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Predatory and high-risk mortgage lending as ‘economic wrongdoing’ during the Spanish housing bubble

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Short abstract
Granting mortgage loans to customers with a high potential of insolvency became a widespread practice in Spain during the recent housing bubble. A practice, nevertheless, that made sense in the social settings where bank clerks, real estate agents or mortgage brokers found themselves at that time.

Long abstract
Granting mortgage loans to customers with a high potential of insolvency became a widespread practice in Spain during the recent housing bubble that came to an end in 2007, resulting in an unprecedented spate of home repossessions during the current crisis. As the regulation of these activities was very loose, only in some cases did they entail illegality. Nevertheless, if power relations, structural determinations and asymmetrical access to information are taken into account, they can very well be depicted as abusive.
In order to tackle this issue, the ethnography has confronted the experiences of mortgage borrowers to those of bank clerks who, under pressure from their superiors, took advantage of their long-lasting relationships with humble customers; of real estate agents and mortgage brokers who saw an opportunity in the middle and working classes' aspiration to access home ownership; of executives in investment banking institutions who devised sophisticated financial products aimed at masking risk. For all these actors, almost indiscriminate credit lending was not only a profitable business, but also a way to comply with norms, values and expectations shared in their social settings.
The ethnography shows that such practices had a systematic nature, and should not be attributed to individual, isolated behaviour. But it is also apparent that there was always some scope for resistance and for individual, unorthodox decision-making guided by prudence and principles of moral economy. The practice of predatory and high-risk mortgage lending, as well as its repudiation, need thus to be understood in their socio-historical context.

Contents

1. The Spanish mortgage crisis and the proliferation of moral discourses

In seemingly prosperous times, such as the ones experienced during the recent real estate bubble in Spain that came to an end in 2007, mainstream narratives about economic action emphasize the market rationality that supposedly guides such action. Before the burst of the bubble, this emphasis on rationality, that implied moral neutrality, applied to all actors involved in economic transactions. This was framed in a real estate euphoria that transcended class, occupational and ethnic cleavages, affecting both homeowners-to-be and the professionals they met in their path towards home ownership. Indeed, the preference for this form of tenancy (Allen et al 2004) led many households to get indebted by means of mortgage loans, either with banks or with other financial companies acting as creditors. The growing levels of household indebtedness would not become visible until job loss and other adverse circumstances started to threaten people's ability to cope with mortgage repayments.

After the economic breakdown and the advent of the real estate and financial crisis in Spain that has struck both the national and domestic economies, mainstream narratives based on market rationality and on the legitimacy of profit maximisation have gradually given way to a proliferation of moral discourses, entailing a reassessment of past and present economic behaviour, as a result of the perceived violation of moral economy principles, as I have argued elsewhere (Sabaté 2016a). Indeed, economic practices that were previously seen as morally neutral are now being the object of moral criticism[1], as implied in accounts of the crisis as a collective fraud and deception, in the attribution of differential guilt and responsibility to the different actors involved, and in the condemnation of immoral enrichment at the expense of social majorities (Colau and Alemany 2012).

As Fassin (2009) points out, in its normative sense, moral economy

> *corresponds to a system of norms and obligations. It guides judgements and actions, and distinguishes between what is done and what is not done. More than a set of economic rules, these norms are principles of good character, justice, dignity, and respect -in sum, of recognition* [...].

In this sense, recently emerged social movements, such as the *Plataforma de Afectados por la Hipoteca* (Coalition of People Affected by Mortgages), have succeeded, among other attainments, in disseminating an alternative narrative of the mortgage crisis that depicts banking and real estate activities as usurious and predatory, and mortgage defaulters as their victims (Colau and Alemany 2012, Mangot 2013, Mir et al. 2013, Sabaté 2014, Suárez 2014). The PAH, widely supported across Spanish society, blames those particular actors for household over-indebtedness and for the spate of home repossessions that is endangering the livelihoods of many members of the working and middle classes, violating not only their right to housing and to basic necessities such as food, but also denying them dignity (Narotzky 2016) and a second life chance, as a result of their lives being exposed to the dynamics and risks of financialization (Aalbers 2008, Lapavitsas 2009).

Among the 'culprits' of this dramatic situation, bank employees and financial executives are being the object of the strongest popular disapproval, as they are accused of having betrayed their customers, in many cases by taking advantage of trust relationships and of their condition of financial experts, in order to convince home buyers to get heavily indebted by contracting risky credit products. In this sense, their behaviour may well be depicted as 'economic wrongdoing', to the extent that their past and present actions are being reassessed as illegitimate and morally reprehensible, as they have disturbed the balance of creditor-debtor exchanges and have therefore transgressed a *subsistence ethics* that serves as a foundation for a moral economy (Scott 1976) and for a just social order, where inequality is tolerated to a certain extent, but it is considered abusive and unjust beyond a certain threshold.

Contrary to many public discourses, this paper intends to add complexity to over-simplified accounts in terms of victims and culprits of the crisis. In my view, the description of certain actions as 'economic wrongdoing' should not entail an essentialist definition, but a relational one, where certain social groups in particular positions within the structure of capital (Bourdieu 1979, 1980)

[1] In addition to technical and legal criticism, as in Nasarre's work on banking malpractice (2011).

make judgements about other groups' economic behaviour. Besides, 'economic wrongdoing' should not be attributed to individual motives or to anomalous, deviant conditions, but rather needs to be framed within the historical circumstances and social settings that contribute to explain and provide meaning to the actions of 'economic wrongdoers'. While transgressing a certain set of principles that constitute a particular notion of justice that strongly reminds of Scott's or Fassin's definitions of moral economy, that of mortgage debtors and those sympathizing with their cause, it may also be true that such 'economic wrongdoing', far from being an anomaly, is consistent with other sets of norms, motivations, incentives or expectations, often of an implicit nature, that govern the behaviour of actors whose interests have prevailed over those of mortgage debtors.
In the following section, I will offer a tentative inventory of practices, specific either to prosperity or to crisis times, that could be included in the 'economic wrongdoing' category. The task to contextualise them in the particular social worlds of their agents will be tackled in the third section. Then, after addressing the controversy about the moral value of the actions of mortgage debtors themselves in the forth section, the conclusion of the paper will open up some interrogations about the viability of the 'economic wrongdoing' approach and its possible articulation with the moral economies theory.

2. A provisional characterisation of high-risk and predatory mortgage lending as 'economic wrongdoing'

Let us now try to identify 'economic wrongdoing' in situations of over-indebtedness derived mortgage borrowing. The data presented here have been collected during my ethnographic research in the metropolitan area of Barcelona between 2012 and 2015, consisting on interviews to mortgage debtors, participation in meetings and mobilizations of the PAH, as well as interviews with activists, representatives of third-sector organisations, State officials, and the wide variety of professionals involved in the mortgage business. The latter include those who I will provisionally consider as 'economic wrongdoers' for the purposes of this paper: bank clerks, mortgage brokers, real estate agents, property appraisers, public notaries, and professionals of finance.

2.1. 'Economic wrongdoing' during the housing bubble

During the housing bubble, mortgage lending became the most lucrative business for Spanish banks -and, especially, for savings banks[2]. It was seen as the best way to channel the great amounts of liquidity that were available for credit lending, and it was also favoured by the high rates of real estate transactions that were fuelled by the rapid revaluation of properties over time. In bank branches, clerks spent most of their time closing mortgage operations, as a result of the prioritisation of this activity by branch directors and bank managers. Dolors[3], a former bank clerk in a coastal village North to Barcelona, tells about the frenetic rhythm she had to endure at the time, when three or four mortgage signings took place daily only in her branch. As a result of this rhythm of events, she was fully devoted to prepare the documents and convene all participants for the signings, which involved several parts: the seller of the property, the purchaser, a real estate agent or the like, a public notary, the director of the bank branch and, often, representatives of other banks where the property seller had a previous mortgage that was now to be assumed by the buyer. Everything took place under the pressure of a fierce competition among financial institutions, that forced the loosening of lending requirements, as Francisco Javier, a lawyer now working for a bank's recoveries department and who had previously worked as a clerk in several branches, explains:

> *If you denied them the loan, they went to the other bank branch around the corner, a hundred meters away, and they always found someone that granted it to them.*

2 Traditionally, in Spain, banks had oriented their services towards enterprises, while savings banks focused on services and financial products for households, and therefore became specialised in mortgage lending. However, these differences have blurred over time.

3 All names are fictitious.

The rapid increases of real estate prices over short periods of time was another crucial factor that made buyers accelerate their decisions and favoured everyone's rush towards the next transaction. Jordi, a retired risks evaluator who now volunteers as counsellor for mortgage defaulters[4], told me about a case he had witnessed:

> *I met some people who had even paid a deposit, they had signed [a preliminary contract], and then the real estate developer said, I give you back the deposit and pay a fine, but I am not selling you the property. If you want me to sell it to you, what I told you that costed 100, now it costs 120. Because they already had another buyer who was ready to pay 120 for it. We got to that situation when prices increased from one week to the next, if you did not close the operation quickly.*

In view of the profitability of this business area, some banks even created special offices or 'mortgage centres', different from local branches, that were specialised in selling mortgage loans. One of my informants, Miquel, was the director of one of such centres between 2006 and 2008:

> *We signed about fifteen mortgages every morning. And then, in the afternoon, I visited branches for more signings, because there were many novice branch directors at that time, and they were afraid of signing mortgages.*

In fact, the operations that took place at such centres had in common their higher risk as compared to those that were being closed in regular branches. As Francisco Javier concedes, mortgage centres and other specific departments newly created served as the gateway for what can well be depicted as a subprime category of customers:

> *Then you had the big ones [he mentions several well-known real estate companies]. That went through a special centre, we did not have access there [...]. The operations authorised in such centres would have never been authorised in a regular branch. If we had sent them from the branch to the risks evaluation department, through the usual channel, they would have never authorised it.*

His account is consistent with Miquel's:

> *Our customers were different from those of bank branches. They were second or third-class customers, so to say. Many immigrants. Now I would be more strict than back then if I had to authorise the operations.*

These high-risk lending practices were coupled with worse loan conditions, including higher interest rates and longer repayment periods. Mortgage loans were granted for a higher proportion of the property's value, usually for the 100% of it, or even more, in order to cover the administrative costs of the operation, the notary's fees, and even other expenses such as the property's refurbishment, the purchase of furniture, and even of cars. Besides, customers were asked to make special arrangements in order to provide more guarantees for the loan, for example by including relatives or acquaintances as guarantors or even as co-owners. In this way, the number of people -with their incomes and patrimony- who took responsibility for the debt was increased. All these practices did not match what the bank's management expounded as their official stand, as described by Francisco Javier:

> *Ideally, the loan should cover 80% of the appraisal value, not of market value. You aimed at covering the capital you lent with the property's value. So it had to be worth that capital by far. This on the one hand. On the other, the income level. Theoretically, repayments could not exceed 40% of monthly income.*

In practice, at a certain moment, banks and even the *Banco de España* had flexibilised lending criteria, as Dolors recalls:

> *I don't know whether there was a relaxation, a proper command or whatever, but appraisals started to be very high, and the* Banco de España *suddenly allowed to grant 100% of the appraisal value, while previously they said that only 80% could be granted. Sometimes it was even 100% plus fees.*

Apparently, diverging criteria were applied depending on the categories in which customers were classified. This entailed, if not necessarily fraud, at least the deliberate targeting of vulnerable populations, such as migrant workers or the most precarious fractions of the autochthonous working

[4] Interestingly, it is not unusual to meet retired bank employees volunteering for organisations that provide advice for debtors.

classes, as a specific market niche where mortgages with particularly adverse conditions were sold. In such operations, the effects and knowledge asymmetries (Sabaté 2016b) between financial experts -bank clerks or mortgage brokers- and lay customers were particularly marked. The inferior bargaining power of these customers prevented them from objecting as the bank charged them with higher interests and fees. In the discourses of creditors, the risks assumed by the lender served as a justification for the loans' unfavourable conditions.

In many cases, customers were not informed about what contracts entailed, especially when they belonged to certain social sectors. According to Dolors,

> *Some immigrants did not understand well what they were doing. I don't think they were given proper explanations, and they not aware of where they were getting into.*

This aspect should have been mitigated by some existing regulations, such as the legal obligation to provide a copy of the contract some hours before the signing, or the compulsory presence of a public notary, whose theoretical duty was to make sure that all parts were aware of the terms of the agreement. A duty for which the rush to sign as much mortgages as possible was considerably detrimental, as Miquel recalls:

> *Everyone had an outstanding interest in closing operations. The public notary among them! That man almost lived with us. He came to the Mortgage Centre at 10 am every morning and we spent four hours together. He desperately wanted to close the fifteen mortgages. One, another, come on, Miquel... There were two rooms, one customer got ready in one of them, then he came in [...]. I was very scrupulous and didn't like the notary telling me, come on, Miquel, sign it up, we have already read it as you were out. No, no. I am sorry, but you are not reading the mortgage contract while I am not in. He wanted to hurry even more than I was forced to do it [by the bank's management], believe me, that was non-stop, crazy... It worked like that. Everyone was interested in having everything signed.*

In practice, as customers found contracts incomprehensible, they blindly trusted bank clerks or mortgage brokers in order to interpret their practical implications. This made them more vulnerable to potential fraud or, at least, to being concealed relevant information concerning the commitments they were assuming. A paradigmatic example of this concealment was the emphasis put by bank clerks and mortgage brokers on the amount of monthly repayments under the current circumstances -with low interest rates-, without regard for potential sources of uncertainty that could alter that amount and therefore make their debt unsustainable[5]. Besides, the consequences of potential default, for example in terms of the actual dangers entailed in acting as guarantors or the permanence of the debt in the event of a repossession, were rarely mentioned at that time.

In addition, other financial and insurance products, some of them as complex as the so-called 'swaps', were sold alongside mortgage loans, leading customers to believe that the acceptance of the whole pack was a compulsory requirement to obtain credit at that bank, while that was not really the case, as Josep, another retired bank clerk, clarifies:

> *Granting a mortgage entailed binding that customer because he also brought his salary, his bills, he took a life insurance… It was not compulsory however. You advised him to do so, it was logical, in case something happened to you […]. It was good for the savings bank and good for the customer too… […] Once he was in, he did everything. It was like a pack, and the branch had great interest in it.*

Thus, for bank clerks, mortgage borrowers were desirable customers not only because one could expect them to be loyal to the bank over long periods of time, but also because they could be targeted for the sale of those other products that were often camouflaged behind mortgage repayments.

The flourishing of the mortgage business during the housing bubble was tremendously profitable not only for banks and other providers of credit. That was also the case for other crucial actors such as real estate agents who, apart from acting as middlemen in property sales, were also involved in credit-providing operations. With different degrees of professionalism and transparency, the so-called *prescriptores* offered potential property buyers a comprehensive service: apart from

[5] See fig. 1: A flat is advertised with its total price and an estimation of monthly repayments, as if they were a fixed amount, not subject to variations in interest rates. Other expenses, such as the notary's fees or management costs, are omitted.

mediating between sellers and buyers, they searched for a mortgage loan in the buyer's behalf, and they did so by using their contacts with several directors of bank branches -or directly with the bank's mortgages centres- with whom they had previously reached an agreement. Francisco Javier describes the activity of these *prescriptores* as follows:

> *They came to the branch and said, I have this possible purchaser for this flat... They facilitated the operation. You considered it. If it was granted, that agent could obtain a small commission, depending on the margin.*

In fact, it seems that they did not only obtain a commission from the bank for every successful operation, as Dolors and her husband Ferran, a retired bank clerk too, explain:

> *D: They were paid by the seller, the buyer and the bank. They received a small percentage of the opening commission for approved operations. This is why they had great interest in the authorization of that operation. And the higher the loan, the better, more percentage for him. A higher amount.*
>
> *F: And they sometimes were paid in black.*
>
> *D: In our branch, all* prescriptores *were identified, we had their ID numbers, bank accounts and everything. Some or them were more reliable, more serious than others.*

The scale of their operations could vary, as it can be deduced from Miquel's experience as the director of his savings bank's Mortgages Centre, where most mortgage contracts had been originated by *prescriptores*:

> *The great part of the mortgages we signed in the mornings were brought by* prescriptores. *There were several of them, one alone would have not been capable... Well, there was one of them who brought 80% of them perhaps. It was impressive… That fact obliged us a bit too: if a* prescriptor *brings 20 mortgages every week, you cannot deny them all. It forced us a bit. That man had a certain advantage, a certain bargaining power. Which does not mean that we did nonsense.*

According to the evidence collected during fieldwork, the activity of these *prescriptores* and other analogous actors served as the back-door path through which high-risk mortgages were granted by banks to the most vulnerable home purchasers[6]. In Josep's words,

> *The mortgages that* prescriptores *brought... obviously, it was because they had not been able to obtain a mortgage loan anywhere else, normally. They had ASNEF [were included in public lists of defaulters], and so on, and it was complicated. It was the director's decision.*

The fact that they obtained immediate profit from operations through which very humble households became trapped in mortgage indebtedness, a condition that would reveal itself as a dramatic burden with the advent of the crisis, may well justify their inclusion, alongside some bank executives and employees, under the 'economic wrongdoing' denomination. Public notaries who neglected their duty to assure the intelligibility of contracts, as well as property appraisers who over-valuated housing units to serve the bank's interests, should also be included in the list.

2.2. 'Economic wrongdoing' during the mortgage crisis

In order to complete this description, the events that followed the economic breakdown of 2007-8 need to be accounted for as well. As rates of default grew dramatically, bank managers started to be worried and adopted several measures aiming at their reduction -or at least at their temporary removal from their balance sheets. Newly created recoveries departments hired legal experts like Francisco Javier. In some cases, recoveries specialists were sent to particular branches with high rates of default, as Miquel remembers:

> *When I was in Badalona, after leaving the Mortgages Centre, a new job was created for a recoveries negotiator. He did what he could with all the defaulting loans of that area, four or five branches. As it is not the same to be owed a €100,000 mortgage than a €4,000 car*

[6] The proliferation of this kind of businessmen during the real estate boom, with their semi-fraudulent activities that targeted immigrant populations with the promise of home ownership, was also been detected by Palomera (2013, 2014) in his ethnography of a working class neighbourhood in the periphery of Barcelona, and by Terrones (2011) in his account of Filipino migrants' residential strategies in down-town Barcelona.

loan, we tried to recover mortgages, which were the highest loans we lent in regular commercial branches.

In some cases, the chase of mortgage defaulters was outsourced to external firms who tirelessly called customers and reclaimed them their debts. Such telephone calls systematically emerge during interviews with mortgage debtors as one of the worst aspects of the whole repossession experience[7]. Juan, an unemployed construction worker and father of three facing the repossession of his home, narrates the threats he received:

> *He said, I will take away your flat, and your children will be on the street [...]. They even told me that. I will do my best to take your flat and put your children on the street [...]. It was a terrible time, several months... He told me, does your family know what kind of person you are? It is your obligation to repay, and things like that.*

Apart from these pressures on borrowers to recover debts, the banks' reaction also consisted in offering forbearance schemes based on debt restructuring and renegotiation. These agreements entailed a temporary reduction of repayments or interest-only periods, in exchange for extensions of the repayment periods -sometimes up to fifty years- and for the addition of higher interests. As bank employees themselves now concede, these forbearances only delayed the manifestation of default, as those loans were not considered as defaulting for a while, despite the fact that it was very unlikely for debtors to be able to meet repayments as they increased again. In this sense, forbearance was nothing more than a fictive, provisional solution to the problem, as Miquel highlights:

> *Forbearance was a pure deception, it only favoured the savings bank, it was not feasible, it only delayed the fall. It delayed the explosion. They [debtors] had to sign several things, but nothing was condoned to them.*

In fact, such situations became an important source of profit for banks themselves, as they felt free to charge exaggerated late fees and devised other profit-making strategies, as Miquel goes on to say:

> *Late fees were brutal, 18 or 19%, and legal expenses, all that... The bank hired a lawyer on behalf of the customer, whatever lawyer they liked. And he was not asked for the fees he would charge. That was another thing: the customer had to assume the legal expenses, but the bank chose the lawyer, and not a cheap one, they did not care because you paid for it…*

As a result of all this, debts increased over time, to the point that some debtors found themselves owing the same amount they had borrowed at the beginning, which entailed a new business opportunity for the bank:

> *So, if you owed 100 at the beginning, then you owed 130, and you were offered forbearance for 130, if your repayment period was 30 years they offered you 40, but the most important fact was that you had no income.*

It could also be the case that it was within the interests of banks waiting for some months, or even years, before triggering the repossession process, so that the debt increases over time and the auction price that will be paid for the property will not cover the outstanding debt. In this sense, many of the debtors I have interviewed have gone through periods where the bank's harassment ceased, as time ran in favour to the creditor. From this point of view, the manipulation and even the interruption of the repossession process provided gains for the bank and aggravates the debtor's situation. The latter is condemned to perpetual indebtedness[8] and is thus denied not only the right to housing, but also the access to other basic resources, as a result of their bad credit record and of the creditor's right to seize any future income[9]. As Francisco Javier points out, this entails the exclusion of debtors from society and from legal economic activity:

> *Something will have to be done some time with the people who carry that debt. Because, otherwise, they will remain trapped for life. They will never be able to have a salary, they*

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7 Indeed, when I called debtors for the first time after obtaining their number from someone else, I could hear the mistrust in their voices as they answered a call from an unknown number.

8 Unlike in other countries such as the USA, where the repossession of the property by the creditor entails a cancellation of the debt (Stout 2016a, 2016b, Jefferson 2013, Reid 2010).

9 A regulation of the extent of this seizure establishes a minimum of €960 (plus 30% for each dependent person) to guarantee the defaulter's survival. However, it must be recalled that, under the current economic circumstances, most mortgage defaulters do not even count on that amount of income. Besides, during the meetings of the PAH, it was not unusual to hear that some banks had seized beyond this limit as long as the victim had not protested.

will be able to do nothing. They will be forced to work in black. And that is no good for anyone...

Of course, the violence of evictions once the repossession process is completed should be included as well in the category of 'economic wrongdoing'. In the most dramatic cases, extensively covered by the media during the hardest years of the crisis, the eviction takes place with the inhabitants still in the dwelling. Such situations have been fought by the PAH and other movements by means of civil disobedience campaigns. The most famous one, called "Stop evictions", consisted in activists, neighbours and fellow PAH members physically preventing the eviction as the police came. Some of these episodes resulted in partial victories, as debtors were able to remain in their homes, and, in the most successful cases, they could force the bank to rent them the dwelling at an affordable price.

Finally, it can be noted that, in this description of 'economic wrongdoing' during the crisis, real estate agents, mortgage brokers and *prescriptores* are completely absent. However striking this may seem at first sight, the fact is that such actors almost disappeared from the Spanish urban landscape with the economic breakdown. Most neighbourhood-scale real estate agencies, some of them franchises of large corporations, closed their doors in that period, and *prescriptores* quit visiting bank branches. In public discourses and expressions of social indignation and condemnation of the crisis, including the alternative narrative built by the PAH, banks -alongside political elites- are pointed out as the main culprits of the current hardship. But *prescriptores* and real estate agents who made profits through morally dubious practices have rarely been the target of such public condemnation[10]. One possible reason for this could be, as it was suggested to me by Pascual, an executive in a consolidated real estate firm that takes pride for their good practice, that

they cannot be made responsible for their mediation activity. Their operations left no tracks, as they simply acted as a friend who gave a piece of advice. They can be made responsible for nothing after the fact.

Indeed, this seems to be so despite their crucial contribution to the mortgage crisis.

3. The social and historical situatedness of 'economic wrongdoing'

The aim of this section is to address the social settings and structural processes that have facilitated or encouraged 'economic wrongdoing' by professionals involved in the mortgage business. Most accounts of the bubble period describe a particular social atmosphere in which signs of prosperity and material improvement where ubiquitous. The building boom was consistent with a notion of economic development intimately linked to the deregulated urbanization processes that were changing the face both of cities and of non-urban areas -especially coastal regions (López and Rodríguez 2010, Naredo and Montiel 2011, Coq-Huelva 2013).

Members of the middle and the working classes, including newly arrived non-European migrants, aspired at upward social mobility at the sight of the availability of jobs, many of them requiring little qualification, as it was the norm in the building sector. Many households depending on that economic sector, or in others also benefiting from the real estate bubble, experienced what seemed to be a rapid enrichment, even if it was at the price of enduring harsh employment conditions, working overtime, and getting severely indebted to access a home or to purchase other goods or services. Under such circumstances, the rise of mortgage default was a highly unlikely prospect for most actors across society.

In the mortgage business, the logic of maximization, fuelled by immediate gains in the form of incentives, commissions and bonuses for a wide range of professionals, prevailed over previous conceptions of real estate and banking activities based on prudence, transparency and the avoidance of risks.

For many interviewees, these contrasting logics became especially salient in the encounters between old and young bank clerks, who differed in their training, attitudes and world views. In Josep's words,

[10] To my knowledge, there has been one exception to this: the PAH assembly in Madrid managed to gather enough evidence to sue the two partners of a firm, *Central Hipotecaria del Inmigrante*, for their predatory practices as *prescriptores* who targeted Ecuadorian home buyers.

the new employees were asked for a University diploma, Economics, Business, and people arrived with a commercial spirit. They knew how to sell things [...]. Things changed in this sense. Besides, they started on trial for six months with a temporary work agency, a report was written, they filled some tests, and, if everything was ok, they stayed.

That was in sharp contrast with the situation of older employees, as described by Francisco Javier, who is in his late thirties:

Everyone says that veteran people... That we work today at a totally different pace, compared to back then. The people that are being hired now, with temporary contracts, internships, they need to consolidate themselves within the company. They [older employees] are already consolidated and are thinking about ending their career. These are different situations: those who want to be promoted, and those who are already settled. All this war has nothing to do with them [older employees].

The banking business in general, and mortgage lending in particular, was experiencing a radical transformation as a result of the implementation of new management techniques that emphasised productivity and the attainment of objectives over the common sense vindicated by older employees like Miquel:

Nobody talks about the kids who became bank employees, who came directly from business schools, right to the bank branch counter. With a terrible brain wash, you have to sell, you have to sell, you have to be productive, objectives, objectives... They did not question anything. As they knew so little, they had no criteria to distinguish... Only a 50-year-old person can understand such things, I am sure those kids did not value it [the older's experience].

However, the pressures to adopt more aggressive selling strategies also affected older employees, forcing them to modify the essence of their own work. In Miquel's words,

We all lowered the bar... Because directors and clerks' wages increasingly depended on the objectives they attained. You lost the perspective of things, the objectivity. They only wanted objectives. What do you want, mortgages? Well, let us make bad mortgages then. That is what happened. We had a fixed wage, and then objectives. We only talked about that with workmates, have you attained the objectives? Yes, or no... At the expense of...

Josep, who started to perceive this developments long before the last housing bubble, reacted to this transformation with growing distance and disenchantment:

The way of working changed much [...]. Making sales was given priority, you had to keep a customers list, make calls, so that people came. At first they told us, we will not control your customers lists, it is only for you to organise yourselves. But then a moment came when they controlled us, what you did and what you did not, and they set some objectives to get a bonus. If you attained them, you obtained a bonus. They [the bank managers] distributed bonuses at first, then it was the branch director who made the distribution, as he was supposed to motivate the team towards that way of working, more market-oriented. But bonuses were a trick, because you reached somewhere, but the day after they set them further [...] Things started to change in the mid 1990s.

Others, like Miquel, were not so disenchanted at the beginning and tried to accommodate to the new state of things while trying keep certain principles, even if this was at a certain risk:

This is an anecdote of mine, I found myself in my desk telling customers sitting at my colleague's desk, [speaking low] Do not sign that! Do not sign that! They did not understand me... But I could not bear that, my colleague [convincing customers to contract 'swap', a complex derivative product].

Miquel's principles would ultimately lead him to quit the savings bank, after being the director of the mortgages centre through which subprime mortgage lending had been practiced.

In fact, several of my informants depict their acceptance of early retirement offers as a good solution for their increasing unease with the new winds that blew in the bank where they have developed their whole careers. For Dolors, being forced to harm her customers' interests entailed a moral dilemma that ultimately led her to reconsider the role of banks in society:

The summer I was being hired [in 1973], I told the village's priest, I am going to work in the bank. What?, he said with a very serious face. First, you have thieves, and second, you have *bankers. You will see. And now, I realize how right he was. Because, honestly, in front of a customer, the misfortune he has to cope with, and you have to charge him for an unpaid bill, or for an unpaid credit card debt, or for a late mortgage repayment, because his pension will arrive in two days, and you have to charge him €30. Plus the late fees. It was painful here inside [she points at her heart]. With €30, that person can eat for a week or more. Such a system... It was very hard to be there.*

The new strategy of banks to transfer clerks from one branch to another on a regular basis was interpreted as an attempt to avoid the stabilisation and personalisation of employee-customer ties, as such process entailed the dangers of a moralisation of relationships, as Josep describes:

They told me that I had been too long in that branch, they were starting to introduce the idea that it was not good to be in a place for too long because then you became acquainted with customers, you reached a level of trust that prevented you from pressing them towards buying things. So, if you were transferred to another branch, the selling part was easier because you didn't know them.

To these changes in the working conditions, management strategies and internal organisation of banks, another relevant factor should be added in order to contextualise what we have depicted as ‘economic wrongdoing’ on the part of bank clerks: the increasing complexity of the products they were selling. The lack of knowledge about credit products on the part of mortgage borrowers has been mentioned in a previous section. But these difficulties to understand products and the implications of loan contracts were not only experienced by lay customers lacking formal education, or perhaps facing language obstacles. In the bank clerks’ accounts, their inability to actually understand what they were offering to customers is very salient too. Employees complain about the lack of rigorous training, which put them in the situation of having to sell incomprehensible products. Despite their relatively high position as the director of his bank’s mortgages centre, Miquel was one of those clerks who felt poorly trained for certain tasks:

[They told us] You have to sell this much of this product. Yes, but I don't know what it is. We'll attend a seminar this afternoon, come and they will explain it to you. One hour and a half, and then, let's sell ‘preferred participations’[11]. But no idea about what ‘preferred participations’ were.

In fact, contrary to what might be expected, this was not merely a problem for poorly trained, old-school clerks. It also affected insiders of the finance world. Maria, a 40-year-old financial executive working in the derivatives valuation department of an important savings bank, confessed what follows:

It's difficult, there is no information [...]. Even me, that I work in this, but, when I applied fo a mortgage myself, it was hard to understand what it was about. A total outsider would understand nothing!

But, however strong the pressures put on mortgage professionals by structural constraints, the ethnography has also made apparent that there was always some scope for resistance and for individual, unorthodox decision-making. Some employees struggled to keep acting prudently and guiding themselves by principles of moral economy, sometimes at the cost of giving up their promotion chances. This summarises what happened to Josep, who spent his last decade in the savings bank being transferred to more and more peripheral branches as a result of his lack of ‘market orientation’. On the other end, Josep himself told me about the director of a branch in central Barcelona, who was connected to a *prescriptor* who brought operations from Hospitalet and Cornellà, two cities in the metropolitan area were subprime customers could be extensively found. Some years later, Josep learnt that this bank branch had one of the highest default rates in the whole network.

I was told other similar stories about particular branch or area directors with a strong inclination towards high-risk mortgage lending. For example, Jordi, who was in charge of the evaluation of risks in the Baix Llobregat area, tells about his confrontation with his colleagues in a neighbouring town:

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11 The massive sale of this financial product by many Spanish banks also led to a scandal when customers who had understood it as a safe investment discovered that they could not recover their money, as its availability was subject to the financial situation of banks themselves.

I was not in charge for the Hospitalet area, but, as they went on holidays, I took care of their cases, and I had a lot of arguments with them because they told me, Jordi... No. My boss, and I agreed with him, did not want to lend more than 80% [of appraisal value]. Well, here [in Hospitalet] we lend 100%... My boss never paid commissions to real estate agents in exchange for bringing customers. But they did so there. Then everything exploded. The two area directors are now retired, but back then one got more bonuses than the other.

José Antonio, who is currently the director of a branch in Barcelona, also experienced the contrasting default rates that resulted from different decisions and strategies used by former directors. A few years ago, his branch took in charge the customers of two other branches that had been closed in the same neighbourhood -a urban area populated by working-class Spanish households and with a considerable presence of Pakistani and Indian immigrants. José Antonio was surprised to discover that, while one of the former directors had managed to completely avoid repossessions, no less than eighty of such processes were open in the other branch.

All this evidence supports that, beyond the structural determinations imposed by a historical moment and a social atmosphere where bank clerks were led to engage in 'economic wrongdoing' in the form of high-risk and predatory lending, there still was some scope for professionals to preserve their moral principles to a certain extent.

4. Home repossessions victims as 'economic wrongdoers'?

A too hasty definition of high-risk and predatory lending as 'economic wrongdoing' risks at exonerating the victims of over-indebtedness and home repossessions -mortgage borrowers, their relatives or acquaintances who acted as guarantors, and, more generally, the social networks where borrowers are inscribed- from any responsibility for their current situation.

Indeed, the main motivation for borrowing a mortgage loan can be seen as a highly legitimate one: accessing housing, a basic resource[12]. This does not deny, however, that other motives beyond the satisfaction of a basic need were at play. Processes of emulation and conspicuous consumption took place as well within a social atmosphere that strongly pushed households to get indebted -in some cases to an unsustainable degree, as it would be revealed later- in order to attain and to publicly display an improvement of their material living conditions.

In view of this, can repossessions victims or over-indebted mortgage borrowers be depicted as 'economic wrongdoers' in any sense? Did their eagerness to obtain their mortgage loans lead them to violate any moral or social norms, or even to act illegally?

In the rest of this section, I will try to contribute some evidence that can help to answer these questions, drawing not on general, vague arguments about Spaniards having lived 'beyond their means' during the economic boom, but on the accounts of bank clerks who had the chance to observe their customers' actions.

The borrowers' lack of information about financial products, and about the implications of mortgage contracts, as well as their powerlessness in front of the bank's experts, have been already mentioned. However, in some cases, bank clerks reproach them their little effort or interest in actually trying to understand the indebtedness condition they were accepting. Miquel complained about this lack of interest, and he attributed it to the fact that, as they had borrowed 100% of the property's value, some debtors, especially foreigners who -he supposed- had the possibility to go back to their countries if things went bad, equated their situation to that of living on a rent:

They did not understand unless they had interest on what you were saying [...]. They could not care less about it. Look: you buy a flat for €100,000, you repay €500 per month during 8 years, and then you get evicted. Great, if you had been renting, you had been paying €600.

Francisco Javier offers a similar perspective:

[12] Even if the same kind of resource could be accessed through other forms of tenancy, namely on a rent, that possibility did not have the same implications and did not offer the same conditions for members of every social sector. For instance, the rental market was highly discriminative for migrants, who were only offered flats in very poor condition (Colau and Alemany 2012, Sabaté 2014).

In real estate agencies, 100% was lent, sometimes even more, without any down-payment. Those people, especially immigrants, do not have the feeling, this is mine, I have worked for this, I have invested my money here, and, if one day I cannot repay, I will loose it. This is why 100% should never be lent [...] That person, if he faces a repossession one day, well, he will say, go on and repossess it. I have made no down-payment, I quit repaying... As if he had been paying a rent.

Then he adds an important detail:

But, what happens? After the repossession, he loses the flat, but the debt remains[13]*. If he is Spanish, he has a huge problem. If he is an immigrant, he can go back to his country and leave the debt here.*

Miquel also denounced the use of crossed guarantees as a strategy to simultaneously obtain several mortgage loans in different banks, by escaping regulations:

Let me tell you a trick that was used by immigrants. One of them came, he had been employed for six months, with a temporary contract. Very precarious. Then he brought two guarantors, a brother and a friend, who lived together. They said, we apply for a mortgage to buy a flat together. For €120,000 for example. If I earn €600, the second €700 and the third €800, we can assume €300 repayments, we are capable of repaying it. Up to now, everything correct. Then, the bank asked the Banco de España for their CIRBE [reports on the applicants' personal indebtedness]. All three had zero debts. And you thought, well, if they don't have any debts, and the three of them act as co-owners, or two co-owners and a guarantor... You granted the mortgage. Then, 4 months later, you asked for their CIRBE again, and you were struck: a €120,000 loan with Caixa X, a €100,000 loan with Banc Y, and a €95,000 loan with Banc Z. They had applied for all of them at the same time, as the Banco de España had no records yet, because that takes two months. And, instead of having acceptable customers, you have a bomb.

Deception practices of similar nature that were reported by my informants included the forging of documents, such as payslips, to improve the chances to be granted the loan.

In other cases, borrowers could be reproached their greed -coupled by a certain irresponsibility- in their intent to act as investors despite their financial precariousness. They intended to use the properties accessed through debt not in order to satisfy a need, but as a source of profit, for example by subletting rooms, or even the whole flat, and asking for rents that exceeded mortgage repayments.

Indeed, all these situations have in common the prioritization of short-term gains and a disregard for longer term risks, and can lead -and it did in many cases- to insolvency and default. In addition, in the case of borrowers who had relied on relatives or friends acting as guarantors, their failure to repay got these guarantors in serious trouble as well, provoking strong tensions in their social environments.

Nevertheless, the identification of these forms of 'economic wrongdoing' by mortgage debtors should not lead us to overlook the fact that those affected by repossessions, or seriously threatened by them due to over-indebtedness, have been the main victims of the crisis. Irrespective of their responsibility in terms of guilt (King 2006)[14], the fact is that they and their social environment have suffered much and are now being denied a debt-free second chance. The perpetuation of their defaulters condition can lead them to social exclusion and marginalisation, as it has been illustrated. For this very reason, and also because of their relative lack of power and opportunities if compared to other actors involved in the problem, they cannot be attributed the main responsibility -in terms of task (King 2006)- to repair the disaster[15].

[13] This circumstance makes it impossible for mortgage debtors in Spain to simply abandon their properties when their mortgages go 'underwater', as it has been the case in other contexts. In the US, this behaviour has been the main motive for moral criticism on mortgagors (Stout 2016a, 2016b, Jefferson 2013).

[14] In fact, the role of *prescriptores* should also be considered, probably on a case-to-case basis, in this regard, as, according to some of the mortgage debtors I have talked to, they may have been brucial in advicing such practices.

[15] Of course, this does not deny the importance of the empowerment task that the PAH and other anti-repossessions movements have been carrying out during the last years (Mangot 2013, Bereményi and Montero forthcoming). In these movements, mortgage debtors, after becoming conscious of the systemic nature of what they experienced at first as an individual problem, are provided with knowledge and tools to negotiate with banks and to take an active

5. Towards a definition of ‘economic wrongdoing’

The material presented in this paper arises several questions concerning the notion of ‘economic wrongdoing’ and its possible articulation with the moral economy literature.

First of all, when is it pertinent to talk about ‘economic wrongdoing’, and when about diverging, conflicting moral economies? Can we just conclude that bank clerks are seen as ‘economic wrongdoers’ by over-indebted mortgage borrowers, but also the other way round to some extent, as a result of particular principles of moral economy being violated in each case? Should the two senses of moral judgement be accorded the same weight? Or rather, is it possible to sketch some universal notion of ‘economic wrongdoing’ -as opposed to a moral economy- that cuts across social cleavages, that is shared by the unprivileged and the privileged, that reproduces itself over time and that gains or loses saliency depending on historical circumstances?

According to Fassin (2009), Thompson’s and Scott’s original definitions of moral economy only applied to the dominated: English peasants, industrial workers, rural populations in Asian colonies. But, he goes on to ask, cannot social groups in more privileged positions -such as our bank clerks with steady employment and middle-class income- be said to create and reproduce their particular moral economies? These could be based, for example, on their representations of good banking practice, loyalty to their lifelong employer, honesty and transparency towards customers, etc. From this viewpoint, the ethnographic reality described in this paper could well be interpreted in terms of different, coexisting, often conflicting and sometimes compatible moral economies prevailing in different social settings: that of mortgage debtors and those supporting them, that of bank clerks and other professionals of the mortgage business.

As a third line of interrogation, weren’t those who resisted pressures for ‘economic wrongdoing’ in the mortgage business violating certain norms that could be interpreted as a distinct moral economy -one governed by the seek for profit, professional promotion, and defence of the firm’s and its shareholders’ interests? Karen Ho’s (2009) depiction of a ‘Wall Street culture’ framing the actions of financial executives, and including a whole set of values, attitudes and expectations that gave meaning to them, could be an illustration for this. The bank clerks I have interviewed were forced by their managers to adhere to such values and to adopt such practices, but, in many cases, they did so only in a partial, unwilling manner.

Unfortunately, the narrow scope of this paper has not allowed to include in the picture the banking managers and elites who have been governing the mortgage business from the top. Despite their relative invisibility, the decisions made by these elites have a crucial impact on debtors’ lives, for example as they decided to prioritise mortgage lending over other banking activities, to target subprime customers as a lucrative market, to foster mortgage securitisation and to devise and trade complex derivatives, to accept and to promote misleading practices by rating agencies, etc. Without doubt, several of these decisions and practices may be seen -and are actually seen- as ‘economic wrongdoing’ from other social positions. But again, can financial elites be said to be ‘economic wrongdoers’ in absolute terms? And therefore, are elites excluded from the moral economy notion? Does this deny that their actions are inspired by certain principles and values, however individualist and exclusionary they might be?

A detailed, historically situated account of mortgage lending and borrowing practices -and of the social discourses and representations that have supported them-, as a particular case of debt and credit relations under finance capitalism, may contribute to advance towards an answer for these questions.

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Fig. 1