

Reading Calvin through the eyes of a banker today

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The criteria that Calvin formulated for judging a loan can be set alongside the principles that financial institutions apply today, under the influence of the law, of supervision and of society's expectations. The comparison implies no direct lineage. It allows one to gauge the persistence of certain questions.

The first criterion, which rules out lending at interest to the poor, finds an echo in consumer protection rules. Swiss consumer credit legislation requires the lender to examine the borrower's creditworthiness and prohibits the granting of credit that would lead to his over-indebtedness.¹ The debate on microfinance, whose promises of emancipation have at times given way to over-indebtedness crises, shows that the question of the fair remuneration of credit to poor populations remains open.²

The second criterion, which requires that the borrower draw from the loan a profit at least equal to that of the lender, corresponds to the analysis of the economic viability of a financing. A prudent banker checks that the project financed generates sufficient returns to repay the credit and to reward the borrower. Participating loans and mezzanine financing, which tie the lender to the borrower's results, carry forward the idea of profit sharing.

The third criterion, which refers to the legal ceiling, corresponds to the maximum rates set by consumer credit law and to the criminal repression of usury. The fourth, which invokes the public good, finds a continuation in sustainability-linked financing and in the attention paid to the social and environmental effects of loans. The fifth, finally, which refuses to take shelter behind common usage, reminds us that conformity with market practice is not enough to guarantee the fairness of a transaction. The financial crises have shown that widespread practices could be profoundly unsound.

Calvinist criterion	Corresponding contemporary principle
No interest demanded of the poor	creditworthiness assessment, prevention of over-indebtedness
Profit shared between lender and borrower	analysis of project viability, participating loans
Ceiling fixed by the magistrate	statutory maximum rates, criminal repression of usury
Public good	sustainability-linked financing, analysis of social effects
Primacy of justice over custom	independent assessment of fairness, beyond market practice
Priority of charity	social responsibility policy, philanthropy

Worked example. A bank grants a company a loan of CHF 5 million at 4 per cent per year to finance an investment with an expected return of 10 per cent. The company generates CHF 500,000 in annual returns, pays CHF 200,000 in interest and keeps CHF 300,000. The Calvinist condition of fair sharing is satisfied. If the return on the project falls to 3 per cent, the company generates only CHF 150,000 and has to pay CHF 200,000: the loan becomes value-destroying for the borrower. A bank that does not verify the viability of the project exposes its client and itself to default. The figures are fictitious.

1 Notes

1. Federal Act of 23 March 2001 on Consumer Credit (Consumer Credit Act, LCC; SR 221.214.1), in force since 1 January 2003, Art. 28 (creditworthiness assessment, repayment having to be possible within 36 months; Federal Office of Justice, “Loi sur le crédit à la consommation”, bj.admin.ch); SERI/FDJP, “Taux d’intérêt maximal pour les crédits à la consommation : baisse au 1er janvier 2026” (sbfi.admin.ch): maximum rate of 10% for cash loans and 12% for overdraft facilities from 1 January 2026 (previously 11% and 13%), under the ordinance implementing the LCC (OLCC). ↩

2. Center for Global Development, “Backgrounder on India’s Microfinance Crisis” (cgdev.org): ordinance of the State of Andhra Pradesh of 15 October 2010 aimed at microfinance institutions accused of usurious rates and coercive methods “resulting in their impoverishment and in some cases leading to suicides” (54 suicides linked to microfinance mentioned in official documents), suspension of disbursements and collections pending registration; stock-market flotation of SKS Microfinance in summer 2010, share price down by around 40% after the ordinance. ↩

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