

Calvin and lending at interest: texts, doctrine and Geneva practice — overview and summary

Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland), Solicitor (Hong Kong),
Solicitor (England & Wales)

No question has contributed as much to Calvin's economic reputation as that of lending at interest. According to a firmly established tradition, the reformer was the first great theologian to break with the medieval prohibition of usury and to legitimise commercial credit, thereby opening the way to modern banking. This tradition contains an element of truth. It nevertheless simplifies a more demanding body of thought, and it long ignored the gap between the reformer's texts and the practice of the city. This chapter reopens the file. It recalls the doctrinal inheritance that Calvin received, presents his texts and his arguments, examines the Genevan legislation on the rate of interest and the practice revealed by the archives, and then asks what became of this thinking in the contemporary financial centre.

1 In five sentences

1. Calvin inherited a medieval prohibition of usury founded on Aristotle, on Scripture and on canon law, which scholastic doctrine and practice had already substantially softened.
2. In his letter on usury and in his commentaries, he refutes the argument of the sterility of money, qualifies the Old Testament prohibition and makes equity and charity the criterion of the lawfulness of a loan.
3. He admits productive lending under strict conditions, excludes lending at interest to the poor, leaves the setting of a ceiling to the magistrate and is wary of the lender's trade.
4. The assertion that Calvin approved of commercial loans at 5 per cent is the subject of new research, which also studies Genevan practice from 1555 to 1557 and its departures from doctrine.

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5. Contemporary Swiss law, Islamic finance and responsible finance offer points of comparison with a body of thought that sought to distinguish useful credit from exploitation.

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