

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

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 paradoxical saying, one person acquires wealth that somebody else gives away. How does this interest income end up with 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, please note that the conjunction joining 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 (nēšēk, pronounced “ne-shek”), and תַּרְבִּית (tar-bēth, pronounced “tar-beeth”), are often used together. nēšēk is derived from the Hebrew word “to bite.” In fact creditors are literally called “biters” in some translations, like the King James or American Standard Versions of Habakkuk 2:7: “Shall they [those who loaned you 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, it’s a snake or serpent doing the 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 poor, but impatient. They want it *now*. Others take advantage of that impatience and offer 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 preserved. Anything above the inflation rate is real interest. In addition, some businesses charge penalty fees for late payment. These "late payment fees" are really another form of interest charge.

God doesn't oppose charging of interest, but He does oppose unprovoked interpersonal aggression. In the Law of Moses God commands his people FIVE TIMES (Exodus 22:25, Leviticus 25:36, 37, Deuteronomy 23:19, 20) NOT to charge interest on loans to their brothers—fellow Israelites. However, God *does* allow the charging of interest to strangers—Gentiles (Deuteronomy 23:20). When the relationship between the lender and the borrower lacks family ties, when it's an arm's length relationship, God allows interest to be charged. I believe that, in lieu of the bond of family ties or close friendship, 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 people to a certain relationship or behaviour—like the the bond of matrimony or a bail bond. In financial terms, 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. So it appears that, beyond our family or other social bonds, God allows the charging of interest to form a commercial relationship throughout a wider society.

God allows us to establish financial bonds with interest, to motivate full repayment. Such debts must be paid back, not out of love, but to pay as little interest as possible to prevent the debt from snowballing out of control. 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



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borrowers may become resentful toward lenders, especially if interest rates are too high.

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 love, but malice—biting and swallowing the borrower's assets. During the Middle Ages, many ambitious merchants resented the Jews, since they charged high interest on (voluntary) loans to Gentiles, such as the situation with Shylock in Shakespeare's *The Merchant of Venice*. God hates usurious 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 faithful Jews. True Jews are united with each other by their love and service to God, not by circumcision or blood lines. The true children of Abraham (be their blood-line Jewish or Gentile) are those who live by faith, like Abraham (Romans 4:3). Remember, God changed Aram's name to Abraham (Genesis 17:5), meaning a father of many nations. So what about Islamic Law, forbidding charging interest among Muslims?

Sharia (Islamic) Law



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

Since interest is not allowed under Sharia law, three broad financing structures have been developed by Islamic scholars. They all involve the lender purchasing the goods that the buyer wishes to own. When faced with a loan default, the lender can 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. So it's controversial as to what structures are truly Sharia compliant. I have no personal experience with Islamic financial laws and practices, but a friend of mine, an accountant and a brother in Christ from the Middle East, has provided the following commentary:



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

The First and New Adam

Lending money always results in default risk. Interest motivates the lender to repay. Those who are spiritual children only of the First Adam (those who've not been born-again (John 3:3)) usually need the incentive of interest charges to repay a loan promptly. Spiritual children of the New Adam (1 Corinthians 15:45-47), Jesus Christ, do not need such incentive. They have a supernatural motivation, through the indwelling spirit of Jesus Christ, to do what is right.

Jews who stubbornly resist the direction of God's Spirit are like Muslims or Gentiles, since they're without that indwelling Spirit. Anyone with a Jewish upbringing certainly has the advantage of education in the laws of God, but God's laws (apart from the Spirit of God) never save or transform anyone. Only those who surrender to the leadership of Jesus Christ will undergo spiritual rebirth, adopting them into the family of the Father God—regardless of ethnic background. Jesus Christ had to explain this astonishing reality to the Rabbi Nicodemus of Jerusalem (John 3:9,10). Foregoing interest charges makes sense only for those who are born from above; born-again by the Spirit of God. The love and interdependency in God's family 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 (*real* interest—to recognize the post-inflation purchasing power of money) is good for three reasons:

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



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A free market allows borrowers to shop around for the best terms. Competition tends to keep interest rates in check.

By paying interest, a borrower is clearly taught the responsibilities of private property and ownership. So, if borrowers wish to use other people's money for personal goals, they should honour their lender's accomplishments in accumulating that surplus in the first place. In a sense, interest is a measure of respect for the property and labour of others. The absence of real interest charges might imply a lack of respect for the lender. So 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 and criminal rate of interest? According to section 347 of the Criminal Code in Canada, a "criminal rate" is defined as an effective annual rate that exceeds 60% on the credit advanced. After the 2008 credit crisis and stock market collapse, that 60% ceiling may attract court challenges. Usury laws in the USA are different from Canada's and vary state to state. They include factors like 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 vehicles.

Ultimately, "loan sharking" must be illegal. The risk of default becomes so high, to enforce repayment, loan sharks most often resort to violence, or the threat of violence. Then, pushed into total despair, their borrowers themselves resort to petty or major crimes, to repay their lenders.

Until the 1990s, credit cards were not accepted at most grocery stores; this kept the cost of food just a little lower. Now, the retailer usually pays about 2% to the credit card company, and that cost is passed onto the consumer by increasing the cost of the store's products. So those who pay cash are actually carrying a bit of the burden of those who pay with credit cards. But payment by cash finishes the transaction, while 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



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Being gracious to the poor does not necessarily mean giving them a hand-out, but a hand-up. In many Third World countries, usurious rates may be charged (even over 100%) to anyone desperate for cash. When the borrower is unable to repay, he can lose his personal or family freedom. Sometimes his children can be sold into slavery or prostitution. “Loan sharking” is deadly to the poor.

In contrast to aggressive “zero-sum” financial organizations, *Opportunity International* is a Christian NGO that works in the Third World, offering market rate commercial loans, but with prudence, training, and careful selection of industrious clients. Note that the message of the text is similar to Ecclesiastes 2:26; which reads in the NASB: 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.

Freely giving money to the poor was a normal practice for Christ’s followers (John 13:29). Ironically, when the other disciples thought that the traitor, Judas, was giving money to the poor, he was really treacherously pocketing 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 can also apply to foregoing some personal interest income.

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.

