



“Forgive Us Our Debts”: lending and borrowing as if relationships matter

“Forgive Us Our Debts”: lending and borrowing as if relationships matter is the culmination of a year-long research project undertaken by Theos and St Paul’s Institute into the ethics of debt. Taking a holistic approach, the report reviews personal (or household), corporate (or business), and public (or national/government) debt in the UK, and discusses the main areas of concern within an ethical framework derived from Christian thought.

The central thesis of the report is that debt is never merely an economic issue, but also a deeply moral one. It has important ethical underpinnings – judgements about what is right, fair, and beneficial to lenders, borrowers and wider society – and relational consequences, both of which are rarely fully understood, let alone taken into account in public conversation. *“Forgive Us Our Debts”* seeks to remedy this.

Debt today

- The UK economy is increasingly dependent on UK consumer growth, which is, to a growing extent, fed by debt.
- Personal debt has continued to increase since the Second World War, particularly after the financial crisis of 2008/9. As of 2017, total outstanding personal debt is equivalent to around 90% of the country’s Gross Domestic Product (GDP).
- Today, 16 million British people have less than £100 in savings. Debt plays an increasing part in day-to-day spending. Many people borrow simply to cope with life events, such as job loss, divorce or illness, or to meet basic needs.

- There is a severe lack of real investment by the private and public sector in the UK economy. This has led to an increased dependence on consumer spending and consumer borrowing for growth, and is diminishing the prospect of productivity growth and wage increases.

Debt yesterday

- Lending and borrowing are accepted practices in the Bible but regulated with a view to prevent abuses and exploitation, and to ensure all are able to participate in the common life. Interest is morally ambivalent.
- There is a strong emphasis on debt forgiveness and lending as a form of gifting, particularly to those in distress.
- The Bible emphasises the individual responsibility of lenders and borrowers. It also recognises and regulates against systemic injustice.
- Throughout Christian history, up to the modern period, usury was consistently prohibited. A concern for the dignity and welfare of people, particularly the poor, lay behind the ban. Responding to developments in the wider cultural landscape, Christian theologians began to distinguish between usury and legitimate interest, and between commercial loans and loans made to the poor in times of distress.
- The ethical appraisal of debt became more sophisticated with time, yet there was never any compromise on the principle that economic relations are subordinate to social relations.

Debt tomorrow

Ethical framework

- Rather than dismissed wholesale or accepted uncritically, debt should be assessed in terms of its purpose, quantum or amount, and the effects it has on human social relations and, indirectly, on the physical environment.
- The Christian ethic put forward in this report sees debt as just or equitable when:

- *it is mutually beneficial to creditor and debtor;*
- *risks associated with the contract are fairly distributed;*
- *it can be shown to foster rather than corrode relationships – among debtors, creditors and all third parties involved;*
- *it enables participation in, rather than isolation from the common life;*
- *it does not overburden future generations;*
- *it is based on a responsible, steward-like relationship to the physical world.*

Recommendations

- There needs to be appropriate public consultation and participation in the decision-making process on the issue of how debt burdens are to be distributed between individuals, businesses and the government.
- If we are to see fair debt relations, lenders must understand and take into account the borrower's personal circumstances – not just their credit score. Borrowers, similarly, must be able to understand the terms of their debts. This presupposes necessary information is made available and accessibly presented to all parties.
- New ways of ensuring risk is equitably shared should be devised. The disproportionate power institutional lenders have over individual borrowers should be more strongly counterbalanced through appropriate regulation.
- A position of intergenerational equity may be achieved when debt is taken on to help create or enhance the conditions for the thriving of future generations: investment in health, education, disease-control, infrastructure etc.
- The concept of bankruptcy is an outworking of the Christian principle of debt forgiveness. As a society we need to continue to remove the stigma that still attaches to having to declare bankruptcy or apply for an Individual Voluntary Arrangement (IVA).
- The government or the Office for Budget Responsibility (OBR) should make information available for every measure taken on tax and benefits, on how these measures affect, directly and indirectly: the poorest in the country and income distribution more generally;

externalities such as climate change and pollution; the debt burden for future generations.

- Appropriate public consultation forums should be organised regularly, in order to discuss whether what the government commits in terms of debt is at sustainable levels and accomplishes what it was intended to do.
- There should be an investigation into greater use of debt mitigation – or *forgiveness*: IVAs and Debt Relief Orders at the personal level, bankruptcy as an option at a small business level and debt forgiveness for the poorest countries at a national level.
- Re-establishment of a usury rate, i.e. a level of interest above which rates are deemed exploitative, should be considered.
- Corporate debt should be put on an equal tax footing with equity, eliminating the tax deductibility of debt; the elimination of the tax on corporate dividends should also be considered.
- More investment (private, civic and governmental) should be made to grow the social lending sector.
- Consumer credit advertising (particularly credit card and payday loans) should be restricted.
- UK University tuition loans should be rethought; the idea of needs-based financing should be explored.

A full set of applications and recommendations can be found on pages 95-106 of the full report.

