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Credit Unions

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Correspondence and articles

Correspondence and articles for submission should be sent to Anna Lawrence at Hymns Ancient and Modern, anna@hymnsam.co,uk.
Articles should be of about 3000 words.
Books for review to should be sent to Dr Elizabeth Phillips, Westcott House, Jesus Lane, Cambridge CB5 8BP.

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Tel: 01603 785 910   Fax: 01603 624483.
crucible@hymnsam.co.uk

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After Wonga: Credit, Money and the Church

Malcolm Brown

The news cycle moves on so rapidly that events of three years ago already begin to fade from memory. This edition of Crucible builds on one of the headlines of July 2013 when the Archbishop of Canterbury, Justin Welby, was widely reported as intending to compete the pay day Lending firm, Wonga, out of business. The story leading up to, and following, that moment is worth revisiting and putting on the record.

It begins with the fact that Welby is the first Archbishop in the Church of England whose economic literacy commands attention. From the time when economics first became a discrete discipline, church figures have usually been ridiculed for venturing into economic territory. Even William Temple, who checked the text of his *Christianity and Social Order* with Keynes to ensure that it made economic sense, began that book with an account of the derisory rebuke he and other bishops had received from Ramsey MacDonald ('how (would) the bishops like it if he referred to the Iron and Steel Federation the revision of the Athanasian Creed') and confessing that this had been publicly received as a palpable hit against the bishops. This attitude of condescension toward theological critics of capitalism persists, as some of the essays in a recent collection on theology and economics testify (Kidwell and Doherty, 2016 – see especially the chapters by Andy Hartropp and Michael G. Pollitt as examples). In contrast, Welby's pre-ordination life as Treasurer of an oil company, combined with his post-ordination years in some of the most hard-pressed communities of England, complements the natural authority that his sharp thinking commands. Then again, the long aftermath of the financial crisis of 2008 has thrown the ethics of economic institutions more acutely into focus than for many decades. The pretence that the amoral market place delivers the best of all possible worlds is still around, but only as the motto on an increasingly tattered and stained banner. From being a small and marginal group, a much wider circle of theologians and ethicists is now taking an interest in economic institutions.

Welby was already a member of the Parliamentary Commission on Banking Standards and had made a notable contribution to that group's work, before his appointment to Canterbury. One of his first meetings after appointment was with the then Moderator of the Church of Scotland who floated a proposal for a network of church sponsored credit unions from Land's End to John O'Groats, and the CofE's Mission and Public Affairs staff were soon in conversation with their opposite numbers in Edinburgh to move this idea forward. So it was natural that the scandal of the pay day Lenders and their exorbitant interest rates should attract Welby's attention, leading him to make some disobliging remarks in the Lords about the flagship firm, Wonga, and to receive a challenging reply from Wonga's CEO, Errol Damelin. This led to a meeting between the two men at which the Archbishop was accused of being an unthinking proponent of government regulation, prompting Welby's riposte that he was perfectly well aware of the defects of the regulatory approach but that, recognising the banking crisis and rise of pay day Lenders as an instance of market failure, he wanted to see Wonga and the like competed out of the market place.

None of this had entered the public domain when the Archbishop gave an extensive interview to the journal *Total Politics* in which he repeated his reply to Damelin – and when the article came out in July 2013, the media sat up and took notice. With the outlines of the Credit Union project already in place, the church at least had some substance to feed into the endless media interviews but, at 5.30pm on the day the story broke, a new twist gave it 'legs'. The *Financial Times* rang Church House to ask if we were aware that the Church Commissioners had an investment in Wonga shares. As it turned out, this amounted to a few tens of thousands in a pooled fund – but it was enough to lead one TV commentator to make the prescient comment, 'This means the Archbishop really does have to deliver'.

But delivery is at the centre of Welby's style as archbishop. He has described the whole affair as 'an accident' since he had not intended to make money a major focus of his archiepiscopal ministry, but he knew well enough that he had set a hare running which would have to be pursued. The media attention led to a flood of offers of assistance for his project, many from senior figures in the financial sector avid to give something back and restore some of the harm done by their industry. Welby rapidly recruited Sir Hector Sants, former head of the Financial Services Authority, to lead a Task Group made up of figures from the industry, from the Credit Union and community finance sector, from think tanks and from the churches, to see what could be achieved in two years.

That two years ended in December 2015. This edition of *Crucible* is, in part, a brief report on the Task Group's work, but also an attempt to set a theological agenda for the future.

Right at the start, Welby's charge to the Mission and Public Affairs team had included the necessity to remember the theological dimension. As he said, we have to know why we are doing this. Theology was part of the mix as the Task Group pursued it agendas, and was brought into focus at a consultation at Cumberland Lodge in December 2015, where members of the Task Group met with a number of Christian ethicists to reflect together on the work. Contributors to this edition of Crucible were part of that encounter and their articles here build on those exchanges.

Hector Sants effectively sets the (contemporary) scene with a review of the Task Group's achievements. In the charitable TOYOURCREDIT foundation, it has established an on-going vehicle for the church's engagement with community finance and, in the LifeSavers project of financial education in primary schools, it has begun an innovative attempt to improve financial literacy in general. This recognises that, while competing financial institutions and more moral banks are all essential if the sector is to serve the people properly, the population in general is not a passive recipient of financial services but can, in time, be helped to become part of the solution to dysfunctional systems. This is a theme which Eve Poole takes up, in a different way, in her article when she examines how changes to day-to-day spending can make a radical difference to the way markets operate. But Sants' article is more than a bald end-of-term report – underlying the factual content is an important expression of missionary commitment and a clear call to the churches to understand the management of money as, not just an abstract moral issue, but one affecting the ability of all people to live life in its fullness – a theme also taken up from a theological starting point by Esther Reed.

Antony Macrow Wood also reports on practical developments – in this case, the founding of the Churches' Mutual Credit Union which was the fulfilment of a twenty year ambition pursued doggedly through many setbacks to its final, hugely encouraging, beginnings. As soon as the joint plan to develop credit unions alongside the Church of Scotland was mooted, it became clear that Antony's stalled project was vital to the churches' credibility. If we couldn't get our own credit union off the ground, who were we to speak to others of greater competition in the financial sector? The trials and tribulations of launching the CMCU were successfully overcome, but one problem in particular was of much wider ethical significance and I comment on this later.

In one of the earliest conversations about credit unions, one of our Scottish colleagues commented that, 'There is a peculiarly English problem with credit unions – you persist in seeing them as anti-poverty strategies rather than as alternative financial institutions.' One of the hardest communication challenges, both before and during the work of the Task Group, was to overcome the assumption that the Archbishop was promoting credit unions *as they currently exist*, when his key point was that the credit union model has the potential to provide a more ethical and viable alternative to some parts of the pay day Lending and mainstream banking markets. As competition was at the centre of his well-known riposte to Wonga, it was somewhat ironic that the advent of the CMCU elicited a degree of opposition from existing community credit unions who felt that, rather than promoting their activities, the church was now competing with them. But the CMCU deliberately attempts to combine the business strengths of an employee-based credit union with some of the important aspects of a wider membership model as a way of demonstrating the flexibility and business potential that could be available to credit unions if they had more of a growth and service-delivery mentality. It would be fair to say that none of us appreciated, at the outset, how resistant small, locally based, credit unions could be to the idea that they could grow into serious financial players. Indeed, we found examples of small credit unions, usually based in areas of poverty but run by more middle class members, boasting of the levels of benevolent capital behind their venture, not understanding that this is a contra-indicator of long-term viability. A flourishing Credit Union cannot rely on a relatively small number of people depositing their savings in the hope that they can thereby do good. Rather, it needs people to borrow as well as to save – the constant churn of business – if it is to offer the kind of services that people, including less-well-off people, require. As the Scots told us, a successful Credit Union needs buy-in from across the wealth and class spectrum – or at least, a wide swathe of it. In that sense, among others, credit unions can be important advocates and exemplars of the Common Good – if only they will take the business logic more seriously.

And there, in a nutshell, is the element of counter-intuitive thinking that the Archbishop, by accident or design, put his finger upon in his conversation with Errol Damelin. The binary thinking that pits 'the market' and 'business' against 'the Common Good' is unhelpful and has tended to hold back effective Christian action to address poverty and marginalisation. By seeing at the outset that the financial crisis was about the failure of the market model (banks too big to fail, banks acting as a cartel and so on) he recognised that market failure might be addressed by reasserting sound market principles – not least that of competition. As Ronald Preston used to say, years ago, Christians tend to assume that the opposite of competition is cooperation and thus to demonise competition – but to an economist, the opposite of competition is monopoly. Markets that work as market theory says they should can sometimes (not always, to be sure) serve the people well. Given the way regulatory regimes can engender a culture of evading the rules or abiding by the letter, but not the spirit, of the law, the alternative of making markets work as they claim is worth a try. It involves, of course, not only challenging monopolistic businesses but monopolistic business models – hence the importance not only of introducing new players to the financial sector, but of promoting community-based and mutual financial institutions alongside classic Limited Liability companies (again, this is a theme taken up by Eve Poole here).

Practical Christian action in pursuit of the common good and more robust communities is an inextricable aspect of the church's vocation and mission. But it is essentially ameliorative. It may point toward the reality of God's Kingdom but it has always to grapple with the limits of the possible in ways which may be at odds with a radical, scriptural, vision of all things made new in Christ. That truth does nothing to diminish the significance of Christian social action – so long as the distinction between what Esther Reed (following Bonhoeffer) calls the 'ultimate' and the 'penultimate' is not forgotten or confused. It is Reed's contribution to this edition of Crucible that, most explicitly, expresses the theological demands that should protect the church from self-congratulation at the achievements of the Task Group. If, as Reed argues, debt-free money would be the ultimate (or near-ultimate) expression of theologically-understood finance, there remains a long way to go.

Returning, however, to the account of the practical politics surrounding the creation of the CMCU, it is worth focusing briefly on the ethical significance of one specific aspect for what it tells us about the widening gap between Christian understandings of community and the incorrigible individualism of much contemporary political wisdom. I refer to the contretemps that Antony Macrow Wood describes when the regulatory authority, for good pragmatic reasons, put (temporary) constraints around the CMCU's common bond, and the judgement that this fell foul of the Equality Act which outlaws discrimination on grounds of religion or belief. At one stage it seemed that the CMCU must either fail the regulatory test of prudent management or fail the equality test by limiting its membership to some churches and not others. The fact that this was eventually overcome by what amounts to a fudge does not make this contradiction any less problematic. The CMCU may have, inadvertently, exposed a crucial tension in social ethics today.

For, on the one hand, the government is committed to the virtues of the Credit Union sector with its Credit Union Expansion Programme. Although not stated explicitly, this is of a piece with the Prime Minister's ill-fated but not forgotten Big Society approach to modern Conservatism. On the other, the government and most of the media continue to stand four-square behind New Labour's Equality measures. credit unions require communities to be defined quite rigorously so that the common bond has effective meaning. The Equality Act starts from the premise, true in some areas of equality but implicitly extended as a general principle, that the anti-apartheid slogan of 'equal but different is not equal' expresses the philosophy for equality across various 'protected characteristics' including religion. If one of the goals of the Credit Union movement is to level the playing field between those who are well served by mainstream banking and those who are not, then delineating a discrete community – including those defined by shared religious beliefs – and thus 'discriminating' against those not embraced by that common bond, is unavoidable. Using the concepts in the House of Bishops' Pastoral Letter for the 2015 General Election, are we a 'community of communities' where our membership of intermediate institutions helps define us, or a 'society of strangers' where equal treatment must only ever mean identical treatment? (Church of England, 2015, p.19.)

The engagement of the churches with the Equality Act has been so dominated by issues of human sexuality that more subtle and profound analyses of the ways in which religious belief and human equality interact have tended to be neglected. There is far more to be said on that theme than can be explored here, but the experience of the CMCU exposes the conceptual problem of holding simultaneously to the dominant understanding of equality and the view that 'community' institutions like credit unions are a good thing. The CMCU experience suggests the need for more thought about what equality means and how it can be promoted consistently in ways which build community rather than divide us as individuals.

The Revd Dr Malcolm Brown is Director of Mission and Public Affairs for the Archbishops' Council of the Church of England. He writes here in a personal capacity.

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