by the Financial Services Authority and savings held in credit unions are protected by the Financial Services Compensation Scheme

Each credit union has a 'common bond' which determines who can join it. This determines who can become a member of the credit union. The common bond may be for people living or working in the same area, people working for the same employer or people who belong to the same association, such as a church or trade union.

The common bond for credit union membership can be through church membership, or from being resident in a geographical community, or through employment – in a number of cases across the country a workforce will have its own credit union. We encourage employers to support such a development in their own workplaces.

The Archbishop of Canterbury has described credit unions as 'one of the best vehicles for getting people back on track and giving them a lasting and reliable source of help'. (BBC Radio 4 *Today*, 18 December 2008.)

For more information on credit unions, visit www.abc.ul.coop Association of British Credit Unions Ltd.

West Yorkshire Credit Unions

Local membership figures below as at 2005.

A) With services available across a metropolitan district

Calderdale Credit Union Ltd

13 Northgate,
Halifax,
West Yorkshire,
HX1 1UR

Members 1436

<http://calderdalecreditunion.co.uk/>

Calderdale Credit Union was originally an employee's Credit Union for Calderdale Council which was established in 1993. Then in 2003 the FSA approved the formation of Calderdale Credit Union which now serves all the residents and workers in the borough of Calderdale.



Castle and Minster Credit Union Ltd

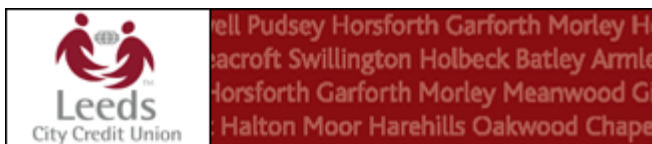
Upperhead Row,
Huddersfield,
West Yorkshire,
HD1 2JL

Members 2002

www.castleandminster.co.uk

Membership open to anyone who lives or works in Kirklees

'In co-operation with other Credit Unions across Yorkshire we are producing a schools pack which ties in to the National Curriculum.'



Leeds City Credit Union Ltd

2nd Floor,
Westminster Buildings,
31 New York Street,
Leeds,
LS2 7DT

Members 13509

Leeds City Credit Union has been operating since 1987. It provides a range of services to people who live or work in the Leeds Metropolitan District. Originally operating from a

basement at Leeds Civic Hall, serving employees of Leeds City Council, it is now open to anyone who lives or works in Leeds.

It has merged with smaller credit unions, many based on churches, which were formed to counter the activities of doorstep loan sharks in some of the poorest areas of Leeds. It gives bank accountants to people who have been refused by high street banks. Today it is **the biggest credit union in Britain**, offering mainly small loans at low interest to small savers who need them.

Leeds City Credit Union recently won an award at a London ceremony for its partnership with Leeds University Business School.

www.leedscitycreditunion.co.uk



White Rose Credit Union Ltd

7a The Springs,
Wakefield,
WF1 1PU

Members 3000

www.whiterosecreditunion.co.uk

Serves the whole of Wakefield District.

White Rose Credit Union was registered in February 1997, originally as an employees' credit union for Wakefield Metropolitan District Council and West Yorkshire Police. Now it serves the whole District, and has grown to have over 4000 members and a turnover of over £11 million.

B) Local Credit Unions

Felix Credit Union (Bradford) Ltd

The St Patrick's Centre,
Sedgefield Terrace,
Bradford,
BD1 2RU

Members 247

St Patricks (Huddersfield) Credit Union Ltd

St Patrick Centre,
2 A Trinity Street,
Huddersfield,
HD1 4DG

Members 179

St Brigids Save and Credit Union Ltd

14 Edale Close,
Kirkheaton,
Huddersfield,
HD5 0EZ

Members 115

All Saints (Batley) Credit Union Ltd

St Mary's Social Club,
Melton St,
Batley,
West Yorkshire,
WF 17 8PT

Members 189

Borough and Parish Community Credit Union Ltd

13 Market Street,
Dewsbury,
West Yorkshire,
WF13 1DB

Members 213

Financial Training

The Citizens' Advice Bureau is calling for improved financial education and of increased availability of financial advice services. The churches can play a part in the delivery of these services to local communities. See www.citizensadvice.org.uk.

The Consumer Credit Counselling Service (CCCS), based in Leeds, is probably the country's leading debt advice charity. It runs training courses in Leeds and Halifax, for up to 12 people. Individuals from churches are charged £112.50 for a one day course with all resources provided. However, if churches or Churches Together groups invited CCCS to come out to run the course – again, for up to 12 people – the total charge would be £750 + vat. To discover more, phone Zoe Barlow on 0113 2355429, or go to www.cccs.co.uk/debt-training/debt-advice-training.aspx, or contact CCCS, Wade House, Merrion Centre, Leeds, LS2 8NG. For free debt advice from CCCS, phone 0800 138 1111.

For legal advice on benefits visit www.communitylegaladvice.org.uk.

For specifically Christian training, resources and analysis, visit www.stewardship.org.uk/money/debt.htm.

Detailed money-saving ideas are available from www.creditaction.org.uk.

Bradford-based charity, Christians Against Poverty provides a national debt-counselling service, with a network of 72 centres and an annual turnover of £5million. Among a number of local centres are Burley St Matthias (Leeds) and a developing centre at New North Road Baptist Church (Huddersfield). Christians Against Poverty has called on churches to make greater provision for the needs of those slipping into personal debt. As well as offering debt counselling and financial advice, Christians Against Poverty has recently launched a money management course. See www.capuk.org

3. International Debt and Market Forces

The economic doctrine of the power of the market, the basis of economic policy for thirty years, is not a basis for uncritical faith; such forces are to be tested to determine when they are constructive and when they are what St Paul dismissed as 'principalities' and 'powers' (Ephesians 6.12). The unrestrained pursuit of personal and corporate wealth on a colossal scale, the building up of massive unsecured debts, the bonuses of the bankers, the greed of so many speculative investors, and the collusion of governments, were and are all contrary to Christian values. At the same time, developing nations have been burdened with immense debts, and the resources required to feed the poorest on the planet were, and still are, diverted to pay interest to the rich.

The Christian churches have long been associated with campaigning for relief of international poverty and debt, not least through the Jubilee Debt Campaign (<http://www.jubileedebtcampaign.org.uk>). Churches have given and continue to give their full support to the relief and development work of agencies such as Christian Aid (www.christianaid.org.uk), CAFOD (www.cafod.org.uk), and the Methodist Relief and Development Fund (www.mrdf.org.uk). Through their long term development work, such agencies have shown the need for a reformed, just, economic order to tackle the root causes of international poverty and debt. It is not only western companies which need debt relief, but the poorest nations too.

In the long term, a new economic order needs to be fashioned which breaks out of the cycle of unsustainable debt financed by over-borrowing/over-lending, leading to a reaction in a credit crunch, leading to unemployment, leading to social disarray and increased debt. Sustainability must be the key. A sustainable level of development and growth, avoiding the excesses of the past, is essential for both economic and ecological reasons. We proclaim the necessity for sustainability in living.

4. Unemployment and Society

Unemployment is rising and the human cost is becoming apparent across West Yorkshire. We hear the tragic stories of those who bought and were sold unsustainable mortgages, and whose homes are being repossessed. There is the risk of increased political extremism, tension within families and rising levels of mental health problems. Churches, working in partnership with other agencies, are often in the forefront of local pastoral care.

Church Action on Poverty is collecting stories about how the recession is affecting people's lives, and how churches are responding positively to this. See www.church-poverty.org.uk.

Generosity need not only be a response to financial need. *IDEA*, the magazine of the Evangelical Alliance, January 2009, published a shortened version of a paper from www.stewardship.org.uk, giving ten suggestions for local churches.

1. Start talking money in different ways within the church.
2. Train a crisis response team who can offer support.
3. Know where to point and how to support people in debt.
4. Offer training in financial literacy and managing a budget.
5. Identify underutilised resources in your congregation and community.
6. Establish a hardship fund for emergency situations.
7. Covenant to maintain or increase giving to the world's poorest people.
8. Co-operate locally with churches and community groups and networks.
9. Establish practical and emotional support for the newly unemployed.
10. Make it a point of corporate church prayer.

The churches can make a difference.