The United Reformed Church

MISSION COUNCIL

13 – 15 MAY 2013

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Ethical Investment: Usury

Background

1 The 2010 General Assembly agreed a substantial statement of ethical investment principles for the use of the United Reformed Church. On the basis of these principles, it also commended a summary statement entitled *Recommended Mandate for Investors* which is reproduced in the Appendix.

2 The mandate was always intended to be kept under review and this paper proposes revising it to take explicit account of usury.

The Usury Debate

3 In the law of Moses, the charging of interest on loans between Israelites is forbidden (eg Deuteronomy 23.19-20) with a suggestion that this principle is especially important when lending to the poor (eg Exodus 22.25). How far such teachings should apply to Christians, and to communities where Christians have influence, has been a perennial debate over the centuries. Some contemporary Christian economists argue that when Jesus said "Lend, expecting nothing in return" (Luke 6.35) he was endorsing exactly the same principle; others find it harder to hear any clear guidance in the New Testament.

4 While Christians disagree about the basic concept of charging interest, even those who accept the legitimacy of interest in principle often agree that the charging of very high rates of interest is exploitative and immoral. The recent economic difficulties have heightened widespread concern about the charging of such rates to the poorest members of society. These rates are only possible because such borrowers do not have access to the forms of borrowing available to their richer contemporaries who may, for example, have property to offer as collateral. Many who do not regard interest as wrong in principle have nevertheless argued for some limits on the rates charged.

Proposed Revision

5 Against this background, the URC Investment Committee recommends that the 2010 guidance be amended to make explicit reference to usury, defined as charging excessive rates of interest. This would bring the Church in line with a growing number of other ethical investors. As with other elements of the guidance, it would need assessment on a case by case basis.

6 It is proposed to add to the categories of companies we would not invest in the following clause: "Companies who benefit by offering credit at usurious rates of interest to those who do not have access to funds through normal lending channels".

7 The Investment Committee, in line with the policies of other members of the ecumenical Church Investors Group, suggests that under such a clause, URC investors should seek to avoid any company one of whose main business activities (defined as exceeding 25% of group turnover) is the usurious provision of home-collected credit ('doorstep lending'), unsecured short-term loans ('payday loans') or pawnbroker loans, directly or through subsidiaries, or hire purchase. Investment should be avoided in specialist consumer finance businesses that may exploit, or over-burden with debt, lower income

borrowers. Typical indicators of potentially exploitative lending will be triple-digit, or close to triple-digit, Annual Percentage Rates (APRs); short loan term durations (less than 18 months); and no requirement for security. The products may have associated charges and loan rollover facilities that will compound the debt burden. Lenders sometimes provide funds without undertaking credit checks (or sufficient checks) on the borrower. In extreme cases where companies do not operate responsible collection practices there may be undue pressure on the borrower associated with repayment.

Resolution

In accordance with the principles for ethical investment agreed by the General Assembly, Mission Council agrees to add to the Recommended Mandate for Investors a new clause 1(c) as follows:

"(c) Companies who benefit by offering credit at usurious rates of interest to those who do not have access to funds through normal lending channels."

John Ellis
Treasurer

23 March 2013

APPENDIX

Recommend Mandate for Investors

1) General Assembly recommends that trustees and all those with investment responsibilities connected with the United Reformed Church should avoid any investment in:

   a) Companies directly engaged in the manufacture or supply of weapons;
   b) Companies a significant part of whose business is in the manufacture or supply of alcoholic drinks, or tobacco products, or military equipment (other than weapons); or the provision of gambling facilities; or the publication or distribution of pornography.

   General Assembly is of the view that in the definition of the activities outlined in b), “significant” means that the share of turnover derived from the activity concerned is more than 10% of the company’s total turnover.

2) In addition to the exclusions listed above, the URC’s investment bodies should reserve the right to avoid investment in companies whose operations are deemed to:

   - contribute directly to human rights violations or support the maintenance of oppressive regimes who are guilty of gross human rights violations;
   - contribute to a systematic, harmful impact on the social or natural environment;
   - harm the society in which they operate more than they benefit it;
   - promote injustice.

3) Further it is expected that governance standards of our advisers, our fund managers, their agents, and the companies in which we invest, both directly and indirectly, should meet internationally accepted norms. By focusing on these standards, investors will favour companies which will be seeking to develop their businesses sustainably in the long term interests of their shareholders and other stakeholders.

4) General Assembly recognises that this policy cannot be binding upon those with responsibility for specific investment decisions but when these bodies seek advice on investment matters they should apply due diligence to ensure that the integrity and reputation of the United Reformed Church is, as far as is practical, protected.

General Assembly 2010
Resolution 2