

Geneva's legislation on interest

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Calvin's views were translated into law in Geneva. The companion volume describes how the Genevan authorities fixed a maximum rate of interest, which was set at five per cent in the 1530s and raised to about six and two-thirds per cent, one fifteenth, in 1557, and how the consistory prosecuted usurers who exceeded it.¹ The Genevan legislation combined the legitimization of interest with its regulation: lending at interest was lawful, but within limits fixed by the state and supervised by the church.

The combination of legitimization and regulation is the essence of the modern law of credit. Interest is lawful, but it is subject to rules that protect borrowers against exploitation. Swiss law contains several such rules. The Criminal Code punishes usury, defined as the exploitation of the need, dependence, inexperience or weakness of judgement of another person to obtain a financial advantage that is manifestly disproportionate to the performance.² The Consumer Credit Act limits the maximum interest rate for consumer loans, which the Federal Council fixes by ordinance, and requires lenders to assess the creditworthiness of borrowers.³ And the Code of Obligations allows the parties to agree on interest, while providing a default rate of five per cent for contractual and default interest where the parties have not agreed otherwise.⁴ The five per cent of the Code of Obligations, which has remained unchanged since the nineteenth century, is a distant echo of the five per cent that the councils of Basel and Geneva fixed as the maximum for rents and loans in the sixteenth century.

1 Notes

1. On the maximum interest rates fixed by the Genevan authorities (five per cent in 1538; one fifteenth, about 6.67 per cent, in 1557) and the prosecution of usurers by the consistory, see the companion volume, Genève, place financière internationale, Part B. Rates and dates to be verified. ←

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2. Art. 157 of the Swiss Criminal Code (SR 311.0) on usury (Wucher). See the standard commentaries. ↩
3. Federal Act of 23 March 2001 on Consumer Credit (CCA, SR 221.214.1), Art. 14 (maximum interest rate fixed by the Federal Council) and Art. 28 ff. (creditworthiness assessment); the maximum rate is set in the Consumer Credit Ordinance (SR 221.214.11). Current rate to be verified. ↩
4. Art. 73 and 104 of the Swiss Code of Obligations (SR 220), fixing the default rate for contractual interest and for default interest at five per cent per annum. To be verified. ↩

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