

# A Glance at the Issue of Debt

## Is personal debt a justice issue?

There is an assumption that people get into debt because they just spend too much. This might be so when people succumb to the temptation arising from strong advertising or do not question the hidden costs before investing in a financial commitment. There are people who do not have the skill to manage their finances well and are open to exploitation. People may have borrowed with a structured repayment plan but their circumstances have changed and they cannot meet these repayments. Today some people are in debt arising from purchasing decisions they freely made and others are in debt due to the circumstances of their lives. The reality for some people is that they need to borrow money in order to live.

Debt can have an enormous impact on a person's life and health. The stress of trying to manage bills, having to cut back on essentials for living ie. heating and food, the possibility of the physical threat of violence from money lenders and depression if a person cannot see a way out of their indebtedness can affect a person's well-being. The question is what does this do to a person's dignity?

While the Catholic Social Teaching makes little reference to personal debt, indebtedness was nothing new in biblical times. The bible contains several guidelines to both the creditor and debtor and it does recognise the position the debtor can be placed in by borrowing; "The rich lords it over the poor, the borrower is the lender's slave" (Prov 22:7). This is the implication of borrowing. St. Paul in his letter to the Romans (13:8) says, "The only thing you should owe to anyone is love for one another." In reality this is an ideal of the Kingdom of God we need to strive for. If this was to be the case everyone would need to be living both as equals and with equality. Scripture is very clear about the obligations of the borrower to meet their repayments. Ecclesiastes (5:4) discourages us from making a promise that we will not keep; Ps 37:21 describes the person who borrows and does not repay as wicked. People should pay to another what is due to them (Rom 13:7). Once we have borrowed we are obliged to make the repayments.

If we truly lived our commandment to love one another we would follow the teaching of Leviticus (25:35-38), "If your brother becomes impoverished and cannot support himself in the community, you will assist him as you would a stranger or guest, so that he can go on living with you. Do not charge him interest on a loan ... You will not lend him money on interest or give him food to make a profit out of it." This would help to prevent some people from becoming trapped in a cycle of indebtedness.

Debt is not something we can pray our way out of. We need to avoid putting ourselves in that position if we can. In relation to purchasing goods we need to ask, do I need this item or do I want it? Then, if we choose to put ourselves into debt we should have enough collateral to make the repayments.

The situation is very different for those who have no choice. In most situations they will not fulfil the financial criteria to get a loan from a reputable lender. This puts them in a position where they may have to use money lenders. These lenders do not ask the questions a banking institution would, thus leaving the borrower in a more vulnerable position of defaulting on payments. They also charge huge interest meaning that the borrower is indeed bound to the lender for longer as they try to pay the interest and make the repayments, an example of a type of bondage is where an illegal lender was trying to force a woman to sell illegal cigarettes to pay off the debt she owed.<sup>1</sup> According to the Church's teaching the needs of the debtor and their ability to pay back the loan must be considered in the negotiating of the loan (Popularium Progressio # 54). "The debtors should not be overwhelmed by debt repayments" (Dwyer 1994, p. 263). Yet the Church is clear that as the borrower is in possession of something that belongs to the lender repayments have to be made. In actual fact when a person take out a lending agreement in the purchasing of an item they do not own the item until their final repayment is made.

Catholic Social Teaching does stress the aspect of the common good in relation to the issue of debt and the use of private property. A key factor is that goods and economic activity are for the service of all of humanity<sup>2</sup>. Is it good for all that some should possess all the property/goods and charge exorbitant rates or interest while another has to borrow and is placed in a position of subservience. If we strive to embrace the true value of the common good there is scope for human dignity to be preserved as borrowing would not be a necessity for some people to live.

Within biblical Jewish tradition there is the presence of the jubilee year. This tradition and its forgiveness of debt ensured that people had the possibility of holding on to their dignity or at least having it restored and being removed from the possibility of being caught in a cycle of debt. "At the end of every seven years, you must grant remission. The nature of the remission is as follows: any creditor holding a personal pledge obtained from his fellow must release him from it" (Deut 15: 1-2).

Debt is unjust if people have no choice or alternative but to borrow, if it is the only way a person can survive, if its repayments are exploitative or exorbitant and condemn people to living in a cycle of indebtedness. In most cases it is people living on low income or in poverty who find themselves in a position where they need to borrow money for living expenses. As government fiscal and welfare policies now have a greater impact on this section of society than any other, there is a need to recognise that personal debt is going to become a significant factor for many more people leaving them more vulnerable to the exploitation of others.

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<sup>1</sup> See <http://www.breakingnews.ie/archives/2010/1103/ireland/svp-urges-people-to-avoid-rogue-lenders-480309.html#ixzz18MpRJnMN>.

<sup>2</sup> Compendium of the Social Doctrine of the Church, # 328 & #329.