

Is it wrong to charge interest? (28:8)

He who increases his wealth by interest and usury gathers it for him who is gracious to the poor.

THE TEXT (NASB)

He who increases his wealth by interest and usury gathers it for him who is gracious to the poor.

He that by usury and unjust gain increaseth his substance, he shall gather it for him that will pity the poor. KJV - Proverbs 28:8

INTRODUCTION



Some ways of accumulating money are futile.

In this scenario, one person is gathering additional **wealth** for someone else to give it away. Is it wrong to collect **interest**? Why does interest income go to those who are **gracious to the poor**?

Let's embark on an in-depth study on the ethics of charging interest.



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COMMENTARY

Translation: *interest, usury*



First of all please note that the conjunction between interest and usury is “and” rather than “or.” The word “and” tightens the connection between the two words and makes them like one.

The two Hebrew words for interest and usury, נֶשֶׁךְ (nešek, pronounced “ne-shek”), and תְּרִבִּית (tarbit, pronounced “tar-beeth”), are often used together. nešek is derived from the Hebrew word “to bite.” In fact creditors are literally called “biters” in some biblical texts such as Habakkuk 2:7 in the King James and American Standard Versions. Shall they [those who loaned you their money] not rise up suddenly and bite thee?” When used together, these words could be loosely translated based on their root meanings as ‘biting at another through a financial loan.’ Little wonder that some lenders are called loan sharks! According to the *Theological Wordbook of the Old Testament (TWOT)*, whenever the word “to bite” occurs in its literal physical sense, a snake or serpent is biting.

In *Men’s Manual Volume 2, Financial Freedom* (1983, Institute in Basic Youth Conflicts), the following similarities are drawn between a snake bite and the sting from interest:

- The snake and its venom are usually unseen and the full cost of interest on a loan is usually unrecognized.
- Snakes and creditors are approachable at first, but after being bitten by them they are equally unrecognized
- Venom from a snake bite can cause sickness, paralysis, and even death. Interest on a loan can produce alarming physical, mental, emotional, and spiritual problems in the life of the borrower.



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Interest and Impatience

Interest hurts! This point is also captured in Gill's Commentary: "The word for **usury** (interest) here signifies biting. While it increases the substance of the usurer, it lessens and devours that of others." By charging interest, the lender takes assets away from the borrower. Rather than *giving to* the borrower, those who charge interest *take from* the borrower. Many people who borrow money are not really poor but impatient. They want it *now*. Some take advantage of others' desire for cash and offer them aid at a high rate of interest. What rate is too high?

High Interest

If the interest rate equals the inflation rate, then the purchasing power of the loan is kept intact. Any rate above the inflation rate is real interest. Some businesses charge penalty fees for late payment. Such "late payment fees" are really another form of interest charge.

God doesn't oppose charging of interest, but He does oppose unprovoked interpersonal aggression. Five times in the Law of Moses (Exodus 22:25, Leviticus 25:36, 37, Deuteronomy 23:19, 20) God commands his people NOT to charge interest on loans to their brothers (i.e. fellow Israelites). However, God *does* allow the charging of interest to strangers (i.e. Gentiles). (Deuteronomy 23:20) When the relationship between the lender and the borrower lacks family ties, it is an arm's length relationship and God allows interest to be charged. I believe that in lieu of the bond of "family ties" or strong friendship ties, that given human nature, God allows the charging of interest, to form a "bond" between the borrower and the lender.

Bonds



Fundamentally, a bond is something that binds a person or persons to a certain circumstance or line of behaviour: e.g. the bond of matrimony or a bail bond. In a financial sense, a bond is defined as a certificate of ownership on a portion of a larger debt due to be paid by a government or corporation to the bond holder. The bond usually bears a fixed rate of interest. It appears that when social bonds (i.e. family ties and obligations) are missing,

God allows us to establish financial bonds using interest to motivate full repayment. Funds are to be paid back, not out of love, but just to avoid any further loss, to pay as little interest as possible. The obligation to pay interest acts as a replacement for the bond of family. But this cuts both ways. Lenders may love to receive interest income, but borrowers may become resentful toward lenders, especially if interest rates are too high.



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Interest and Relationships

The charging of real interest (interest above the inflation rate) does not enhance the relationship between the borrower and the lender; it does the exact opposite. Charging high interest rates is not a sign of love but of aggression—biting and consuming the assets of the borrower. In Europe during the middle ages many resented the Jews since they charged high interest on loans to Gentiles as portrayed by Shylock in Shakespeare's *The Merchant of Venice*. God hates interest being charged among his children.

However, not all of God's creatures are His children. Not all who call themselves Jews are Jews in the eyes of God (Romans 2:28-29). This is one reason why Jews often charged interest to fellow Jews (Nehemiah 5:7-10) in direct violation of God's law; they weren't true Jews. True Jews are united with each other by their love and service to God, not by circumcision or by blood lines. The true children of Abraham (be their blood-line Jewish or Gentile) are those who live by faith, just like Abraham (Romans 4:3). Remember that the name Abram was changed by God to Abraham (Genesis 17:5), meaning a father of many nations. But what about the Islamic teaching forbidding the charging of interest?

Sharia (Islamic) Law



The majority of orthodox Islamic scholars hold that interest is forbidden. Is such a law wise and just? Does it address the true weaknesses in human nature? Does it promote commerce or hinder commerce?

As interest is not allowed under Sharia law, three broad financing structures have been developed by Islamic scholars, all involving lender purchases of the goods that the buyer wishes to procure. When faced with loan default the lender will then resell the goods to the buyer (Murabaha), lease them to the buyer (Ijarah), or go into partnership with the buyer putting up the money and getting a return only if the venture is profitable (Musharaka). As an aside the Musharaka adopt the policies and regulations of traditional Western banks on the charging of "interest" to determine how much "profit" they should make from their loans. Thus it's controversial as to what structures are truly Sharia compliant. I have no personal experience with Sharia financial laws and practices, but a friend of mine, an accountant and a brother in Christ from the Middle East, has provided the following comments:

Among the 57 countries that call themselves Islamic nations, only three (Pakistan, Iran and Sudan) use Shariah banking systems. The other 54 use the conventional international banking



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system and allow banks that label themselves as Islamic to operate along side conventional banks. The Shariah label appears as a marketing tool to attract conservative Muslims. The Shariah label is used more for religious appearances than for genuine charity. Furthermore, in Egypt, during the late 1970s and 1980s many companies labeled themselves as Islamic business. They raised funds from the public and operated for many years. Then the government intervened and investigated. It uncovered that the so-called Sharia companies were really scams. Many thousands lost their life savings. Some of the owners of the companies ended up in prison and some of them fled with big fortunes mainly to the UK. This had a big negative impact on all that labeled themselves as Islamic business including the banks.

First and Last Adam

Lending money always results in default risk. Interest motivates the lender to repay. Those who are spiritual children of the first Adam *only*, that is, they have not been born-again (John 3:3) usually need the incentive of interest charges to pay back the loan promptly. Those who are spiritual children of the last Adam (1 Corinthians 15:45-47) (Jesus Christ) do not need such incentive. They have supernatural motivation power through the indwelling spirit of Jesus Christ to do what is right.

Jews who stubbornly resist the leading of God's Spirit are like Muslims or like any other Gentiles in that they are without the indwelling Spirit of God. Certainly those with a Jewish upbringing have the advantage of much exposure to the laws of God but the laws of God (apart from the Spirit of God) never saved or improved anyone. Only those who surrender to the leadership of Jesus Christ and undergo a dramatic spiritual change and become members of one family (regardless of ethnic background) under the fatherhood of God Almighty. Jesus Christ had to give this basic teaching to the greatest Rabbi in Jerusalem, Nicodemus (John 3:9,10). Only for those who are born from above (i.e. born-again by the Spirit of God) the absence of interest makes perfect sense. The love and interdependency in the family of God eliminates the need for interest on intra-family loans.

Good Interest Rates

For those not bonded together by the Spirit of God, a reasonable interest charge (that is—*real* interest—to recognize the purchasing power of money) is good for three reasons:

1. It motivates the borrower to repay promptly.
2. It treats money like rent. (The interest paid on \$20 000, for example, is like rent to lease a car worth \$20 000.)
3. It respects the personal dignity of both the borrower and the lender.

A free market economy allows borrowers to shop around for the best terms on a loan. The



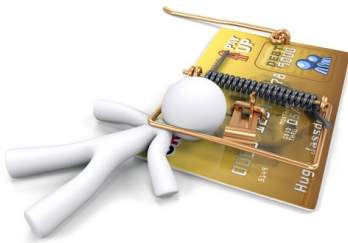
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competitive forces of a free market tend to keep interest rates in check.

By paying interest, a person becomes more keenly aware of the laws of private property and ownership. If the borrower wants to use other people's (i.e. the lender's) money for personal goals then the borrower needs to honour the lender's efforts in accumulating such money. In a sense, interest is a measure of respect for the property and labour of others. The absence of real interest charges may make the borrower lose respect for the lender. Thus commercial interest is a good thing, but when does it cross the line?

Criminal Rates and Credit Cards



What's the line between a commercial rate and a criminal rate?

According to section 347 of the current Criminal Code in Canada, a "criminal rate" is defined as an effective annual rate of interest that exceeds 60% on the credit advanced. After the 2008 credit crisis and stock market collapse, the high rate of 60% will likely receive increasing court challenges. Usury laws in the USA are different from those in Canada and vary from state to state. They include factors such as the size of the loan, the nature (purpose) of the transaction, and the identity of the parties. Creditors usually charge lower rates on essential items such as a personal residence, but higher rates on luxury goods such as recreational vehicle.

Until the 1990s credit cards were not accepted at most grocery stores. This kept the cost of food just a little lower. The retailer usually pays about 2% to the credit card company and this 2% extra indirectly raises the price for all goods sold at the store. Thus those who pay cash are actually paying a little more than those who pay with a credit card. But payment by cash completes the transaction whereas credit merely delays it (usually for about 25 days). The text is not forbidding or even discouraging the charging of interest but it warns us not to take advantage of the poor.

Being Gracious to the Poor

Being gracious to the poor does not necessarily mean giving them a hand-out but it may mean giving them a hand-up. In many third world countries usurious rates are charged (i.e. over 100%) to those who are desperate for cash. When the borrower can't afford to repay he loses either assets or personal and family freedom. Sometimes his children are sold into a life of slavery or prostitution to pay the loan. Interest charges to the poor can cause great hardship.



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In contrast to most aggressive “win-lose” business dealings, *Opportunity International* is an organization which uses loans at commercial rates of interest in a prudent manner, along with business training and careful selection of industrious clients in third world countries to help the poor fairly. Note that the overall message of the text is similar to Ecclesiastes 2:26 which reads in the NASB: *For to a person who is good in His [God's] sight, He has given wisdom and knowledge and joy, while to the sinner He has given the task of gathering and collecting so that He may give to one who is good in God's sight.*

OUR CREATOR, REDEEMER, AND FRIEND

Jesus was eager to help the poor.

The gifting of money to the poor was a routine practice for the followers of Christ, (John 13:29). Ironically when the other disciples thought that Judas may have been giving money to the poor, Judas was really collecting money for himself. This was the worst mistake of his life.

Jesus said that it is “more blessed to give than to receive,” (Acts 20:35) - and in many cases that also applies to receiving interest.

APPLICATION

- Memorize the text in your favourite Bible translation and think about it often.
- If you are charging interest on loans to the poor, be very sure that the interest rate is as low as possible, not as high as possible.
- If the poor owe you money then consider forgiving them their loans.
- Don't use your wealth to take advantage of others.

Which of these steps, if any, does Jesus want you to address first? Ask Him.



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KEY WORDS

credit, exploitation, generosity, gracious, inflation, debt, lending, more assets (quantity), oppression, resourcefulness, poor (dāl pronounced “dahl”)

ILLUSTRATION

Who is Tax-Driven Ted?



Death and taxes: The only things we can be sure of! Certainly that's the way Tax-Driven Ted sees it. Whereas others pay some or little attention to taxes, he is consumed by tax minimization. Ted is tax obsessed. Why? For many Canadians, if left unmanaged, taxes eliminate over 50% of income. In Canada tax freedom day falls in July.

Tax freedom day is the day of the year when you have paid all your taxes and can now keep the rest of the money you earn. Tax-Driven Ted will spend money just to get a write-off. He fails to seriously evaluate the underlying economics behind the decision and chooses to focus on the tax consequences. He loves to borrow money to invest simply because he can write off the interest costs of amount borrowed. This investment technique is called leveraging and is commonplace.

Ted doesn't believe he should pay any taxes. After all, the government wastes money. It's extremely inefficient. He uses every angle to reduce taxes. He's always looking for loopholes, credits, or write-offs. *His focus is not on customer satisfaction but on tax reduction.*



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He goes on trips and conferences so that he can take the tax write-offs. He loves limited partnerships investments and other tax shelters. For some investors tax considerations are secondary, but for Tax-Driven Ted, they come first.

