

[Modern religion is just so confusing](#) [1]

Written by [Tim Worstall](#) [2] | Sunday 28 July 2013

You know I'm sure that somewhere in the foundational documents of Christianity somewhere there's a story about how the money lenders and the Temple aren't supposed to be too closely entwined. I think that was one of the stories beaten into me over those years at the hands of the monks at least, vague memories of shouting and tables being over turned as our man JC told them to get out of his father's house. But here we have the new Archbishop of Cantab insisting that the Church of England should actually become the money lenders. Shrug, I guess *tempus fugit* after all. Jan also had [a joke](#) [3] about this idea as well.

However, underneath the inherent silliness is something much more welcome, a definite antidote to the increasingly shrill calls from the likes of Stella Creasey that payday lending must be abolished by legislative fiat. For what the Rev Welby is actually saying is that he wants to drive these lenders out of business by competing against them, not by hoodwinking credulous MPs into stealing away someone's livelihood. Welby is insisting that such short term and low value lending can be done at much lower prices than the current companies manage it. This would be to the benefit of the consumer, as competition always is, and this would thus be a good thing. And we around here do have a habit of welcoming goods things, whatever direction they arrive from.

So, after the sniggers have died away, full marks to Cantab.

Except for just one little detail: I'm entirely unconvinced that it will indeed be possible to offer such low value and short term loans at rates appreciably different from the current providers. It's absolutely possible to offer larger sums at lower rates: it's also entirely possible to offer longer terms at lower rates. But there's an inherent problem in small sums for short terms. There's some overhead to the making of any loan. Some irreducible minimum that it costs to make the decision to grant or not grant the facility. And the shorter the time period and the lower the sum then the more that minimum cost will be as a percentage. And, given the way that APR works, it becomes some vast percentage when a 1 week loan is calculated as if it is a series of 52 one week ones (which is pretty much what APR does).

I've seen a report that Goodwill (think charity shops) tried this in hte US and found that APr was well over 130% without even charging interest, let alone trying to make a profit. So I wish the CoE all the luck in trying to compete in this payday loans market. But I do think that they're not going to get very far. Simply because the costs of lending small sums for short time periods are inherently high.

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