

THOUGHT FOR THE DAY: Radio 4 7.45am: Catherine Pepinster - 13/01/17

Yesterday was Retail Super Thursday for the City, the day when large numbers of the high street's big names reported financial results for the Christmas period. And their trading turned out to show a mini-boom with sales up by as much as five per cent on a year ago.

That's got to be good news for not only the retailers but also their staff, making jobs more secure.

But the spending boom hides another story. Earlier this week the Bank of England warned that consumer spending is being fuelled by debt. In other words, families are taking out loans and loading up their credit cards.

Consumer credit, the Bank said, has risen at its fastest rate for 11 years. And the biggest problem for individuals is that many of them don't pay off their cards, leaving people with years of debt due to not only the original sum borrowed but the interest that they pay.

Having to pay interest is central to our economic system, whether it's by people buying their homes with a mortgage, an expanding business, or buying a car. It's accepted by most people as a price worth paying for their everyday needs. We forget that charging interest was once considered anathema.

Usury – lending with interest – is frequently mentioned in the Bible, and was considered sinful because it so often hurt the poorest. The Catholic medieval philosopher Thomas Aquinas opposed usury as a means of both charging for an item and then effectively making someone pay to use it. It's akin to buying a cake, and then having to pay extra just to eat it. By the time of the Reformation money-lending at reasonable amounts of interest – usually around five per cent – began to be acceptable.

But with debts increasing, the term usury has reappeared in Christian discourse. The Archbishop of Canterbury has condemned what he calls legal usury – the vast levels of interest demanded by high-street pay day loan companies.

An alternative financial model comes from Islam, a religion which has remained resolutely opposed to charging interest. Rather than focus on competition that is key to trade in the West, Islam perceives business as a means of co-operating for the common good. Instead of encouraging charging interest, it advocates equity participation. For example, when money is lent to a business, the lender is repaid by being given a percentage share of the company's profits.

It's an approach that appeals to me because it encourages mutual co-operation and an ongoing relationship between those with money and those without it. And it's a challenge to us all, to individuals and organizations, as we play our part in a financial system that's created a bubble that could yet burst.

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