

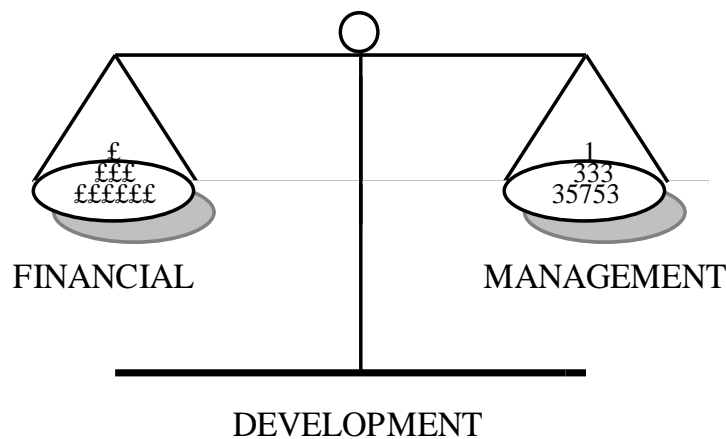
FINANCIAL MANAGEMENT DEVELOPMENT

CHRISTIAN MANAGEMENT

NO 909

LIVING WITH DEBT

WALKING IN THE SPIRIT - FREE FROM THE CHAINS OF DEBT



ONE OF A SERIES OF GUIDES FOR
FINANCIAL MANAGEMENT DEVELOPMENT

FROM

www.FinancialManagementDevelopment.com

This is one of a series of documents produced by David A Palmer as a guide for managers on specific financial topics to assist informed discussion. Readers should take appropriate advice before acting upon any of the issues raised.

LIVING WITH DEBT

WALKING IN THE SPIRIT - FREE FROM THE CHAINS OF DEBT

This paper is designed to help YOU

- Consider what Debt is
- Reflect on circumstances when Debt causes problems
- Consider how to deal with Debt in our own lives
- Consider how to help other individuals and our society deal with Debt

And so be more ready and able to be good stewards of God's creation and help others to do so with a view to helping to bring about God's Kingdom on earth.

"If we live in the Spirit, let us also walk in the Spirit." (Galatians 5:25) St Paul in his "gentle" way reminds us that we need to "walk the walk" not just "talk the talk". One of the greatest evils of our time is the extent to which we have let Debt rule our lives, and in some cases ruin them. Concentrating on practical examples in a personal, corporate and church context this paper will look at Biblical precedent, Church teaching and contemporary practices regarding borrowing and lending. We can seek the spiritual fruits of "love, joy, peace, patience, kindness, goodness, trustfulness and self-control" in our financial affairs and help others to do so.

"Forgive us our debts as we have forgiven those who are in debt to us" (Matthew 6:12) Why did Jesus say "debt" rather than "sin"?

DEBT INVOLVES PEOPLE

Forgive us our Debts, as we have forgiven those who are in debt to us.

Why does Jesus use the word "debts" to signify sins? Is it wrong to borrow, or to lend? Most people in Britain do both. Is one of the fundamental pillars of Western society, the banking system, founded on evil? Isn't it normal to borrow to fund a good time at Christmas and spend January paying for it? Isn't that what credit is for?

Lending with interest is not new. Jesus mentions it in the parable of the talents as a better use than burying the one talent. And yet, in the Old Testament "usury" is expressly forbidden. The charging of interest to the poor brother is expressly condemned throughout the Torah:

Exodus 22:24 "If you lend money to one of your poor neighbours among my people, you shall not act like an extortioner toward him by demanding interest from him."

Leviticus 25:35 -37 "When one of your fellow countrymen is reduced to poverty and is unable to hold out beside you, extend to him the privileges of an alien or a tenant, so that he may continue to live with you. Do not exact interest from your countryman either in money or in kind, but out of fear of God let him live with you. You are to lend him neither money at interest nor food at a profit."

Deuteronomy 23: 20-21 You shall not demand interest from your countrymen on a loan of money or of food or of anything else on which interest is usually demanded. You may demand interest from a foreigner, but not from your countryman, so that the Lord, your God, may bless you in all your undertakings on the land you are to enter and occupy."

The last of these allows interest to be charged to foreigners, but it is obviously not encouraged. However, we must remember that these words were written for an agricultural people. There was no real need to borrow - there was little equipment, you either owned land or you didn't, you built your own barns. The only time you needed to borrow was in times of disaster or famine. Money was something you accumulated yourself or left with others to look after (Tobit 4:1).

It took a while for the Church to adapt to the commercial needs of a more urban, industrial civilisation. Until the Fourteenth Century the Councils of the Church (Arles 314, Nicaea 325, Carthage 348, Aix 789, Third Lateran Council 1179, Lyons 1274) attacked usury.

Until the Seventeenth Century the payment of interest on debt was banned by the (Roman Catholic) Church, although some exceptions e.g. to compensate the lender for loss of profit were allowed. Gradually commerce became the norm and the first real accounting textbook was written in 1494 by the Franciscan Friar Luc Pacioli. This included the formal recording of liabilities (debts).

In Nehemiah much of chapter 5 is devoted to criticism of the practice of charging interest to fellow countrymen and it exhorts people to cancel debts. Now the Church encourages economic activity and the quest for equitable profit, but condemns usury - especially between nations.

The Catechism makes little mention of debt or interest.

Perhaps the nearest reference is in paragraph 2269: "The acceptance by human society of murderous famines, without efforts to remedy them, is a scandalous injustice and a grave offence. Those whose usurious and avaricious dealings lead to the hunger and death of their brethren in the human family indirectly commit homicide, which is imputable to them."

In Paragraph 2432 it says "Business managers are responsible for the economic and ecological effects of their operations. They must consider the good of persons and not only the increase of profits, even though profits are necessary to assure investments, the future of the business, employment, and the good progress of economic life."

The Compendium of Social Doctrine does say more about debt but mainly its comments are focussed on foreign rather than on personal debt.

DEBT TODAY

There is a big difference between exploiting someone's poverty, and lending money at interest to share in the wealth thereby created. There is a time to sow and a time to reap - a time to borrow and a time to lend. It is reasonable to borrow to buy a house to live in, while you earn the money to pay back the debt. It is reasonable that in old age the money saved

during one's working life, is lent to the next generation to help them buy their house. The interest charged then provides the pensioner with income. Whether we do this as individuals or through the medium of a bank or insurance company, the effect is the same. It is a good use of "talents".

A further look at Nehemiah 5 1-12 is instructive. Perhaps it is not so out of date:

'Then there rose a great outcry of the common people and their wives against certain of their fellow Jews. Some said: "We are forced to pawn our sons and daughters in order to get grain to eat that we may live." Others said: "We are forced to pawn our fields, our vineyards, and our houses, that we may have grain during the famine." Still others said: "To pay the king's tax we have borrowed money on our fields and our vineyards. And though these are our own kinsmen and our children are as good as theirs, we have had to reduce our sons and daughters to slavery, and violence has been done to some of our daughters! Yet we can do nothing about it, for our fields and our vineyards belong to others."

I was extremely angry when I heard the reasons they had for complaint. After some deliberation, I called the nobles and magistrates to account, saying to them, "You are exacting interest from your own kinsmen!" I then rebuked them severely, saying to them: "As far as we were able, we bought back our fellow Jews who had been sold to Gentiles; you, however, are selling your own brothers, to have them bought back by us." They remained silent, for they could find no answer.

I continued: "What you are doing is not good. Should you not walk in the fear of our God, and put an end to the derision of our Gentile enemies? I myself, my kinsmen, and my attendants have lent the people money and grain without charge. Let us put an end to this usury! I ask that you return to them this very day their fields, their vineyards, their olive groves, and their houses, together with the interest on the money, the grain, the wine, and the oil that you have lent them." They answered: "We will return everything and exact nothing further from them. We will do just what you ask." Then I called for the priests and had them administer an oath to these men that they would do as they had promised.'

WHAT IS DEBT?

What is a Debt? In money terms it is a transaction that involves two people. A lender who has money but no use for it and a borrower who has no money but does have a use for it. They enter a mutually satisfactory agreement which includes interest being paid - effectively rent - for the use of the money. The problem is that the system only works when everyone is acting reasonably and sensibly. There are several potential evils which arise around the issue of debt. St Paul goes so far as to tell Timothy that "the love of money is the root of all evil." Providing "free money" is like providing a teenager with the first drug fix for free in order to get them hooked. Borrowing money without the means to repay it, or the reasonable expectation of doing so, is theft. A profligate lender who encourages people to "borrow beyond their means" is guilty of leading "little ones into sin" and deserves the severest penalties. The consequences of adopting a harsh approach to debt collection are set out in the parable of the unforgiving servant and the Finance Industry is not known for its forgiveness.

A brief analysis of uses of money and sources of money may help you decide. Investing is not wrong, particularly if you are providing for your needs (car, home etc.); and investing in "earning assets" like buy to let property, is vital if homes are to be available to others; but building huge barns for protection (parable of the rich fool in Luke 12:18) may be "too greedy". Spending on yourself is not wrong "Do not muzzle the ox while he is treading corn". (Deuteronomy 25:4) but conspicuous consumption is wrong - whether or not you can afford it!

There are four possible combinations:

1. To provide for future/ or make a profit?
2. To provide for future/ or make a profit?
3. To survive or to indulge?
4. To survive or to indulge?

MONEY

INVEST

TO DO?

SPEND

Buy 2 a House	Put 1 in Bank
To 4 Eat	To 3 spend on Holiday

BORROW OWN

SOURCE OF MONEY

Jesus exhorts us to "use money, tainted as it is, to win friends." Borrowing to finance an asset, something that will help you earn more, is a right use of the economic system and every time we put money into the bank we help the system, because in theory it then enables the bank to lend that money to someone else to use. What is wrong is that people are borrowing to satisfy greed, envy and to overindulge. Too many adverts are not for products to help make life better, they are creating a need based on envy, greed and overindulgence. "Go on, spoil yourself" is a phrase which has an unchristian flavour. When the same adverts are accompanied by offers to supply the means to "live now, pay later" they can become evil.

"Set my People free"

There are many differences between the world of Nehemiah and now, but one of the biggest evils in the Western world today is the extent to which individuals and nations are enslaved to debt. Whatever the merits of discussions about who should pay for Further Education and at what stage during their lifetime, the impact of the Student Loan system is that most young people see debts of tens of thousands of pounds as normal and acceptable. This is highly dangerous. We teach our children responsible uses of dangerous but useful items like cars and electricity - but in our society the norm seems to be **borrow now pay later**. On an International level we have the "interesting" situation of the United States owing vast sums to China and continuing to allow these to grow. In Britain, it is estimated that as individuals we owe more than a Trillion Pounds. You would think that is enough to be going on with, but if you put "Loan" into Google you will get 200 million separate results - the overwhelming majority of which offer to lend you more.

In the parable of the Talents, Our Lord did not include anyone who said "You didn't give me any talents at all, but I borrowed some using your name and now you owe the bankers all the talents that the others have earned. Such stupidity needed the Twentieth Century to become possible.

One Christian Economist Peter Warburton described the problem in 2001 in a technical but compelling article "Inflation but not as we know it." As a world economy, which is after all composed of lots of individuals, we have created too much debt. Greece is not alone!

As a simple example of the problem, here are some questions:

1. If you lend your child £10,000 to buy a house, what interest rate should you charge them?
2. If you lent them £10,000 to go to university does the rate change?
3. If you lent them £10,000 to go on a holiday does the rate change?
4. If you lent them £10,000 to pay off their debts costing them 20% p.a. does the rate change?

Now assume you are the borrowing "Child", what rates seem right?

Which rates bring the spiritual fruits of "love, joy, peace, patience, kindness, goodness, trustfulness and self-control"?

What rate does God charge us his children?

Aren't we all God's Children and therefore brothers and sisters. Does having a bank between us and the "other party" make a major difference to our attitude?

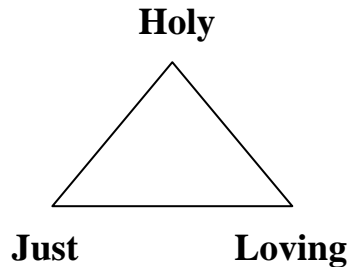
DEALING WITH DEBT

Having looked at the Old Testament view of Debt, the Church's view and today's practices, let's look at some of the issues for us today. We may be facing a personal, corporate and Government attitude (possibly an addiction) to debt which is at best unhealthy and sinful, and at worst will lead to disaster.

The Managing Director of one credit card company once pointed out the stupidity of borrowing on credit cards. Do we not, as a responsible society have a duty to help others avoid the consequences of stupid actions? An initiative being piloted by the Financial Services Authority provides free short seminars "Managing Your Money" covering some very basic advice - "Don't borrow unless you can afford the repayments." "Do save from times of plenty to cover your retirement." These are Christian messages. We do not have to rely on secular organisations to promote "Simple Living." As Church, we can do it too; by Word, Witness and Works. It is called Evangelisation.

IT'S THEIR OWN FAULT

In a book called "Just Business" by Alexander Hill he notes the three attributes of God in the Bible:

GOD IS

and keeps all three in healthy tension

God is Holy and pure, avoiding evil. God is just, fair to all. God is Loving. But God is not so holy that we are wiped off the face of the earth because of our sins, nor is He so Just that He gives us the just retribution for our misdeeds. However, nor is He so besotted with us that He allows us to totally escape the consequences of our actions. We have free will, but if we are wilful we will reap the whirlwind!

Anthony Elliott published a report in April 2005 (Centre for the Study Of Financial Innovation) based on some work with individuals who had "overborrowed who were clients of CCCS (the Consumer Credit Counselling Service). This seemed to suggest that contrary to the normal view which is that people get in debt trouble because something unexpected happens (i.e. they had correctly worked out what they could afford, but something happened like illness or unemployment); **it was their behaviour and that of the lenders that was mainly responsible for financial catastrophe.** In many cases the Debt was the cause of illness not vice versa. He formulated three things which can lead to major problems:

1. External Pressure (home, children, parents, peer lifestyle, business) or Internal Pressure (gambling, spending, greed) when those pressures are not resisted.
2. Personal financial management is foolhardy with thoughts like "It will sort itself out" "ignore the cost" or the classic "Borrow to pay off debts!"
3. Deliberate temptation by lenders - unrequested increases in limits, pressure marketing (often associated with products) consolidation loans, no credit checks.

As a rough guide it is suggested that unsecured debt should not be more than 50% of gross income, and he noted that probably 4,000,000 people are living in households who are over indebted in the UK.

Let's look at a Biblical parallel. We can go right back to Genesis - Adam and Eve Crafty serpent tempts Eve, with the promise of riches at little or no cost. Eve puts peer pressure on Adam (even though there were no neighbours to keep up with and fashion had not yet been invented). Foolishly they ignore the consequences and we, their children are still suffering because of it.

In our society bankers are no longer doctors but barmen. Look at your postbag.

Elliott suggests several actions for Society:

1. Better education on credit is required for all.
2. Credit helpdesks are needed before, during, and after borrowings are made.
3. Loans should have clear warnings and these need to be specifically targeted on and intelligible to the vulnerable (rather than some of the current adverts which specifically target the vulnerable in order to make matters worse).
4. Lenders should stop unrequested credit increases and in some cases review and reduce credit limits, and provide constructive assistance to do so. Lenders need standards!
5. Government should make it illegal to knowingly over indebt - to lend to those with no hope of repaying - and should make such debts unrecoverable.
6. Employers, charities and community groups need to assist this process

BUT WHAT ABOUT CHURCHES AND US AS INDIVIDUAL CHRISTIANS?

There are some instructive Biblical Comments:

Philippians 4:12 "I know what it is to be in want and what it is to have plenty." Be Content in all situations. "I can do all things in him who strengthens me."

Matthew 6:19 "Do not store up treasure for yourself here on earth.....store up treasure for yourself with God" trust in God for material needs - like the flowers and the birds (6:28)

1 Timothy 6:8-10

"Indeed, religion with contentment is a great gain. For we brought nothing into the world, just as we shall not be able to take anything out of it. If we have food and clothing, we shall be content with that. Those who want to be rich are falling into temptation and into a trap and into many foolish and harmful desires, which plunge them into ruin and destruction. For the love of money is the root of all evils, and some people in their desire for it have strayed from the faith and have pierced themselves with many pains. But you, man of God, avoid all this. Instead, pursue righteousness, devotion, faith, love, patience, and gentleness."

Self-denial is not just for oneself. We may "need" it but others may need it more.

Simple living is not just an ecological good but a social one.

Ethical Investment includes not just thinking what the money is being used for but looking at the profits made from the activities.

Psalms 37:21 "The wicked man borrows and will not repay, but the upright is generous in giving."

Leviticus 26: 27-29 If, despite all this, you still persist in disobeying and defying me, I, also, will meet you with fiery defiance and will chastise you with sevenfold fiercer punishment for your sins, till you begin to eat the flesh of your own sons and daughters.

In Isaiah chapters 45-48 God sent a destructive agent of change (King Cyrus) to bring the Israelites to repentance.

Do we, like Lazarus in the parable have to die before we notice those in need at our gates?

There is one area which I find personally and particularly worrying.

Charles Bean Chief economist at the Bank of England in July 2004 wrote the following as a sign of the healthy (**Sic**) development of the UK economy "Faced with higher house prices, a lower initial debt-service burden as a result of lower interest rates and an increased availability of mortgage finance, first time buyers and those trading up the housing chain have been both willing and able to take out larger mortgages, thus adding to the upward pressure on house prices.....In essence, higher house prices have induced a transfer of lifetime wealth from younger generations to their parents."

Imagine two houses. One is mine - bought for £100,000. It "goes up in value" to £200,000. I am delighted and take out an equity release scheme which pays me £100,000 cash which I spend on "the holiday of a lifetime" My son buys a similar house for £200,000 (its "value") and borrows £200,000 to pay for it. I have had the fun, he has to pay for it.

I am not sure whether I am grateful to Peter Warburton the Economist for pointing this out to me. I am even less sure that anyone reading this will be grateful to me - but in Ezekiel 33 we are called to speak about what we see. Maybe my eyesight is defective. I certainly hope the enemy is kinder than King Cyrus.

In the year to 30 June 2004 the UK banks earned total interest of £144 billion - nearly half of this was from home loans rather than loans to companies, financial institutions or consumer credit. In the last decade the total value of mortgages has more than doubled. Average house prices continue to rise.

Galatians 5:15 "For you were called for freedom, brothers. But do not use this freedom as an opportunity for the flesh; rather, serve one another through love. For the whole law is fulfilled in one statement, namely, "You shall love your neighbour as yourself." But if you go on biting and devouring one another, beware that you are not consumed by one another. I say, then: live by the Spirit and you will certainly not gratify the desire of the flesh."

Have I, through my profligate use of the benefit I have received through higher house prices begun to **eat the flesh of my own sons and daughters**? What do you want to leave your children - a house or a debt? We have a duty to future generations not to trap them in chains of debt.

Is this Good news? In one sense, yes. Where sin increases, grace increases more. We have the opportunity to help our neighbours. To help them become free from their chains of debt, by recognising them for what they are. First we may have to cleanse ourselves. Do we have more debt than we can afford? Are there areas where our own spending is profligate or overindulgent? Scrupulosity and small mindedness are to be avoided, and Jesus came so that we might have life and have it to the full, but before we seek to help others, we need to be sure we have removed any planks in our own eyes.

Pray for the Holy Spirit to enlighten our minds and hearts. Do I need help with managing my debts? To whom should I go for advice? Do I know of others who need my help? Do they need advice, counselling from professionals, or financial help from me, or from others?

They can always be helped by prayer.

Just as with ecology, God has created the world to be in balance and if one group or generation is profligate and wastes resources or fails to produce them, someone will suffer. We should not let the consequences of our sin fall upon our children. Earlier generations left their children legacies and we received them with gratitude. We live in a time when there is a real prospect that this generation will leave its children nothing but unpaid debts. Like the watchman in Ezekiel 33 we have a duty to warn others. Jesus lived simply, and others who had money supported him. Joseph in Egypt hoarded corn to good purpose; Joseph the Carpenter worked to serve Christ; Joseph of Arimathea had wealth to use to honour his body. We are all called to help our neighbour, Christ's Body on earth. We can help them realise that the Prince of Peace can help them cope with anxiety.

We thank God for the gift of money, so that the labour of all can be pooled and shared and we ask God's help for each one of us to use our money and our time wisely, so that the name of Jesus may be lifted up and all are drawn to experience His grace. Perhaps Our Lord foresaw this time, and the words of the Our Father are for us, now. **Forgive us our Debts.**