

A Letter on Credit Sales and Usury

Thomas Aquinas

(1262)

Opening:

To his very dear brother in Christ, James of Viterbo, Lector at Florence, from Brother Thomas of Aquin: Greetings.

Chapter 1:

I received your letter containing some cases concerning which you requested the opinion of the Archbishop Elect of Capua and myself. After a discussion thereon with the aforesaid Archbishop Elect and afterwards with Cardinal Hugh, I decided that the following reply should be made to the first case.

Assuming that the custom of deferring payment for three months, as is set forth in the case, has been introduced for the common good of merchants, that is, for facilitating commerce, and not for fraudulent usury: then a distinction must be made. For the vendor, while granting credit for the aforesaid interval, sells his goods either (1) for an amount exceeding the just price on account of his waiting for payment, or (2) for an amount equal to the just price.

In the first alternative there is no doubt that contract is usurious, inasmuch as the waiting for a certain time is included in the price. And this is not excused by the fact that the second vendor may be employed by the first, since for no cause whatever may the price be increased on account of the interval for which payment is deferred.

In the second alternative, there is no usury. Nor does the fact that he would sell for less were payment made immediately make any difference. This can be seen by comparison with other debts. If an amount due to a person is payable after a certain date, even though he might remit a portion of the debt if it were paid him sooner, still in this case it is clear that the creditor is entirely immune from usury. For though it smacks of usury to take more than is due on account of delay in payment, to take less than one may be paid sooner does not smack of usury, especially on the part of him who gets less, though on the part of him who gives less on paying sooner, there seems to be some kind of usury since he sells an interval of time. Hence also in the case proposed there is no more fear of usury in connection with the buyer who, when he pays before three months, buys the cloth for less than the just value, than in connection with the seller who takes less than he may be sooner paid.

Chapter 2:

From this it is also clear what should be said concerning the second case. For if the merchants of Tuscany, bringing cloth from the Fair of Lagny to wait until Easter [for payment], sell the cloth for more than it is worth in the general market, here is no doubt that this is usury. But if they sell it, not at more than its worth but at its worth, yet at more than they would take for it if payment were made immediately to them, there is no usury.

Chapter 3:

In the third case a similar reply should be made. For if those who accept money with usury wish to recover that usury by selling the cloth at more than its worth on account of the aforesaid delay, there is no doubt that this is usury since time is clearly sold. Nor are they excused by the fact that they wish to indemnify themselves, for no one should indemnify himself by committing mortal sin. And although they can in selling the cloth lawfully recover other expenses lawfully contracted, for example, the cost of transporting the cloth, still they cannot recover the usury they paid, for this was an unjust payment; especially since by paying usury they sinned in giving the usurers an occasion for sinning, since the necessary which is urged—namely that they may live more respectably and do a bigger trade—is not such a necessity as suffices to excuse the aforesaid sin. This is clear by comparison; for a man could not in selling cloth recover expenses which he might have incurred carelessly and imprudently.

Chapter 4:

From what has been said the query in the fourth case is also clear. For if he who owes money payable on a certain date pays before this date that a portion of the debt may be remitted to him, he seems to commit usury, inasmuch as he sells time for paying the money. Hence he is bound to restitution. Nor is he excused by the fact that he is inconvenienced by paying before the date or that he is induced to do this by someone, for all usurers could be excused on the same ground.

This is the firm and definite decision of myself and the aforesaid, namely, the Archbishop Elect of Capua and Cardinal Hugh, concerning the aforesaid cases. Farewell.