

Usury, Banking, and People of Faith
by David Grossack

While Catholicism, Judaism, and Islam all teach that usury is wrong, their members apparently cannot get enough of it.

What else can explain the following?

The First Premier Bank has offered a credit card with 59.9% interest rate, readjusted from 79.9%, complete with a \$45 processing fee to open the account, an annual fee of \$30 for the first year, a \$45 fee for each subsequent year, and a monthly servicing fee of \$6.24.ⁱ Over 700,000 Americans signed up for the card, and the bank receives 200,000 to 300,000 new applicants each month.

Mexico, too, faces a variant of interest rate predators that many would argue should shock the conscience. Wal-Mart stores south of the border issue credit cards that have a 69.9% annual interest rate. Costco's Mexican division offers a credit card at a 53.31% interest rate, financed by Citibank.ⁱⁱ At companies like Home Depot and Woolworth, the rates range from 35% to 70%. Bankcard rates average over 40%.

But these are *low* interest plans when compared to what goes on in Brazil. *The Economist's* "Survey of International Bank" of May 20, 2006, reported that the average Brazilian interest rate on credit cards is 222%. While conservative commentators will point out the many benefits of capitalism's contributions to our quality of living, a variant of capitalism exists that seems to do anything it can get away with.

That charging high interest is a sin (some will argue charging any interest at all) is a belief of found in Catholicism, Judaism, and Islam. Whether you read the New Testament, the Koran or the Torah, that is the meaning of usury.

In the Book of Ezekiel, one can find a passage mentioning usury as a transgression punishable by extreme measures: "where one man engages in filthy practices with his neighbor's wife, another defiles himself with his daughter in law, another violates his sister, his own father's daughter; where people take bribes for shedding blood; you charge usury and interest, you rob your neighbor by extortion, you forget all about Me. It is the Lord Yahweh who speaks ... I mean to disperse you throughout the nations, to scatter you to foreign countries, and to take your foulness from you and so you will learn that I am Yahweh." (Ezekiel 22:12,15-16)

Elsewhere in the Bible, the taker of interest is simply described as a "wicked man" (Proverbs 28:5,8), whereas the one "who does not ask for interest on loans" is a man who has the right to "enter Yahweh's tent" and live on His "holy mountain" (Psalms 15:1-5).

By the fifth century, the Church prohibited the taking of interest by both clergy and laity, and by the eighth century, under Charlemagne, usury was criminalized.ⁱⁱⁱ

Pope Leo XIII denounced usury as an evil “condemned frequently by the church but nevertheless still practiced in deceptive ways by avaricious men.”

In 1311, Pope Clement V had issued a strict ban on usury and invalidated all secular laws allowing it.

Of course, Luke 6:34 makes quite clear that Christians should not lend at interest. It reads: “And if you lend to those from whom you expect to receive, what credit is that to you? Even sinners lend to sinners, to get back the same amount.”

Law professor Paul G. Mahoney of the University of Virginia presented the reasons why states regulate securities sales so strictly. He traces Blue Sky laws as a researcher of economic as well as legal history. Professor Mahoney discovered that a major impetus for securities regulation was the influence of small banks, fearful of losing deposits from the competitive economic opportunities offered by securities investments.^{iv}

This is classic dirty pool on a very significant scale. The bankers used their political influence in the first quarter of the 19th century, when virtually every state enacted a Blue Sky law, to freeze out investment opportunities by lobbying for a heavy handed state over regulation of securities offerings. Not only did they deprive investors of freedom of choice as to where to place their money, but they also hurt the entrepreneur seeking to raise money to provide goods, services, innovation and jobs to the public.

It was the economic self-interest of the banks to force entrepreneurs to borrow from them and pay the interest to them, rather than to float equities. They have succeeded in a way that survives today: small entrepreneurs can rarely raise equity capital without running afoul of a complex maze of state and federal securities laws.

Fast forward to 2013. America is dealing with a mortgage crisis of mammoth proportions. A quarter of America’s homes have mortgages greater than their value. Millions of homeowners have lost their houses to foreclosure.

This has been the result of a system based on usury. Lenders had no qualms about lending at “subprime” rates (high interest), and borrowers were so desperate to get those high interest loans (that they could not possibly keep up with) that many lied to obtain them. The ripple effect hit the derivatives market, precipitating losses that some say will exceed a quadrillion dollars, or at least in the trillions.^v

Thus the “reward” of a usury based banking system has been financial disaster.

Americans could try a banking system based on Biblical laws, incorporating the prohibitions against usury and the benefits of equity shared partnerships.

Meanwhile, consumers in the United States face harassment and litigation when they are unable to repay the issuers of the plastic Shylock in their wallets.

But recently, hope came to millions of usury-oppressed credit card customers when a Salem Massachusetts Superior Court judge, Robert Cornetta, ruled that Citibank's interest rates, (which climbed to 54%) were so "outrageous that they should not be enforced."^{vi} He declared also that any interest rate beyond 18% was unconscionable.

Mainstream media virtually ignored the story. Even the legal community has little knowledge of the decision.

Although there are many "Christian" commentators, politicians and evangelists in America, very few comment on the usury issues presented by credit cards or other lending practices.

Did you ever hear Ann Coulter or Sean Hannity talk about credit card interest or usury?

Did you ever hear Pat Buchanan or Laura Ingraham talk about credit card interest or usury?

How many ministers, priests, or rabbis discuss the issue?

I've asked rabbis and even a rabbinical court to get involved, no favorable responses.

Usury is rather a social and moral issue affecting an individual's opportunity to participate in the economy without suffering an oppressive result.

Usury destroys families, drives people to substance abuse, foreclosure, bankruptcy and even suicide.

Simply put, one need not be religious to know usury is wrong.

Individuals do not have to submit to the harassment and abuse of credit card companies, their lawyers or collection agencies. People have the right to represent themselves in court, without lawyers, to challenge the plastic predators when they come for a part of flesh.

The problem of usury affects people the world over.

All three of the world's major religions have a tradition that opposes usury, but all have succumbed to its temptations.

In 1979, I was a law student in Boston. Islam was in the news, and Iran was the focus.

My curiosity on the topic led me across the river to Cambridge, and to the campus of the Massachusetts Institute of Technology (MIT). In those days, Cambridge did not yet have a mosque, and the Muslim students at this prestigious school (which trains future scientists and engineers from around the world) had a room on campus for prayer services.

One Friday afternoon, I decided to ask if I could attend a service. It was truly fascinating. There I met Muslims from the world over, including Pakistan, the Philippines, Thailand, Libya, Saudi Arabia, the Emirates and other countries.

One of the students took me aside, and, knowing that I was a Jew, told me that being a Muslim means to submit and that when Jews and Christians follow their religion, they, too, “submit” and are Muslims, too.

I read books and articles about Islam, and parts of the Koran.

I was particularly interested in “The Duties of Brotherhood” by Ahu Hanid Al Ghazali, which is an exceptionally significant work, which essentially instructs people how one simply cannot exploit a brother by charging him interest on a loan.

Later, when I studied the Federal Reserve Banking system in the United States, I learned how usury was the basis of our currency system. Each American dollar represents the debt, a sum owed to an intricate system of usurious inter-bank loans. Moreover, the banking industry has historically endeavored to make entrepreneurs dependant on usury by lobbying for tough laws to make it cumbersome, expensive, and legally dangerous to sell stock to the public (thus avoiding having loans to pay back).

My interest and awareness of usury and the social problems it created grew as I practiced bankruptcy law. Credit card debt forced people into insolvency, damaged marriages and led to alcoholism and psychological disorders.

I read in the “Financial Times” of Boston about a scandal involving Citibank in Indonesia. Citibank’s debt collectors actually murdered a man who disputed his bill.

Citibank is one of the worst usuries in the American credit card industry. Its interest rate approaches 36%. It offers its credit card at 2.9 percent per month to customers in the United Arab Emirates on a special website, and I wonder why governments headed by Muslims tolerate this.

I was surprised to learn that the Saudi royal family and the government of Abu Dhabi are major investors in Citibank.

A Muslim law student from Iran came to my office seeking work. I asked him about usury in Iran. He told me that it was tolerated, that banks lent money at interest, and the mullahs were so corrupt that they were participating in it.

I asked him to write a report on the issue with Citibank as its focus, as it has branches in many Muslim countries.

What he wrote follows.

Citi Islamic Investment Bank was established in July 1996 as a 100% owned subsidiary of Citibank.¹ With Islamic banking on a rise, this subsidiary looks to exploit the gastronomical funds and demands of the Islamic banking market. The mission statement of this organization states that Citibank aspires...

To be a premier Islamic Financial Services Company, providing value added Islamic Banking products and services to Financial Institutions, Companies and High Net-Worth Individuals, in accordance with the principles of Islamic Sharia and the Corporate Policy of Citi.

As a 100% subsidiary of Citibank, CIIB is an organization that is by default Haram (unclean in Sharia Law) Even with strict adherence to the tenets of Islamic finance, CIIB fails to be Hallal (clean in Sharia law) as it was born out of an organization that accomplishes its goals through practices that are not permitted in Islamic law such as interest bearing loans (usury), and immoral investments.² Principally Islamic finance does not view money as an "asset", it is merely a measuring stick of value; while some argue that the measure of value and asset status of funds are inextricable, this tenet serves as the foundation to proscribe interest bearing loans, which are vehemently warned against.³ At the heart of the matter, exists Islamic law's public policy concern which aspires to quell the gap between the rich and the poor or rather do away with devices that would perpetuate such gaps.⁴ Thus, this practice has been condemned in various Ahadith--and is known as one of the Seven inexcusable sins of Islam.⁵ In short, this is a serious offense that is not commensurate with Islamic teachings, Sharia Law, nor the Quran.⁶

¹ Last visited 7/12/2011

² Sharia Law prohibits investments in unclean industries such as pornography, alcohol, and the like

³ O you who believe, you shall not take usury, compounded over and over. Observe God, that you may succeed. (Al-Imran 3:130)

⁴ The prohibition of Riba linked to concerns that poor debtors shall be exploited by rich creditors Al-Nawawī (continuation by Al-Subkī) (1995, vol.9: "far' fī madhāhib al-'ulamā' fī bay'an' illat al-rib' a fī al-'ajn' as al-'arba'ah")

⁵ Hadith of Sahih Al-Bukhari Hadith 8.840 Narrated by Abu Huraira The Prophet wedges receipt of usury between unjust killing of another and eating up the property of an orphan.

⁶ The Quran (Al-Baqarah 2:275) "Those who charge usury are in the same position as those controlled by the devil's influence. This is because they claim that usury is the same as commerce. However, God permits commerce, and prohibits usury. Thus, whoever heeds this commandment from his Lord, and refrains from usury, he may keep his past earnings, and his judgment rests with God. As for those who persist in usury, they incur Hell, wherein they abide forever"

Banking institutions and modern money mechanics run adverse to the basic tenets of Sharia law and Islamic banking.⁷ Financial institutions would be obsolete without the use of interest bearing loans and unclean investments. Unfortunately, Islamic banking institutions fail to distinguish themselves from other financial institutions by explicitly renouncing usury. In the stead that they adhere to the modern money mechanics by justifications, categorical distinctions, or religious smoke and mirrors. Irrespective, the basic foundations upon which this pillar of Islam resides is often overlooked. In the exchange of goods and assets the Ahadith provide us with two requirements. Foremost, that the money or goods are exchanged hand to hand, or in other words, without an intermediary. Second, they must be equal in value.⁸ This runs counter to the practices of institutions such as CIIB which charges money for accrued debt, and diminishes the hand-to-hand or interpersonal relationship that is expected by Sharia Law by empowering such institutions.⁹ Financial institutions attempt to mask their Usury through creative fixed fee charges for debts and credit cards.¹⁰

This overlooks the basic tenet that a lender is not permitted to profit by virtue of the debt. Nonetheless, certain institutions implement mechanisms to circumvent percent based usury with fixed fee charges, irrespective of the debt amount. Such charges are usurious, wearing in a different hat. Hadith mandates that one may not even charge “a handful of grass” for a loan.¹¹

Allah has given people money so that they may utilize it as stewards of his for good causes.¹² While banks and organizations often cloak their fees as usage fees, and may subject people to the shackles and chains of usury, and secular banking has the right to do so, it is unfortunate that such practices have leaked into Islam and have been permitted to continue under the guise of “Islamic Banking”

⁷ And for practicing usury, which was forbidden, and for consuming the people's money illicitly. We have prepared for the disbelievers among them painful retribution. (Al-Nisa 4:161)

⁸ 'Ab̄u Sa'īd Al-Kh̄udriy; The Messenger of All̄ah (pbuh) said: “Gold for gold, silver for silver, wheat for wheat, barley for barley, dates for dates, and salt for salt; like for like, hand to hand, in equal amounts; and any increase is Rib̄a.”

⁹ The Quran “God condemns usury, and blesses charities. God dislikes every disbeliever, guilty. Lo! those who believe and do good works and establish worship and pay the poor-due, their reward is with their Lord and there shall no fear come upon them neither shall they grieve. O you who believe, you shall observe God and refrain from all kinds of usury, if you are believers. If you do not, then expect a war from God and His messenger. But if you repent, you may keep your capitals, without inflicting injustice, or incurring injustice. If the debtor is unable to pay, wait for a better time. If you give up the loan as a charity, it would be better for you, if you only knew.” (Al-Baqarah 2:276-280)

¹⁰ . Last visited on 7/12/2011

¹¹ Al-Muwatta Hadith 31.95 What Is Not Permitted of Free Loans Malik related to me that he had heard that Abdullah ibn Masud used to say, "If someone makes a loan, they should not stipulate better than it. Even if it is a handful of grass, it is usury."

¹² The usury that is practiced to increase some people's wealth, does not gain anything at God. But if people give to charity, seeking God's pleasure, these are the ones who receive their reward many fold. (Ar-Rum 30:39)

I founded the Citizens Justice Association to challenge injustice. In the United States, we focus on the abuses in the legal system and government above. But it is clear that we have work to do on usury as well, and that our scope must be international.

In 1996, I invented a new financial instrument known as the Universal Trade Hour, a unit of currency, which is based on time and the dignity of labor. This currency designed to make people, not usurers, sovereign.

I call upon Muslim people to work with us on these projects, and to support our Association.

About David Grossack

David Grossack, a nationally prominent lawyer, is founder of the Citizens Justice Association, which trains people to challenge legal and government abuse. It is also concerned with the role of usury in the legal and currency system. More information is available from CJA Box 390979 Cambridge, MA 02139. Donations are tax-deductible.

NOTES

- I. See Associated Press, Dec. 17, 2009
 - II. “Interest rates soar as credit tightens in Mexico” USA Today 11/13/2008
 - III. *A short review of the historical critique of usury.* Wayne Visser and Alastain McIntosh. Accounting, Business and Financial History, July 1998
 - IV. *The origins of the Blue Sky laws a test of competing hypothesis.* Paul G. Mahoney. UVA Law and Economics Research Papers No. 01-11
 - V. San Diego Reader. “Quadrillion” by Don Baver. Sept. 17, 2008
 - VI. Gloucester Times, Jan. 6, 2011
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