Should you lend money to friends? (17:18)

THE TEXT (NASB)

A man lacking in sense pledges and becomes guarantor in the presence of his neighbor.

A man void of understanding striketh hands and becometh surety in the presence of his friend. KJV - Proverbs 17:18

INTRODUCTION

Be very careful when mixing money and friendship.

A man is as good as his word, but if he gives his word too freely and too often, then he's often spread too thin. He's forced to break his word. The foolish make thoughtless commitments and later regret them.

There are better ways to help friends than by lending them money, better for everyone.

COMMENTARY

There are at least three people this text:

- The person acting as the guarantor;
- The person being financially underwritten; and
- The person, friend or neighbour, acting as a witness.

The text criticizes the primary actor for making a foolish financial commitment. Rather than merely giving his word to help (a verbal promise), the man “lacking sense” legally seals his commitment by publicly shaking on it. This magnanimous gesture impresses others, but gets the guarantor into trouble. In his *Commentary on the Bible,* Adam Clarke says, striking hands was the “high-five” or handshake of antiquity. Shaking on a deal, especially in public, was legally more binding than a simple promise.

Translation

Keil and Delitzsch translate the last part of the proverb slightly differently: The pledge is made with the neighbour, rather than merely in the presence of his neighbour. A few other translations agree, though most follow the NASB and KJV rendering of the Hebrew. The difference may not matter, since the key point is in the first phrase, consistently translated. Becoming a guarantor for others, underwriting their obligations, shows a lack of judgement. A Spanish translation indicates that, by doing so, we “compromise” ourselves.

People tend to be secretive about their financial affairs. Financial weaknesses and past errors stay hidden. There may be outstanding debts and obligations completely unknown to the guarantor. How could the guarantor avoid assuming those hidden deficits?

Surety

The law dictionary (Merriam-Webster) defines “surety” as “property that your creditor can claim, in case you default on your obligations.” When we co-sign another person’s loan, our property becomes their surety. If we aren’t careful, by becoming their guarantor, regardless of our good intentions, we lose our own freedom.

Surety, in its financial sense, has two dictionary definitions: “A person who has made himself or herself responsible for another, as a sponsor, godparent, or bondsman”—that’s right: Bondsman. This is the obvious meaning as “surety” is used in the Proverbs. However, this text also implies the secondary dictionary meaning, that of open-ended, unsecured debt: “Security against loss or damage or for the fulfillment of an obligation, the payment of a debt, etc.; a pledge, guarantee, or bond.”

Surety Explained by Crown Ministries:

> Surety means accepting an obligation to pay without a guaranteed way to make the payments. The most recognizable form of surety is co-signing a loan for another… But surety also can be any form of borrowing in which an unconditional guarantee to pay is committed. The only way to avoid surety is to collateralize a loan with property that, if sold, would cover the indebtedness, no matter what.
>
> Currently [2002] Americans charge in excess of $400 billion annually on their credit cards, of which $50 billion or more is for annual finances charges, and they carry an average monthly balance of between $3,000 and $5,800 at 12 to 21.5 percent interest. These credit card purchases have become the most common form of surety in America today. In a credit card transaction, one merchant sells a consumer a product and another finances the purchase…

> In the event of a default, the return of the merchandise to the original merchant does not cancel the debt because the finance company has no interest in the merchandise purchased.

Simply: Surety is unsecured debt.

Hello Slavery

We come under the control of another person, in lost time and opportunity, when we carry their debt. By helping others to borrow, if they default, we become slaves ourselves. We shouldn't help financially, if it points toward a "lose-lose" situation. If there's a change we both get stranded, best to step back.

The best example of this principle is the instruction in an airplane safety drill. "For those parents flying with small children, if oxygen masks appear, put on your own mask first, and then help the child." Obviously the adult must stay fully conscious and alert to be able to help the child, who can easily survive a minute or two with low oxygen. Similarly we must remain financially strong enough to help those who are weak. We are not responsible for helping others when it leads to a double loss—theirs and ours. Our desire to help a friend must always be tempered with wisdom.

Individual Accountability

In order to facilitate business transactions, regardless of unknown obligations, the status of limited liability was instituted. Consider the following: "Limited liability is liability that is limited to a partner or investor's investment. Shareholders in a corporation or in a limited liability company cannot lose more money than the value of their shares, if the corporation runs into debt, as they are not personally responsible for the corporation's obligations. The same is true for partners in a limited liability partnership and the limited partners in a limited partnership… This is in contrast to sole proprietorships and general partnerships, in which the owner or partners are each liable for business debts with unlimited liability."

Though a shareholder's liability is limited as a shareholder, a shareholder may still be liable for personal damages as a company officer. If the president (a shareholder) negligently runs over someone while on company business, the president (and company) may be liable for his negligence. But the other shareholders aren't liable for the negligence, beyond their share in the firm—unlike a partnership.

Alternatives

Rather than lending money to our friends, we could:

- Make them a gift, maybe a smaller amount, but money clearly with no strings attached;
- Supplement their income, by some fixed percentage for a limited period of time;
- Hire them to do a necessary job, paying them handsomely and promptly;
- Help them—the best gift?—by donating "sweat equity," time and effort instead of cash.

OUR CREATOR, REDEEMER, AND FRIEND

Jesus once told a story about ten young ladies going to a wedding banquet.

Five were prudent and prepared for any delays. The other five did not think ahead. The prudent brought extra oil for their lanterns; the foolish did not. When asked to share, the prudent refused, saying, "There would not be enough for us and you too." If the fuel was divvied up, all the lamps might go out, leaving everyone in the dark. The foolish might have stayed with the lanterns of the prudent, but instead returned to the merchant for more oil. After their late-night fuel purchase—from an angry merchant?—the foolish girls arrived so late at the banquet, they were locked out. Read about it in Matthew 25:1-13.

The prudent did not lend some of their oil to their friends. When we're preparing to meet our Maker, each of us must give account of ourselves alone. It is wise to be ready, sooner rather than later.

APPLICATION

- Memorize the text in your favourite Bible translation and think about it often.
- Be careful when making financial promises.
- Don’t become financially obligated to friends or neighbours.
- Ensure that you’re giving to help others, and that it remains purely voluntary.
- Lend only the amount of money you can afford to give as a gift.[1]

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

KEY WORDS

credit, debt, freedom, guarantor, less assets (quantity), liability, neighbor, obligation, partnerships, guarantee, sense, success, underwriting, bf sharing

ILLUSTRATION

Who is Quick Buck Betty?

Quick Buck Betty wants to make money fast, and is always looking for “hot tips.” Researching and understanding investments takes too long; she just cares about the returns—especially the short-term returns.

It doesn’t matter how the money is earned—in fact she’d rather not know at all! Betty is just eager to “make it” or, even better, have someone else make it for her. She has little time for Steady Eddy and Diligent Daniel—their methods take too long.

Betty views the stock and bond markets like the lottery and casino. She doesn't invest; she gambles. She likes to "play" the markets. Day trading is one of her passions.

FOOTNOTES

1. Mary Hunt gives this advice. She is the founder of EverydayCheapskate.com, a practical blog on frugal living, and an author of many good books including "Debt Proof Your Marriage."