

FATAWA ON RIBA/INTEREST AND LOANS

I. PROHIBITION OF RIBA AND ITS RATIONALE

SUBJECT: Rationale of prohibition of interest

From: scitech@islam-online.net

Date: 10/4/00

Question

Your question is about lending money against fixed interest to persons, non-Muslims, who buy houses for investment to make profit from buying and selling.

My answer:

Dear James

Selamet,

May all praise be to Allah Most Merciful Most Benevolent and may Prayers and Peace be on His Messenger Muhammad, his descendents and disciples.

In the Islamic Shari'ah, giving loans against interest, fixed or variable, is not permitted. The ruling is the same whether loans are given for investment or for consumption, and regardless of the trade of the borrower. The reason is, in brief, that such a deal is not balanced, you get return from the borrower whether she gains or loses and your principal is guaranteed. Besides when you give a loan your command becomes on an abstract right which is called debt rather than on a material asset. While a material asset may grow and the owner is entitled to its increment, a notional asset such as debt cannot grow in reality, hence its owner must not expect any increase in its amount

Shari'ah provides for alternatives to lending when it comes to running businesses.

Recognizing that financing is one of the needs of businesses, that financing is intended to benefit both parties, and that debt does not grow (unless in an arbitrary and unbalanced manner as is the case of imposing interest on the borrower) Shari'ah permits sale with deferred payment (at a higher price than the cash price), leasing whereby the owner of the asset sells only its benefit or usufruct, and equity participation. Either of these forms of financing can be used and may benefit both parties.

Lastly, remember that the religion of Islam calls on all Muslims to abide by its Shari'ah (law) and Allah, in the Qur'an, promised a great reward in this life and in the Afterlife for those who abide by the rules of Shari'ah. Islam does not apply the details of its laws to non-Muslims, whether they reside within a Muslim society or outside it, although we believe that these are rules that basically came from Allah the Most Almighty and Most Knowledgeable of what best suits women and men on this earth. And God knows best.

Sincerely,

Monzer Kahf

SUBJECT: Definition of Riba in debts, alternatives and exceptions

From: scitech@islam-online.net

Date: 12/7/00

My answer:

Dear Brother,

Assalamu Alaikum,

Your question is about Riba.

Al Hamdu li Allah wa al Salatu wa al Salamu ala Rasuli Allah,

Riba is any contractual increment in a lending relation. It is prohibited and considered one of the worst sins and disobediences to Allah. The parties to a Riba-based contract are declared war on by the Almighty God and His messenger (the Qur'an, 2: 279). The Prophet, pbuh, put the wrath of Allah on the person who takes Riba, the one who gives it and the person who writes its contract. The Prophet also classified dealing with Riba as worse than adulatory both sayings of the prophet rank correct.

Bank's interest is plain Riba, no more, no less, because the relation is a lending relation and there is an increment. Although the matter is so clear from the definition of Riba, the OIC Fiqh Academy discussed it in one of its meetings and resolved that: "banking interest is the same as the Riba that is made prohibited in the Qur'an."

The prohibition of Riba does not mean that financing is free; it rather means that financing has to take other forms and other venues. Permissible venues include leasing, if no other conditions that violate other rules of Shari'ah are attached to it, deferred-payment sale or installment sale, and equity financing.

Of course, the Shari'ah has a general and basic objective that its rulings are always for the good of people, women and men, in both this life and the Afterlife. One of the Shari'ah rules is that any prohibited thing may be relaxed in case it becomes necessary. For instance, a person lost in a desert and in need to drink for survival, may take alcohol if nothing else could be found. Such a relaxation of prohibition is certainly restricted to the amount of necessity and each person must find out his/her limit of necessity on her/his own self, keeping in mind that God is the one who is going to judge and Allah cannot be fouled by a false excuse. In other words, anything made under the rule of necessity should be made only to the limit of necessity, no more.

Buying a car with an interest-based loan from a conventional bank is a Riba-based transaction. One has to find some other form of contract, some sale opportunity that give financing without interest, try to always save more for buying cash, and with vivid consciousness apply the rules of Shari'ah, including the necessity rule.

WA Allahu A'lam

Monzer Kahf

SUBJECT: How do I convince them to stop taking interest from the bank?

From: dialogue@islam-online.net

Date: 12/16/2000

Question

I'm married and live with my husband in Singapore. My in-laws live in India. We visit them once a year. My in-laws take interest from the bank. Is it permissible in Islam for us to accept my husband's share of property from them or for that matter even eat food from them? How do I convince them to stop taking interest from the bank? It will be very kind of you if you could answer this as early as possible.

My answer:

Dear Sister Hina,

Assalamu Alaikum and Ramadan Mubarak to you and your family,

Al Hamdu li Allah wa al Salatu wa al Salamu ala Rasuli Allah,

May Allah Ta'ata give you the blessing and strength of this Glorious month of Ramadan and helps you in convincing your in-laws. You know sister that Riba (= interest) is one of the worst sinful matters and Allah announced a war from Him and His messenger on those who practice it, taking or given. If there may be some necessities that may excuse giving it sometimes when a person is in dire need, there are no needs for taking it as the late Maududi emphasized. Tell them also about 2 sayings of the holy Prophet, pbuh, one that Riba is worst than the worst kind of adultery (worse than making adultery with one's own mother) and the other is that when some people from the tribe of Thaqif asked the Prophet that they want to accept Islam but they need a relaxation on Riba because it was their business, he refused to give the excuse and told them no (we don't accept to become Muslim) until you quit Riba.

On the other hand, your in-laws may have thought of an excuse that since they live in a non-Muslim country and deal with non-Muslim banks, it may be OK to take interest from them. This is an idea put forward by Imam Abu Hanifah and is an opinion that we respect whether we agree with or not. My suggestion to you is to advise them and keep in your mind that they may be applying that opinion.

For your husband share of the interest, I advise that he gives it away to Muslim poor and needy preferably in India that has a lot of them.

As for eating with them, if all their income is from interest, if it is Haram for them, it is not Haram for you when they offer food to you as a guest, you may avoid that food out of piety but you are not obligated to avoid it as a guest especially if that upsets such persons who are close to you as your in-laws.

Wa Allahu A'lam,

Dr. Monzer Kahf

SUBJECT: Definition of Riba

From: A live Fatwa session on Islam on line, Aug.15, 2001

Name Hussein

United States

Profession

Question:

As a somewhat inquisitive and educated person, I have dwelled on the issue of Riba. According to the ONLY definition I can find of Riba in the Holy Qur'an and the Sunnah is that it was the practice of pagan Arabs to DOUBLE the amount owed by a borrower, and that this was the practice the Prophet (SAW) was trying to eliminate, and that Riba was NEVER intended to apply or be defined as simple interest (at 6, 7, 8%)

Answer:

Bismillah Alhamdulillah

wa al Salatu was Al Salam ala Rasuli Allah wa ala Alihi wa Ashabihi Ajma'in

The Qur'an defines Riba as any increment above the principal and considered any such increment as unjust as Allah, May he be glorified, says in Surah al Baqarah 279. There is no mention in the Qur'an of doubling. Further there is a comparison between sales with postponed payment with a higher price than the cash price and lending on interest basis, a comparison that is rejected in the Qur'an (2:275). Further, the Annihilation (war from Allah and His messenger) mentioned in verse 276 refers to Riba as plain word. Riba means increments and that is all.

There are several sayings about the practice of Riba by pagan Arabs at the time of the Prophet Muhammad, peace and blessings be upon him, many of them refer to any increment in a due debt for delaying it to a new maturity. Yet, there are many other sayings that refer to initiating a debt by providing a loan that will be paid back in a higher amount than the loan. There are also sayings that refer to loans with periodical payments and charges on them.

Hence in the Hadith we have Riba in the form or rescheduling of debts and in the form of increment on loans.

The practice of Interest in conventional banking systems and in western interpersonal financial transactions represents an increment over a loan and or the amount of debt for rescheduling it for a new maturity, and sometimes for paying it on a day prior to maturity through discounting of future debts at a third party.

Relations of bank deposits and bank lending (normally called bank investments) are both lending relationships, therefore any increment in them is a Riba increment, and they violate the rule that you get only your principal amount with no injustice to you or against you. (2:279) And Allah knows best.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Is the prohibition of Riba based on exploitation?

From: Islam on line

Date: March 02, 2002

Name of Questioner Samer

Gender Male

Age 21-30

Education Graduate

Date Submitted

Email

country of Origin

User Ref. No.

country of Residence

Question

I have heard from many sheikhs that interest rates are Haram, but no one ever gave me a convincing reason why this is so. According to my humble knowledge, all Ayat in the Holy Qur'an that mention the subject of Riba talk about exploitation and do not mention anything about fixed interest rates. I would really appreciate it if you provide me with a detailed Fatwa or references I can read about the issue. I have a BA in economics and I

do understand economic terms very well. My second question is about whether insurance is Haram or Halal.

My Answer

In the Name of God the Most Compassionate the Most Merciful
May All Praise and Thanks be to God, the Almighty, The Lord of the Worlds and Peace and Prayers be on His Messenger the Prophet Muhammad and all his Companions, Disciples and Followers

Dear Br. Samer

Assalamu Alaykum Wa Rahmatullahi Wa Barakatuh

I think you are half correct, may be two thirds, when you said that all verses in the Qur'an that mention Riba talk about exploitation. This is correct in a sense that they talk about injustice or imbalance in a contract. If you read the verse of Surah al Baqara, 275-280, you will notice the criteria that determine what is Riba and what it is not is : you get your principal, no injustice you inflict on others, i. e., the debtor, and injustice is inflicted on you as a creditor. Exploitation normally is loaded with one party being more powerful than the other, like rich and poor, have the have not, whereas injustice contains a reference to lack of equity between rights and obligations. Zulm (injustice) in a contractual relation does not require that a rich or powerful is imposing on the poor or weak his/her will to extract more benefit from the latter. Two parties may be equal in power, and a contract may be mutually consented, yet it may contain imbalance in the obligations of the two parties. What the Qur'an prohibits, the same is repeated in many Sayings of the Prophet, pbuh, is any thing above the principal, small or big or variable or fixed. As an Economist, yourself you can understand the meaning of the word "principal" in Verse 279. If you read Arabic, there in an excellent small booklet by the Greatest Muslim Scholar of his time the late Shaikh Muhammad Abu Zahra, called "Tahrim al Riba Tanzim Iqtisadi" I recommend on this part of the subject.

Let us come to the Why. The reason is clear and elaborated by commentators on the Qur'an and many other scholars. The imbalance in a Riba-based loan contract comes from the simple fact that you give say 1000 and get back 1100. what is the additional 100 for? (leave your economics for a single moment and we will come back to it later).

Nothing you get in exchange of this 100. that is why Riba is also called in the Qur'an (as many commentators argue) : Eating the money of others in vain, for nothing. Come back to the economics, it is said this is the price of waiting, delaying consumption, on the part of money owner, or price of liquidity preference that the money owner sacrifice or the price of the benefit of having money the borrower gets, or for the expected return the latter may make using borrowed money. Studying all these, do you find any of them a commodity you exchange in the market? this is what Muslim scholars call: in Riba we exchange something real (the extra 100) for something imaginary or illusionary that may or may not happens or materialize.

Eliminating Riba (remember its definition as: contractual increment in a loan contract) does not mean that we eliminate the time value, time value of money, as discussed by economist, is in fact a reflection of time value of goods and services, what matter is to get a good or a service and pay for it later and both parties appreciate the time span, this means that deferred price may be higher than cash price. This is recognized in Shari'ah,

the condition is that there ought to be a commodity, or usufruct of a commodity, as in renting and leasing, exchanging hands between the parties.
some may argue that the price differential in deferred-payment sale is similar to Riba. This in fact was the argument of the unbelievers Makkans at the time of revelation (Verse 2:275). The difference may not easily be understood on the micro level because in all those cases one takes a loan for actually purchasing a commodity, the final amount one may end up paying is about the same if we assume unitary elasticity of demand for time value between the two cases. But, and this is a BIG BUT, on the macro level the difference becomes huge: if you allow borrowing on Riba to purchase real goods and service in a society there shall be no means that prevent borrowing for rescheduling previous debts or borrowing for wasteful objectives such as marrying a second wife! Or borrowing for re-liquidating previous debts. the first and last kinds of borrowing overburden contemporary western economies to an extent that creates an economy similar to an upside down pyramid with a very small base or real economy and very large and multiple-layers of pure debts transactions and pure monetary transactions and assets. A situation that causes a lot of instability in the contemporary Western economies and the micro manifestation of it is the Enron fiasco.

God Know Best [Wa Allahu A'lam]

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: What are the different types of Riba?

From: Islam on line

Date: March 04, 2002

Name of Questioner Renat

Gender Male

Age 31-45

Education High School and Below

Date Submitted 2/6/2002

Email

country of Origin India

User Ref. No. A89CLN

country of Res. U S

Question

I would like to know about different types of riba: riba jahiliyah, nasiyah, fadl, qard etc. What is difference between it? Thank You!

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi Ajma'in

Dear Br. Renat

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

In a nutshell, Definitions:

Riba is any contractual (conditional) increment in a loan contract or an exchange contract of certain items, it doesn't matter of money or any other standardized commodity.

Riba al Jahiliyyah is the Riba in loans. It could be when a loan contract is made or at rescheduling a previous debt. Many people say the second form was more common among the Arab people of Jahiliyyah. All scholars agree that the reference to Riba in the

Qur'an is to this one. it takes place only in debts created via lending or extended to a new maturity via rescheduling.

Riba al Fadl, came only in the Ahadith, it is in exchange contracts only. It applies to six items: Gold, silver, date, raisin, wheat and barley and to their similarities. The six items are mentioned in the Sunnah. Any contemporary money has the same Hukm as gold and silver. Fadl means surplus or excess. When exchanging within an item, i.e., wheat for wheat or silver for silver, exchange must be cash only and at equal quantity, i.e., with immediate delivery of all quantity exchanged at the time of contract. If sale is done between the four food items or between the two money item quantities may differ but delivery must remain immediate. Prohibition of Riba al Fadl is kind of a protection of the prohibition of Riba that is mentioned in the Qur'an.

Nasa' mean time span, and Riba of Nasa' is any Riba that has time span. you see it may cover a type of Riba al Fadl and Riba of debts.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Is simple interest Haram?

From: Islam on line

Date: March 19, 2002

Name of Questioner

Gender Male

Age 15-20

Education High School and Below Date Submitted 3/3/2002

Email

country of Origin Canada

User Ref. No. KM8BS7

country of Res. Canada

Question

Slaam, is simple interest Haram. According to An Isma'ili convert to real Islam like me named -----, he says simple interest is not Haram; his website is mostmerciful.com and you can find his email address. I just want the truth, also what is the full story with silk why is it Haram? Are silk ties Haram? What are all the Fard and Fard Ains of all 5 pillars of Islam? Especially hajj.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Interest is forbidden in Islam. Interest is an increment in a loan and Islam forbids any increment in a loan. Allah Ta'ala says in The Qur'an, Surah 2 Verse 279: "and if you repent, you shall have your principal, no injustice you do (to others) and no injustice is done to you." This clearly means that any amount above the principal is forbidden and called in the Qur'an unjust. The Verse talks about loans. Bank accounts are also defined as loans and interest paid on bank accounts is also included in the prohibition. The prohibition is the same whether interest is simple or compound, at high rate or low rate, the only difference is than compound interest is even worse.

Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Is bank interest Riba?

From: Islam on line
Sent: May 23, 2002
Name of Questioner Ahmed Gender Male Age 21-30
Education Post Graduate Date Submitted 4/29/2002 Email
country of Origin Egypt User Ref. No. CV8HH9 country of Res. Egypt

Question

Assalamu Alaykum, My question is regarding "RIBA" and bank interest "fawayed". I heard these following opinions and would like to know the Islam opinion regarding them. Mainly they are trying to prove that Bank interest are not the "RIBA" mentioned in Holly Koran. 1. The bank interest is a compensation for the inflation rates, e.g. Egypt interest rate is more than 10 % for Egyptian pounds while it's some 2 ~ 3 % for USD because the inflation in Egyptian pound is much higher than the American Dollar. Another evident comes from Canada where the interest rate is almost 0 % because of the economy stability there. Also if we save our financial assets in the form of Gold for example instead of bank notes, we will not be subject inflation as much as in bank notes case. 2. If the bank interest is not fixed or mentioned in advance, in this case - is it REBA? e.g. For saving account type, you're able to withdraw your money at any time and still get some interest every 3 months, the client does not know what percentage of interest s/he will receive at the end of each 3 months "The bank does not say it's 2 % for example". 3. In Ayah in Holly Koran, Allah says in describing "REBA" that it's times of times "Ad3afan moda3afah", for the interest rate this is not the case, it is usually less than 10 %, is that interest the REBA meant in Holly Koran? Please comment on that, wa jazakum ALLAH khayran for helping us in showing the right/Halal way. - Ahmed
Notes: I have already reviewed the Fatwa bank, unfortunately it does not cover my questions.

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Ahmed

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

The three points you raise are ages old and can be answered in the existing literature on the issue, a fatwa reply, short the way it should be, does not give full justice to the answer. Please consult contemporary books on the prohibition of Riba. In brief:

1- Riba is not a compensation of inflation, and non of them is a cause of the other. They exist independently and for different reasons. This is the fact that is supported by statistical data both in the past and today. Add to it: interest is very often higher than

inflation and sometimes less, it is not to a measure of inflation; inflation is only known after the event (ex post as they say) interest is known ex ante; when gold was the currency lending was also done for interest; changes in interest are very often done as a policy tool in order to introduce desired effects in the economy as done in Japan Canada and recently the USA. Finally, in all banking laws, interest is defined as an increment in a loan, since a deposit is also defined as a loan on the bank, and this is exactly the definition of Riba in the Qur'an (see verse 2: 279).

2- The verse 3:130 you mentioned about multiplied many folds is descriptive of the Riba not of a kind of Riba that is prohibited. Such a thing occurred in the Qur'an to point out how bad it is, there is a similar verse that says: do not force your female slave for prostitution if they like to be pure. This doesn't mean you can force if they do not want to be pure, if rather means see how bad it is forcing them, your are forcing them even at a time they like to be pure. The verse 2:279 mentions clearly that any increment above the principal is injustice.

3- An increment doesn't have to be fixed in advance to be prohibited as the Qur'an mentions "you get your principal only." Therefore, variability is not a condition in Riba, what matters is being a contractual increment in a loan. By the way the example you gave is not variability because bank interest is usually fixed as an increment per day per hundred. The example of variability is some government bonds that promises an increment but says that the rate of the increment shall be determined by the authority at the end of the year to match the rate of, say, growth of the economy or profitability of public projects or average rate of profit in certain businesses. This is also Riba as defined in the Qur'an.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: is bank interest Riba?

From: Islam on line

Sent: May 29, 2002

Name of Questioner Haroon Gender Male Age 31-45

Education Graduate Date Submitted 5/11/2002 Email

country of Origin Pakistan User Ref. No. G6RF1N country of Res. Pakistan

Question

The interest given by banks on the deposited amount, is it Riba & unlawful in Islam?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Haroon

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Interest give on deposits by conventional banks is the same Riba that is prohibited in the Qur'an. Verse No. 279 mentions that any increment above the principal is a forbidden

Riba as it is unjust. Islamic banks give profits to their depositors because they take the money on investment basis as agents of the account owners on the basis of Mudarabah contract in which the fund owner becomes a sleeping partner of the bank in investing these funds in accordance with the Shari'ah.

Interest earned from conventional banks must be given to Muslim charities and not allowed to mingle with one's own money.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Interest and Riba?

From: Islam on line

Sent: June 10, 2002

Name of Questioner Mehtab

Gender Male

Age 21-30

Education Post Graduate

Date Submitted 5/22/2002

Email

country of Origin Pakistan

User Ref. No. G1W84Z country of Res. Pakistan

Question

Assalamu Alaikum Dear Sir, (1) If installment price of a commodity is more than its cash price, can one purchase that item on installment basis as the installment price contains an element of interest. (2) Is there a difference between interest and Riba? What is the definition of Riba? How can we avoid it as the entire banking system is based on Riba?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Mehtab

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Let me begin with your third question: what is the definition of Riba? As mentioned in the Qur'an, Riba is any contractual increment, in kind or in money, determined or will be determined later, above the principal of a loan. The Verse 2: 279 puts as Zulm or injustice (Riba) any thing above the principal. There is another kind of Riba that is mentioned in some Sayings of the Prophet, pbuh, and some Ulama explain that it is a kind of putting a barrier or a fence to make the Riba that is mentioned in the Qur'an more inaccessible. This is called Riba al Buyu' i.e., Riba in sale contracts. Essentially it is the prohibition of trading currency for currency (gold, silver and other currencies) without effecting the delivery of both subjects immediately at the time of contract and/or trading different quantities of same item (wheat, barley, date, raisin, gold and silver).

Question 1: If Riba is an increment in a loan, a deferred/installment sale contract is not Riba based if the price is higher than what it would be had the contract was cash. There is no lending here as you notice. You may say it is similar because it amounts to the same thing. Look closely and you notice differences: 1) a seller is an owner and owner are free to contract their sale at any price and dates of payment as they can agree with buyers. 2)

in such a sale, default in any periodical payment does not generate interest for the delayed period, it does in an interest-based loan. 3) a seller is responsible for hidden defect/impurity of the sold merchandise, a lender has nothing to do with merchandise. 4) sale credit can only be given to a maximum amount of the value of the merchandise, it does not pile nor accumulate in the economy to huge monetary assets since discounting debts is also Riba (though it looks in reverse, but look at it from the angle of the giver of cash who waits until maturity to get larger sum). Therefore in a Riba-free economy debts-based assets are reduced to a maximum of the value of commodity transactions, no more. 5) prohibition of Riba is the only way to prevent spillover of lending for commodity financing to lending for lavish spending and for piling up debts assets.

Now, it becomes apparent that installment sale cannot be made Haram because of the similarity of having to pay higher sum anyway because this sum is a price and the increment in a loan is not a price. Some economists called it a price of waiting or of preference for cash, but can you imagine waiting or preference for cash as other than a thin air?! Do you have a bunch of them to sell, and how about selling waiting at a gas station? Or at a bus stop? Or for a friend to come?

Question 2: you notice from the definition that every interest is Riba but there are other kinds of Riba that goes beyond interest, those mentioned in the Hadith.

Question 4: Pakistan is privileged with many Islamic banks and you certainly can avoid Riba in Pakistan. The problem is for those Muslims who do not have Islamic banks or similar financial institutions that provide financing through contracts that are compatible with the Shari'ah. It is certainly difficult. And when there are pressing needs or necessities, and there are no other ways to avoid a prohibited contract, the Shari'ah certainly looks at such necessities and relax as much of a prohibited matter as needed to remove the hardship provided Muslims make exerted efforts and strive to establish the proper rules, as described in the Qur'an and the Sunnah.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Is interest really prohibited, the benefits of interest!

From: Islam on line

Sent: June 10, 2002

Name of Questioner osama

Gender Male

Age 21-30

Education Post Graduate

Date Submitted 5/22/2002

Email

country of Origin United States

User Ref. No. HE763Q

country of Res. Pakistan

Question

I am confused about the interest thing in Islam. I think it was something was the people at that time its not applicable now is that right. I can prove it to you something with the help of economics. If you guys e mail me back then I'll tell you how interest is fair with the person who is lending money.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. osama

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

You certainly cannot prove it! Try if you want! And remember that I am an economist and I got my Ph.D more that quarter of a century ago! Interest is prohibited because it is an exchange of waiting time for an amount of money. Something definite for something expected that may or may not happen. This is the injustice in interest-based lending.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Why is interest prohibited?

From: Islam on line

Sent: August 17, 2002

Name of Questioner Agha Gender Male

Age 15-20

Education High School Date Submitted 7/22/2002

Email

country of Origin Pakistan User Ref. No. ZS5B92

country of Res. Pakistan

Question

My question is: in what way is interest provided by banks Haram. A banker said that the money deposited in a PLS saving account is used in business by the bank and if it gets profit, it is given to all members whose money was used. Please elaborate with Islamic points of view

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Agha

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Interest is an increment in a loan. This is exactly the definition of Riba that is prohibited in the Qur'an. When you give a loan, its recipient may make good use of it or otherwise, she/he may make profit or losses while your increment is secured by virtue of the interest contract. An interest-based loan contract gives a certain amount to the lender while the benefit to the borrower is not known in both whether it is positive or negative and in its amount too.

PLS accounts are different. They are accounts with the banks on the basis of sharing in the activities of the bank. In other words, an owner of a PLS account makes the bank an agent to invest the money put in the account and share with this agent the result of this investment. There is an implicit condition here that the bank must use this money only in permissible businesses, If the bank invest in prohibited matter, certainly the income

accrued to such prohibited contracts is also prohibited too although the PLS account is correct, permissible and valid. Assuming the bank use the funds in permissible contracts such as Murabahah, Mudarabah and leasing, the profit distributed to owners of PLS accounts is permissible. Notice though that such distribution cannot be determined in advance because it depends on the amount of profit the bank makes. Further, the principal of such account cannot be guaranteed too because guaranteeing it contradicts the principle of sharing the profit and losses.

Wa Allahu A'lam

Wa Alhamdu li Allahi Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Is it permissible to get interest from banks, they are not poor?

From: Islam on line

Sent: June 19, 2002

Name of Questioner Brahim

Gender Male

Age 31-45

Education Post Graduate

Date Submitted 6/5/2002

Email

country of Origin Morocco

User Ref. No. IUCXM2

country of Res. Morocco

Question

Assalamu Alaykum wa Rahmatu Allah: I would like to ask you (Jaz'akum Allah khayran) about banking transactions and the system of interest. I'm placing some money in a deposit account, because I think that it is the safest way of keeping money and getting some returns on it, at least to compensate for the decline in monetary value and I also said to convince myself (after all banks are not poor). Does this kind of practice look convincing according to Islam? Please give me a firm answer. Thank you

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Brahim

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

The firm answer is: NO. bank deposits generate interest, interest is the same Riba that is prohibited in the Qur'an with a threat of a war declared from God and His Messenger on those who do not quit even the remnant of Riba.

Banks are not poor, and one of the most famous Riba dealers at the time of revelation just before the prohibition of Riba was al Abbas the uncle of the Prophet, pbuh. Al Abbas was a merchant and he used to borrow money for his business on Riba basis and he used to lend to other merchants too. In fact, in a little booklet on this issue the late Shaikh Muhammad Abu Zahra (died 1974) explained that the prohibition of Riba was really an introduction of a different system in financing businesses and trade.

Interest is a prohibited income. In fact, it is not an income because the interest generating deposit contract is considered invalid from the Shari'ah point of view. Unfortunately

there are no Islamic banks in Morocco and if you don't have to deal with interest based banks you better not. Certainly there is no necessity for such deposits even the protection of the loss of value of money as a result of inflation. because there are other means for such protection, mainly investment in real assets, etc.

Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Can banks operate without interest?

From: Islam on line

Sent: September 08, 2002

Name of Questioner Nassor

Gender Male

Age 31-45

Education Diploma

Date Submitted 8/20/2002

Email

country of Origin Tanzania

User Ref. No. HBJBGT

country of Res. Tanzania

Question

1. I know that Riba is a sin. But how should banks operate if they don't take interests? 2. I was planning to start my business but the only way of acquiring capital at the moment is by taking a bank loan. I decided not to take the loan for I know that Riba is against the Shari'ah. Does it mean that it is very difficult for we poor Muslims to start our own business or is there another way of getting business loan according to Shari'ah ? Thanks.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Nassor

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

As you rightly said Riba is a great sin. God in the Qur'an (2: 279) declares a war from God and His Messenger on those who do not quit and abstain from dealing in Riba. Bank interest is Riba.

Banks can run without Riba. They take money from depositors on profit sharing basis and they give financing on either profit sharing, leasing or deferred sale basis. This is the Islamic way of running banks and there are more than two hundred banks in the world today that operate according to these principles.

I know it is difficult for Muslims who live in countries that do not have Islamic banks to get financing in accordance with the Shari'ah. Such Muslim communities are required by our religion that they should establish financing institutions that operate according to Shari'ah, Islamic banks, Islamic finance cooperatives, etc. It is a religious obligation on all such Muslim people. And until then we still must abstain from Riba unless in case of necessity for housing or to save a business, but the rule of necessities do not allow a relaxation of a prohibition for the purposes of promoting a business or to start one.

Wa Allahu A'lam

Wa al Hamdu li Allah Rabb al 'Alamin

Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: How can Muslims avoid Riba?

From: Islam on line
Sent: September 25, 2002 8:17 AM
Name of Questioner S A Gender Male Age 31-45
Education Graduate Date Submitted 9/6/2002 Email
country of Origin India User Ref. No. 9RBI4N country of Res. Canada

Question

Dear Shaikh Salam Alaikum. One of most boiling questions we have in mind of a Muslim is about Riba/interest. While always the Muslim scholars have only interpreted the word Riba and said it's Haram. In current world context what alternatives do we have for Muslims living in Non Muslim countries and the west, they cannot keep money @ home for safety reasons also it is illegal to do so by many governments. We have to pay taxes to govt., then we have to pay from the capital we have to non Muslims. If we have to buy a house a car or any of the essential necessities we have to take a loan, and are forced to pay interest. Even in Muslim countries the authorities and most of the people bank with non Islamic banks, for reasons known to us. There is a fatwa from Nizamia, Hyderabad India that gives the rules of exception, please advise how can Muslims avoid Riba in their daily lives, and survive in Non Muslim countries. Also please advise if Zakah can be given to close relatives and own brothers and sisters who are not their dependents. Jazak ALLAH khair. S.A. Khan

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. S A

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Avoiding interest is a must for all Muslims regardless of where they live. It is also a must that they should create institutions and facilities that help them do so. Alternatives to Riba are available in forms of contracts of installment sale, lease and equity financing. those who live in non-Muslim countries, and have no facilities that are compatible with Shari'ah and do their best to establish such facilities, are permitted, under the rules of necessities only, to use interest based financing for housing and other necessary needs such as protecting their business from foreclosure. buying a car and education financing do not fall normally under these rules and therefore they are not permitted on Riba basis. Zakah can be paid to all relatives for whom you are not responsible financially such as brothers, marries sisters. It cannot be paid to unmarried sisters nor to parents.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,
Dr. Monzer Kahf

Subject: What is Riba and why it is prohibited?

From: Islam on line

Sent: December 09, 2002 7:31 AM

Name of Questioner NAJI Gender Male Age 21-30

Education Post Graduate Date Submitted 10/27/2002 Email

country of Origin Australia User Ref. No. 52CWDU country of Res. Malaysia

Question

Assalamu Alaikum. I don't have clear understanding of Riba. I would like to know what is actually the definition, application in the money market and why it is Haram? Thank you

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. NAJI

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Brother you need to make some reading homework on the issue and there are several websites that have writings on this issue including mine at www.kahf.net.

I will only give you a concise and direct answer. As a definition Riba is defined as a conditioned increment in a loan contract. What matters is the substance of the contract not whatever name it may be given. The substance of loan is that the debtor guarantees it and the only risk the lender takes is the risk of default. Also if an increment is not conditioned in the contract but it is known to every body that it will certainly be given, i.e., it becomes a custom or a law of the land, it is considered as if it were conditioned.

Applications: you name it, treasury bonds, corporate bonds, commercial bills discounting, sale of future-maturity debts for lesser than face value, etc.

Taking Riba, giving it, writing its contract and being a witness to it are all prohibited.

This means that a Muslim must not be a partner to a firm whose main line of business is to take and give Riba such as a conventional bank.

Finally, please notice that not any increment in a contract is Riba. There are commissions and profits and both are permissible. If I ask you to buy a commodity and promise you to buy it from you at a higher price that is not Riba whether my payment to you is going to be cash or installments.

Note: there is another kind of Riba called Riba of sale that is irrelevant to our subject and has a different objective. It is mentioned in a correct Saying of the Prophet, pbuh. Riba of sale is two folds. (1) a weight differential when you trade quantities of the same commodity as in barter even if the quality is different; and (2) a time span between the delivery of exchanged items when you trade currency/currency or main cash agricultural products for each other, but not same kind.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: What is Riba?

From: Islam on line
Sent: December 23, 2002 7:22 AM
Name of Question Halilah Gender Female Age 21-30
Education Graduate Date Submitted 11/4/2002 Email
country of Origin Malaysia User Ref. No. 6NMR9J country of Res. Malaysia

Question

Assalamu Alaikum My question, i know has been asked many times. But I hope InShaAllah you will still bare with me. I am still unsure about the rulings on Riba'. According to one Shaikh.. He claims that Riba in the respect of a loan is allowed, if it out of necessity. Would you then agree that 'necessity' can be rationalized? For example.. Wouldn't a car loan be necessary, for work, if it were to provide money to live?
Note

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. Halilah

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Riba is forbidden in a clear and very strong manner both in the Qur'an and the Sunnah and any increment or material privilege in a loan contract is certainly Riba, no doubt about that, regardless of the personality of the giver or taker of the loan, be it a bank, an institution, a government or a natural person; and regardless of the purpose of the loan, be it for consumption, to buy consumer durables like a car or a refrigerator, for production or for no specific reason.

Necessities are referred to in the Qur'an several times as circumstances for relaxing any prohibitions. Obviously necessities have to be real, true and related to the prohibition itself.

With regard to the prohibition of Riba, four things are prohibited, for three of them it is hard to imagine that a necessity may occur, except in a case of coercion by use of excessive force. These three things are taking interest, writing its contract and being a witness to the contract. Giving interest may fall under circumstances of necessities, the simplest example of it is the case of hunger and no food can be obtained except on interest-based loan basis.

The case of a needed car for work, there may be a necessity for it that may justify borrowing on interest. But to establish a necessity one need to pass a few tests first: The job that needs a car to reach its location must be the only one available; income from that

job must also be essentially needed for survival; the car must be the only possible transportation to work; there must be no other means to finance the purchase of the car except a Riba-based loan; the value of the car must be minimum only to the extent that provides needed transportation to work; the amount of the loan must be the minimum needed only after exhausting all other potential sources and savings, etc. Above all in applying these conditions one must realize that the critique and examination of the truthfulness of these circumstances will come from the most knowledgeable who cannot be cheated or deceived, that is God.

Fulfillment of these conditions of necessities is very unlikely in all Muslim countries including Malaysia and in most Muslim communities including the Muslim community in the USA. The least of it is that there are very often other means of transportation, other sources to finance the purchase especially family and friends and there are other forms of contracting finance that are permissible in Shari'ah such as leasing. In my opinion, it is very difficult to establish a case of necessity for buying a car, although such a possibility theoretically exists

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: What are the Ribawi goods?

From: Islam on line

Sent: January 19, 2003 8:03 PM

Name of Questioner Renat

Gender Male

Age 21-30

Education Post Graduate

Date Submitted 12/23/2002

Email

country of Origin Russian Federa.

User Ref. No. PBDH53

country of Res. Russia

Question

Would you be so kind to tell what are Ribawi goods? What is their economic and legal nature? And what is the difference in Madhabs and scholars' position on Ribawi goods?

Thank You

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Renat

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

It is important to notice that this whole issue of Ribawi goods does not apply to the Riba of debts. Debts may result from a loan contract or they may result from any other contract and may require rescheduling. Both cases are prohibited by the Text of the Qur'an and by many Sayings.

Ribawi Goods deal with the other kind of Riba that is not mentioned in the Qur'an; it is only mentioned in the Sunnah and it is called Riba al Buyu' (Riba in sale contracts). This

kind of Riba applies in sale contracts in either of two cases: when exchange is done within the same item, with different qualities, or within categories of items with different delivery dates.

Ribawi Goods are those six items that came in an authentic Saying of the Prophet, pbuh. They are: gold, silver, wheat barley, raisin and date. Some version of the Saying adds salt. Gold and silver make one category and the other four items make another category. Selling within the item must be under two conditions: delivery at the time of the contract and equal quantities, selling within the category has one condition: delivery must be at the time of the contract; quantities may differ. There are several views of the schools of jurists on expanding the rulings to other items as follows:

- 1- No disagreement that any currency is treated like gold and silver and what apply to them applies to any currency.
- 2- Some consider that only the four or five items are subject to the rule of Riba of sale contracts.
- 3- Majority argue that they can be expanded by analogy. Some schools argue that the basis of such analogy is the characteristics of being a food and non perishable, others argue that the basis is being a food and non-trivial, and others argue that it is only food items.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: What is interest?

From: Islam on line

Sent: February 03, 2003 8:08 AM

Name of Questioner aziz

Gender Male

Age 21-30

Education Graduate

Date Submitted 2/1/2003

Email

country of Origin Malaysia

User Ref. No. 76I53A

country of Res. Malaysia

Question

Assalamu Alaikum, dear Dr Monzer Kahf... I want to ask you about usury in Islam and how to understand it. I find that this topic is difficult to me to understand its. Is there an easy way for me to understand usury very well? And I'm very glad if you give me some advise about it and reference (book) for this topic? Thanks

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. aziz

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

(Riba) as defined in Shari'ah is simple. Let us take the story from it beginning: The word Riba means increment or increase in Arabic language. The word and its derivatives are

used in the Qur'an in this linguistic meaning several times. But when the Qur'an used the word in the context of prohibition it is used with the identifying article "al," in other words the Qur'an prohibit "al Riba." It is exactly as you use the English words book or table or the book and the table. Al Riba means the increment that you know and you deal with not any increment (any increment can relate to any thing: to land to an animal to any thing that may increase. Do you know that the Arabic word for education "Tarbiyah" is one of the derivatives of the same root because education put an increment to a person. The same is raising a child is in Arabic "Rabba al Tift" because when you raise a child you make her grow, there is an increment!).

The prohibition of al Riba in the Qur'an is a reference to a specific identified transaction the Arabs used to have that is increment in a debt. a debt may exist for any reason: in a loan one becomes a debtor of the amount of money lent, as a result of a deferred sale one becomes a debtor of the amount deferred, in rent one becomes a debtor of the rental, if you are a partner in a private company and another partner buys you out for a given amount to be paid later, the purchasing partner becomes a debtor, and in the distribution of the estate of a deceased one heir may buy out another for a deferred amount, the buying heir becomes a debtor too. In this context al Riba equals the Latin-origin English word usury (the original meaning of usury is any increment; later in time they added the words exorbitant, excessive and above what the law allowed). Hence, in the context of a loan /debt Riba can be defined as any increment above the principal. The Qur'an specifically defined it as anything above the principal [2: 179]. When we talk about Riba with reference to finance this is the kind we always have in mind.

There are several Sayings about the prohibition of Riba, about 50 authentic Sayings. Some of these Sayings added another kind of increment that has become known as "the Riba [prohibited] in the Hadith." This is an increment in exchange contracts such as barter and sale. The Prophet, pbuh, prohibits certain kinds of exchange transaction that include certain increment that he called Riba too. So we have in addition to the prohibition of Riba in loans/debts another Riba that is in exchange. There are two kind of Riba in exchange: one that involves time that makes it very close to usury. This is when you buy a currency for another with a time span between the delivery of one and the other. The difference between the cash price and the deferred price is in fact the kind of Riba on debts/loans included in the price of the currency. This is prohibited. Obviously the currencies at the Prophet's time were gold and silver. This kind of Riba in exchange is also extended to food crops that are close to cash as they were in the society of the Prophet, pbuh, namely wheat, barley, raisin and date. Fuqaha added later other kinds by analogy. The point is that these other items are like cash in the society. The second kind of Riba in exchange does not involve any time span. This is when you exchange quantities of the same item obviously the exchange would be redundant/irrational if there is no difference in quality. Good quality date for bad quality date cannot be exchanged unless quantity is equal. There is no denial of the differential value between them because the Prophet, pbuh, told the person: "sell the bad quality for money and buy with money the good quality." but no direct barter unless quantities are equal. Why is this prohibited? my explanation is: to avoid the problem of valuation, because when you sell and buy for money, the market determines the difference in value between different qualities of the same item but when you barter only the two transactors determines this difference, this may not be fair, there may be exploitation because of any reason.

References: Best references are the Arabic commentaries of the Qur'an look at the verses that mention al Riba, the Arabic sources of Hadith and Fiqh, chapters of sale and Riba. Secondary sources, contemporary writings; there are many books no one alone gives you the whole story, especially if you want it in a concise form.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: What is Riba? Does it relate to inflation?

From: Islam on line

Sent: February 24, 2003 7:34 AM

Name of Questioner Ouaich Gender Male Age 21-30

Education Graduate Date Submitted 2/2/2003 Email

country of Origin Belgium User Ref. No. BJ91CZ country of Res. Belgium

Question

Assalamu Alaikum wa Rahmatullah wa Barakatuh. Bismillah Arrahman Arrahim. As far as I understand, Riba or usury is forbidden, except in the cases you mentioned several items when talking about the specific Fatwa of the European Council. But what does usury mean really? If tomorrow I put some money on an Islamic bank account, what should I get when I need it in 12 months. Is it allowed to take into account the fact that money value changes with time (to be linked with the purchasing power), would a compensation in cash be considered as Riba and though forbidden? Jazakoumoullah Khairan

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Ouaich

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I can understand the confusion one may collect from reading Fiqh books and many of the contemporary writings on the subject. Here is an attempt to clear all the dust in a brief way.

In the Arabic language Riba is an increment, any increment. In the Qur'an, Sayings of the Prophet as well as in Fiqh, Riba is obviously used in accordance with the Arabic language to mean an increment.

When it comes to economic and financial transactions, the use of the term Riba in the Qur'an has always been attached with the article "al". This means that the reference is to something that is already known to the persons addressed with the Qur'anic statements or verses. The definition of "al Riba", as used in the Qur'an is: a stipulated (conditioned) time-related increment in a debt contract. This is equal to what we know as "interest" or "bank interest." The Fuqaha usually call it the "Qur'anic [prohibited] Riba"

they say "Riba al Qur'an" You notice that this applies to any loan (a loan creates a debt) between any two parties and to the change of due date of an already existing debt. There is no difference, from the point of view of the prohibition, between large and small increments, percentage or lump sum, pre-determined increment or an increment that will be determined later, consumers' loans or producers' loans, whether the payer is the rich to the poor, the poor to the rich, Muslim to non-Muslim, non-Muslim to Muslim, governments to individuals or vice versa. The objective of the loan does not affect the prohibition too; and the prohibition remains as it is even if there is no condition in the contract but it has become a custom, so that the parties know it and expect it. We still need to distinguish between Riba and profit (investment generates profits) because the latter is not prohibited. This distinction is not only by name as names do not change reality. In lending you give a known quantity of some item (money or corn) and the debtor guarantees to return to you equal quantity of the same item on the due date; any increment is Riba. In investment, through agents or partner, you delegate the authority to take decision on your property (say the same amount of money) while you remain the owner, to an agent or a partner; the agent or partner takes daily decision on your behalf and you own your property after the decisions the same as you owned it before them. If the decision maker is an agent you pay her the contracted work compensation (salary) regardless of the results of her action. And if the decision maker is a partner you pay him a percentage of any increments that arise as a result of her decisions. The latter kind of partnership is called Mudarabah and this is the way Islamic Banks deal with their investment depositors. That shows you why the distribution of Islamic banks to investment deposits is permissible while the interest paid on deposits by conventional banks is forbidden.

In the Sayings and in Fiqh, there is another kind of Riba (increment) that is also prohibited. This is increments in certain forms of sale contracts. When you sell currencies (notice at the time of the prophet, pbuh, gold and silver were the currencies), gold, silver, and certain items (wheat, barley, raising and date as mentioned in the Hadith) that are the closest to what we call in economics today "cash crops" delivery of the item and the price must be immediate, i.e., at the time of the contract and if the sale is within the same item, e.g., gold for gold, or date for date, quantity must always be the same. Explanation of this prohibition needs another sitting! This is called in Fiqh Riba of sales "Riba al buyu" the basic application of it in our days is in currency exchange, where foreword is prohibited. Finally, you reference to the purchasing power. Interest is not a compensation of loss in purchasing power. This is a known historical, statistical and scientific fact. Such compensation is sought in indexation of debts and other future commitments such as wages and salaries. Interest is essentially a payment for the lost opportunity or for the use of your money by others. This is prohibited.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Does what you buy affect the prohibition of interest?

From: Islam on line
Sent: March 07, 2003 6:49 AM
Name of Questioner RuQayyah Gender Female Age 15-20
Education Graduate Date Submitted 2/27/2003 Email
country of Origin United States User Ref. No. TXREPM country of Res. US

Question

Assalamu Alaikum Is there any difference in interest (Riba) from the bank and buying a home or car?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. RuQayyah

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Interest practiced by banks and other persons is Riba. Riba is prohibited in the Qur'an and the Sunnah with most strong statements that include announcing a war from God and His Messenger on those who do not quit Riba (Verse 2: 279) and placing the wrath of God on the parties of a Riba contract, its writer and its two witnesses (an authentic Saying of the Prophet Muhammad, pbuh, reported by Muslim. This prohibition certainly applies to all Muslims, in all countries, and for all their transactions regardless of the objective of the loan or the religion of the other party to the contract.

Riba is defined in Shari'ah as any stipulated increment in a loan, even if its amount or rate is not determined at the time of the contract.

However, our religion is woven on making things easier and simpler and on removing and preventing hardships. Consequently, there are exceptions to any prohibition. These exceptions are based on the rule of necessity and removing hardship which is mentioned twelve times in the Qur'an (e.g., 5: 6 and 22: 78) and nay times in the Sayings of the prophet, pbuh.

In the Second International Fiqh Conference held in Detroit in the Fall of 1999, the issue of house financing was discussed. and here is a summary of its resolution: for considerations of savings, building home equity, tax reduction, neighborhood decency and safety, availability of quality schooling for children and other similar considerations and if there are no Islamic financial institutions that provide house financing in accordance with Shari'ah nor Shari'ah compatible contracts with conventional institutions, Muslims who need housing may resort to conventional interest-based mortgages to finance buying their residences.

This exception does not apply to financing cars for more than one reason, there are alternative transportation, as you do, there are not pressing needs to finance a car by either live without it or buy a used car at a small price, and there are other options to obtain a car like leasing which is permissible and one of the basic Islamically acceptable alternative of interest-based financing (Islamic

financing is not just giving loans without charge, because no body is going to give her/his money like that. It is using alternative contracts that are not interest-based such as leasing, equity participation and deferred-payment sale at a higher price.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Is interest a compensation of loss of value?

From: Zeeshan

Date: 12/8/99

My Answer

Dear Br. Zeeshan

Assalamu Alaikum,

Your letter to Br. Dr. S. was forwarded to me to make a reply.

Inflation/deflation may happen even with metallic currency not only with paper money. It is more with paper because it is very easy for the government to produce it.

In Islam, governments are called upon to maintain the value of money as constant and stable as humanly possible. Even with that, still inflation may happen.

In the final analysis there is no way to protect oneself against inflation. Interest is definitely not a protection as very well observed in the economic history of any country with high inflation. The only way is to beat inflation with higher-return investment. In Islam investment is defined as not to include interest (Riba) producing instruments.

Inflation took place many times in the Islamic history, sometimes for economic reasons and sometimes by mal doing on the part of the government.

The crux of the problem with inflation is that it affects people in different ways according to their respective pattern of consumption and structure of asset holdings. Long-term financial obligations are the worst messy when long term inflation happens. The ultimate solution is a judiciary arbitration that distributes the burden of inflation fairly between the debtor and creditor.

Sincerely

Monzer Kahf

Subject: Proper concept of Riba: Is Riba different from interest?

From: Islam on line

Sent: April 16, 2002

Name of Questioner rizwan Gender Male Age 21-30
Education Graduate Date Submitted 4/2/2002 Email
country of Origin Pakistan User Ref. No. M1R9NX country of Res. Pakistan

Question

my question to you is related to Riba. Some people claim that Islam has prohibited Riba not interest. they differentiate it buy saying that interest is charged on normal market and inflation rate, on the other hand what Islam has prohibited is exploitation which is higher interest or (usury). Please guide me through the proper concept of Islam regarding Riba

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. rizwan

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

What is prohibited is any increment in the amount of a loan, or any addition to it in kind or in other commodity or currency. Verse 279 of Surah 2 clearly mention that any thing above the principal is Riba, regardless of its name and regardless of any justification given, inflation, market or otherwise. Interest, as known in banks' transactions is the same Riba that is prohibited in the Qur'an. The OIC Fiqh Academy in Jeddah and the Research Academy of al Azhar both resolved to this exactly. The idea that you were told that exploitation is what is prohibited is correct but it is misplaced. The Qur'an considers unjust every/any amount above the principal. In other words, any amount, whether to market or not, is exploitative. Remember, the market of money lenders in rural areas in India and Pakistan may be 70%, it is the market! There a known rule in Shari'ah that defines it clearly: any benefit derived from a loan is Riba. Certainly this rule is derived from Verse 2: 279.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Riba and inflation

From: Islam on line

Sent: April 18, 2002

Name of Questioner asad

Gender Male

Age 31-45

Education Post Graduate

Date Submitted 4/6/2002

Email

country of Origin Pakistan

User Ref. No. ZEQAB5

country of Res. Pakistan

Question

Assalamu Alaikum my question is about interest (Riba). Suppose I give loan of some amount to some one, who returns the same amount of money in two years or more, now the amount I gave him has now depreciated in value, so in effect I am actually getting less money as compared to the money I gave him. Had I used that money in my business

I would have got some profit. Does Islamic Shari'ah recognize this or this is a western way of thinking. Your answer will be greatly appreciated. regards asad

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. asad

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Inflation may happen in all systems, they are exclusive to the paper currency money. It happened at the time of Omar in Madinah with gold and silver as currencies. When inflation happens, all owners of assets that have money denomination, including creditors, are hurt. Unfortunately salaried persons are usually more hurt than others, so many debtors are also hurt from other sides. Inflation may be a result of imprudent government policies, or of certain economic and natural reasons.

Interest is never the compensation of inflation and there is no positive or causative relation between interest and inflation. Indexation of debts to the rate of inflation is suggested as a remedy for the effects of inflation on creditors, but economic experience of many countries indicated more harm than benefit. And if any one is to compensate creditors, it must be the one who caused inflation not the debtors who are usually also hurt by it. In other word, it is extremely difficult to reach justice through any sweeping or general measures, you need a solution for each case, each debt and each person affected by inflation. This issue has been on the table of the OIC Fiqh Academy for years, and it is don reach any solution other than dealing with each case alone.

At time of inflation, people are advised to give loans in more stable things Gold, platinum, Rials, Dollars. The problem is that to avoid Riba the loan must actually be in those things. It cannot be the value of these things and then the lender gives local currency. Any conditional increment above the amount of a loan is Riba, forbidden, even if the condition is such that you give me an extra the amount of which is left variable to be determined according to a formula or a rate in the future.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Is there any bank interest that is Halal?

From: Islam on line

Sent: February 24, 2003 8:05 AM

Name of Questioner Naveed

Gender Male

Age 31-45

Education Post Graduate

Date Submitted 2/5/2003

Email

country of Origin Kuwait

User Ref. No. 4G7XZY

country of Res. Pakistan

Question

What kind of BANK interest is considered HARAM in Islam. I have heard a lot on this issue, but would like to know some details. My old parents are week and feeble and in

Pakistan where businesses are very volatile and demanding, they have a few bank deposits which earn them minor monthly interests to run their daily routine. They can not work. Is this permissible?

Notes: not a forced interest. I see all Islamic Banks charging interest when you buy some thing from them in the name of markup etc. Please advise. Thanks. Yours

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Naveed

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Omar bin al Khattab, may God be please with him, advised that whoever want to sit and deal in our market must first learn our Fiqh (law). Please brother call things their exact names. Islamic banks do not charge interest and mark up is not interest. If you think that Islamic financing means that people are going to give you their money with nothing to them except your prayers (Du'a), you are certainly wrong! Islamic financing is the provision of money through Shari'ah compatible contracts that give the financier return otherwise she will not give up her money. That is not interest, even if it is calculated on the basis of the prevailing interest rate (as a result of Islamic banks being a small portion of the market that compete with conventional banks). Interest on deposits in conventional banks is the same Riba that is prohibited in the Qur'an, it doesn't matter whether it is in Pakistan, Kuwait or the USA, and it doesn't matter whether the taker or giver can or cannot work. In Pakistan there are many Islamic banks that take deposits on Mudarabah basis and distribute profit, not interest, why don't your parents invest in these banks?

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

II. INTEREST-BASED LOANS TO ESTABLISH BUSINESS

SUBJECT: Interest-based loans to establish a business

From: dialogue@islam-online.net

Date: 12/22/2000

Name of Questioner: Ally

Gender: Male

Age: 31-45

Education: High School

Date Submitted: 12/5/2000

User Ref. No: 182ZD3

Question:

I want to establish a project (industry) the cost of project is one million us dollars, I have half million, I need another half million to complete my project, I sought loan from a bank, bank can give a loan, but they charge interest, Can I seek loan from bank while

they charge interest to complete my project? And I have no other alternative rather than bank. * Here in Tanzania we do not have Islamic banks.

My Answer:

Dear Br. Ally

Assalamu Alaikum,

al Hamdu li Allah wa al Salatu wa al Salamu ala Rasuli Allah,

Banking interest is the same Riba that is prohibited in the Qur'an with a war announced from Allah and His Messenger, on those who indulge in Riba.

You have to find other way to make business such as partnerships, common stock companies, personal loans, Islamic financing from overseas Islamic banks, etc. and You really have to be creative while always seeking the help from Allah who promised to help those who sincerely ask His help.

Wa Allahu A'lam,

Dr. Monzer Kahf

SUBJECT: Interest-based loan to open a business

From: dialogue@islam-online.net

Date: April 14, 2001

Name of Questioner Ameer

Gender Male

Age 31-45

Education Diploma

Date Submitted 3/28/2001

country of Origin Jordan

User Ref. No. EDBQ9P

country of Res. U S

Question:

I live in America and I would like to open a business but I don't have enough money to open it on my own or with a partner and on the rat that I am going it would be a long time to do so and with the inflation of prices that we face now that means never and the business that I intend to open is Halal and that mean Halal jobs for my Muslim brothers but the only way to do so is buy obtaining a loan from bank with interest, and by the American low part or whole of the interest is tax deductible that mean they take it away from the tax what is the Fatwa for that. thank you for the answer

My Answer:

Dear Br. Ameer,

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

The Fatwa is that interest-based transactions are forbidden in Shari'ah and Muslim must avoid them as much as they can in all their activities and contracts whether with Muslims or with non-Muslims, in the Muslim countries or in any other country. You should also know that certain prohibited thing may be permitted under the pressure of necessity, and in what you described I DO NOT SEE ANY NECESSITY.

By the way you need to improve your English a lot, aren't you new in the States? My personal advice to you is to stretch your business only as much as you have funds, don't go outside your reach and don't borrow from any bank, nor any other entity or person.

Wa Allahu A'lam

Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Interest-based loan to start a business

From: dialogue@islam-online.net

Date: April 25, 2001

Name of Questioner Muslim

Gender

Age

Education

Date Submitted 4/12/2001

country of Origin

User Ref. No. 4JEBJV

country of Residence

Question:

Assalamu Alaikum. Could the Muslim take the loan from Haram Riba bank if there are not any Islamic bank in his country and this is the only way to start own business?

My Answer:

Dear Sr.

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

NO. The answer is in fact BIG NO. The domain of the prohibition is exactly to avoid this, so that Muslim make their business on real and within their reach foundations. Further the prohibition of Riba is one of the strongest prohibitions in Shari'ah. The Qur'an declares a war from Allah and His Apostle on those who make Riba-based transactions.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: A Loan to buy a business

From: dialogue@islam-online.net

Date: May 27, 2001

Name of Questioner Dia

Gender Male

Age 31-45

Education Graduate

Date Submitted 5/17/2001

country of Origin Palestine

User Ref. No. 2HJC14

country of Residence US

Question:

Assalamu Alaikum, my question is: is it allowed to take a loan from a bank to buy a business.. that's the only way to start a business here in the united states...if I want to take a loan on a business lets say 900 thousands and I'll have to pay that in 15 years with the interest after the 15 years the total I'll have to pay is lets say 980 thousands. Now the question is if I took this loan and pay it back in the 15 years would that be the same as if someone bought the business for 900 thousands and said to me I'll sell it to you for 980 thousands and you can pay me that in 15 years? Jazakumu Allah Khair

Notes

I know bay' Mu'ajjal is not the same as taking a loan from a bank because of the interests but what I'm trying to get if I took the loan for 15 years and I put in my intention that my Niyyah is to pay it back on time so it would be as bay' Mu'ajjal, would it be Halal ,,and it would be Haram when I exceed the 15 years.(that's the only way for the interest to keep counting just if you don't pay it on time.) so if u pay it on time it wouldn't count extra money, would it be Halal?

My Answer:

Dear Br. Dia

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

No Brother they are not the same, even if the difference in price between the cash sale and the deferred sale equals the extra amount given over the loan, because the two contracts are different. One is a lending contract, that is exchange of money for money and any difference in the amount, given and repaid, is an extra that has no moral, economic and religious justification. You are giving money and getting money back, what did you sell to deserve an increment? You sold thin air that is called potential profitability of the money, or potential utility, or potential sacrifice on the part of the lender. All these potentialities may or may not materialize and they are up in the air! there is no exchange of any "good" that has a benefit on its own. There is nothing "real" that can justify the increment.

in Sale of a business or a commodity, there are material, or real, things that change hand and provide benefits. That is why you can sell at a price higher than your cost and at any price that the parties have mutual agreement on, that may differ according to the conditions of delivery of the goods and payment of the price.

Your example is the same that the Qur'an answers when Allah, Ta'ala, says: "Wa Ahalla Allahu al bay' Wa Harrama al Riba" [and Allah made sale permissible and Riba forbidden].

By the way if you borrow a 900,000 for payment over 15 years, the amount of interest at currently prevailing rates in business lending, you end up paying approximately 1,800,000, not 980,000. And if you default on a payment down the road you may end up loosing the business completely. That is in addition to being a great sin in Shari'ah.

DON'T EVER TRY TO DO IT.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Borrowing to start a business

From: Islam on line

Date: March 04, 2002

Name of Questioner Ali

Education Graduate

country of Origin

Gender Male

Date Submitted 2/9/2002

User Ref. No.

Age 31-45

Email

country of Res. UK

Question

Is borrowing money from a funding organization with interest rate, to establish a business, Haram or Halal?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi Ajma'in

Dear Br. Ali

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Yes, it is Haram and one of the gravest sins unless there is a kind of necessity, and it seems that no necessity for making a business

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Interest loan to start a business

From: Islam on line

Sent: April 27, 2002

Name of Questioner X Y

Gender Male

Age 46-60

Education Post Graduate

Date Submitted 4/9/2002

Email

country of Origin Australia

User Ref. No. T8SCZ6 country of Res. Australia

Question

I am a father of four under the age of ten living in a Western non-Muslim society. Just recently, I lost my job. My employment chances in this country, given my qualifications and my age, and the negative atmosphere towards Muslims are very slim. My best chance for earning my livelihood for myself and my young family is to utilize my skills and qualifications in a business venture. Unfortunately, that would require finance through the conventional Banks, as the only Islamic finance institution in this country does not provide business finance and is struggling to provide finance for residential properties (waiting period 16 months with a minimum of 20% deposit). It is not about accumulating wealth. It is about putting food on the table for my family and paying for my children's Islamic education and other essential needs. The other alternative would be to go on welfare from the Government. Is it permissible for me, in my situation, to receive loans from Banks in order to finance my business for my livelihood? Your Brother,

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. X

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

You can't even guarantee that if you take an interest loan you will be able to have a profitable business that makes you put food on the table, do you? Interest lending (getting a loan and giving one) is forbidden in Shari'ah. This means it is not available to Muslims, then what? dig more in your research and I am sure you will find some other way to finance a new business. BTW, why should an interest-based bank give you a loan for a new business, is it on the basis of offering certain property as collateral? If so would selling that property help, even if it were your own residence, it will be sold on you if the business fails!

Certainly there are cases of necessities that override the prohibition of interest, but creating a new business is not one of them in my opinion and I think you will find almost no Shari'ah scholar who would not agree with me on this because you really don't know the future while you know this act is prohibited.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Interest loan to buy a business

From: Islam on line

Sent: August 20, 2002

Name of Questioner Abdul

Gender

Age

Education

Date Submitted 8/7/2002

Email

country of Origin United States

User Ref. No. T1QLI1

country of Res. US

Question

Assalamu Alaykum brother, I have a dilemma I am facing in my life. I am about to complete my Bachelors but have not found anything in my field. All I can do is get a job requiring no experience where I can probably make up to 30 K a year. But I always wanted to help the Muslim Ummah financially and with this kind of money, it is hard even to support yourself. I have a brother in law who is extremely smart and business minded and he has been successful in getting a job in his field and working for a grocery business owner. He has offered to go on a joint venture with me to buy an established business. We are looking at profit margins that make us more in one month than what I could make in a year at any odd job. I think it is promising but I am troubled that we would have to take out a loan from the bank and pay interest. It would take us about 10-15 years saving the money to start a business but would take us only one year to come up with a down payment. I am wondering since I am living in USA and my soul intention is helping the poor, would it be permissible to take out the loan as long as we only use the loan to start our business and only use cash we save from our business for further expansion. Thank you

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Abdul

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Interest is no doubt forbidden in the Islamic law. It is forbidden for all purposes and under all good wills. It is one of the worst sins a Muslim may make.

The collective Fatwa goes along with the concept of exception for a necessity to protect one's family and wealth, it is not for promotion and expansion of wealth and income.

I don't see that expansion of wealth and income may be covered by the Fatwa on the exceptional cases.

Wa Allahu A'lam

Wa Alhamdu li Allahi Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: A loan to start a business

From: Islam on line

Sent: January 18, 2003 5:13 PM

Name of Questioner Hadi

Gender Male

Age

Education Post Graduate

Date Submitted 12/23/2002

Email

country of Origin Canada

User Ref. No. 1TWVET

country of Res. Canada

Question

Assalamu Alaikum Wa Rahmatullah Wa Barakatuh, Dear Scholar, I lost my job and couldn't find another one, even after several months. I have, praise to Allah Subhanah, good skills that allow me to run my own business. But I have no money to start. Is it lawful (Halal) to get loan from a bank with interest to start my own business, out of my current necessity? Somebody told me that if I get this kind of loans, I have to purify my business from interest. But how can I purify it, knowing I will not "take" any interest....I will, actually, "pay" interest to the bank? Jazakom Allah Subhanah.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Hadi

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Interest, being an in a loan is prohibited in the Qur'an and the Sunnah under the name of Riba. It is one of the worst sins a Muslim may ever make. Besides a war declared from God and His Messenger as God tells us in the Qur'an (2: 279), the Prophet, pbuh, in an authentic Saying, said that Riba practicing is thirty six kinds the least of them is as bad as some man making adultery with his own mother.

I think your circumstances call for you to dig more in your heart and find some means to get some funds from relatives and friends or from investors to create your business.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Interest loan to start a business

From: Islam on line

Sent: March 04, 2003 6:41 AM

Name of Questioner mohamed	Gender Male	Age 21-30
Education Post Graduate	Date Submitted 2/25/2003	Email
country of Origin Tunisia	User Ref. No. C8T2ZK	country of Res. USA

Question

Assalamu Alaikum I am a Muslim man living in the united states I am trying to start a business here but I can't afford to pay cash money my question is that ok in Islam if that I take a loan from a Bank with certain amount of interest or no. and does the percentage of interest matter or no. wa jazakom Allah kull khayr

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. mohamed

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Interest is forbidden. It is the same as the Riba that is prohibited in the Qur'an with the strongest ever gravity. Allah Ta'ala, in the Qur'an 2: 279, threatens those who deal with Riba by declaring a war on them from God and His Messenger. It does not matter whether the rate of interest is high or low and it does not matter whether the loan is to start a business or to do any other thing.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

III. STUDENTS LOANS

SUBJECT: Students' loans

From: dialogue@islam-online.net

Date:

Name of Questioner Rani

Gender Male

Age 21-30

Education Post Graduate

Date Submitted 1/27/2001

country of Origin UK

User Ref. No. C32DBB

country of Residence UK

Question:

Assalamu 'Alaikum. An issue has risen in regards to the position of Islam regarding student loans which have an Interest linked to inflation. So what is the Shari'ah position regarding this type of interest? (See notes)

Notes: The rate of interest charged on loan balance will be equivalent to the rate of inflation. This will mean that what you repay will be no more, in real terms, than the amount you borrowed. The rate of inflation is measured according to the Retail Prices Index (RPI), which varies from time to time. The rate will be set out in the regulations each year. From 1st September it 2000 will be 2.6%. In other terms it is like giving you a loan to what is equivalent to 2g of Gold and I tell you repay me after 1 year the money which is equivalent to 2g of Gold .. So if the gold becomes more expensive you end up paying me more than you borrowed.

My Answer:

Dear Br. Rani

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

In lending the Shari'ah requires that a loan become due in the same currency by which it was given. At the time of payment it may be paid in any other currency, as long as it is paid at the exchange rate of the day of payment. Y cannot change what is due on a person, and any increment in what is due on a person is Riba.

This was easy to apply when gold and silver were the base of all currencies. The problem started when cheating in the percentage of pure silver in currencies began. Then you had the same Dirham, but not the same quantity of silver in it.

Then we got the paper currencies whose value (purchasing power) varies with changes in many variables the two parties to a loan contract usually don't have any control over.

What do we do? We have to distinguish between two cases, high or big difference in the value of currency between the date the loan is given and date it is paid, and small difference. Small changes in the value of money are usually tolerated by people as we notice that they continue keeping cash and checking accounts when the inflation rate is small.

in Case of small difference in the value of money, the great majority of Muslim Scholars emphasize the principle that if a loan is paid in the same currency, it must be the same number of units regardless of the change in prices, We must notice that even gold and silver, when they were currencies, had also small changes in their prices from time to time. Any increment in this case is Riba, forbidden.

In case of big differences in the value of money between the day a loan is given and the day it is paid back, We have three opinions: 1) the main stream, you may also say Majority, Same principle applies, Yet any substantial injustice to either party in a loan must be cured, through certain compromises, even if such compromises are imposed by the government, but injustices must be treated on a case by case basis because it is not

always the same way or in the same direction and part of it is of the kind of normal expected and unexpected risk people usually undertake. This group object to any general measure, like indexation of loans and banks checking accounts, they argue that at time of high inflation Riba minded people love indexation because the real rate of interest is sometimes negative, i.e., inflation is more than nominal interest rate. 2) some argue that unless the currencies canceled absolutely, payment of loans must be in accordance with number of units only regardless of value. 3) and some argue for general indexation. Come now to the specific question, Increments in a student loan that charges an interest rate equal to the rate of inflation are a form of Riba. It is covered by the definition of Riba al Duyun as: any conditioned increment in a loan. Yet one may argue that while Riba is a price of Money through time, The compensation of inflation is not a price of money, it is rather a cost of lending.

The OIC Fiqh Academy, in five of its annual meeting, including the late one in Sept. 2000, could not solve this controversy, and I don't think is going to. I think it is a Riba, but lighter to tolerate than normal increment, that are not tied to inflation.

By the way, the example you mentioned of giving a loan the equivalent value of 2 ounces and getting back later the value of 2 ounces is not permissible. Shari'ah does not go by such assumptions. If you give dollars, by count, in a loan you just gave dollars and you only get back dollars, if you give gold, by weight, you get back gold too. You may not assume those equivalents why escaping the true, the fact, the real and go to "imagination."

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Student loans

From: dialogue@islam-online.net

Date: April 10, 2001

Name of Questioner Ahmad

Gender Male

Age 21-30

Education Graduate

Date Submitted 4/8/2001

country of Origin Egypt

User Ref. No. CV9722

country of Residence Egypt

Question:

What about a loan for study in U.S.A because I study there and it is very expensive

My Answer:

Dear Br. Ahmad

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

Any loan that carries interest is Haram regardless of the purpose of the use of the money.

An interest-based student loan is forbidden and Allah Ta'ala threatens war fro Him and His messenger for those who deal in Riba which is any increment in a loan, for students or otherwise.

Wa Allahu A'lam

Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Student loans

From: dialogue@islam-online.net

Date: April 30, 2001

Name of Questioner sameer

Gender Male

Age 31-45

Education Graduate

Date Submitted 4/21/2001

country of Origin Egypt

User Ref. No. VTJLI5

country of Res. Canada

Question:

Can I take a student loan to study? I have university degree in accounting and I'm thinking to study information technology as it will be helpful for me to find a better job...I can't study on my own account because it costs too much, so can I take a student loan to do so?. the government gives us 6 months with no interest to pay it back after that we pay interest if we couldn't pay it during the 6 months .. kazaak Allah Khairan..

My Answer:

Dear Br. Sameer

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

It is always good to find ways and means to improve one's job and income and this is a very good attitude that you are taking.

If you are very sure that you can pay the loan back in six month, my answer would be yes it is permissible to take a loan that gives you the option to pay it back within six month (a period you are very sure it is sufficient to pay back the loan) or pay interest if you don't pay within that period. This becomes like a credit card condition that if you pay within the grace period (usually 25 days) there will be no interest charged on purchases you make using the cards and if you delay you have to pay interest. We give the Fatwa that this is permissible, to take the card and use for purchases (not for cash withdrawal because cash withdrawal triggers interest immediately) **IF YOU ARE VERY SURE YOU CAN MAKE PAYMENT WITHIN THE GRACE PERIOD.**

In my opinion it is difficult to claim that in the case of student loans, you can be very sure you can pay the loan within the grace period unless you have some other standby source to pay the loan from (family or friends who can support you in case you could not find a high paying job quickly enough). If you think to pay the loan from your future employment within six month of graduation, forget it, you **CANNOT**, hence you cannot be very sure to do that and **TAKING THE LOAN BECOMES FORBIDDEN.**

TRY WORKING PART TIME WITH YOUR ACCOUNTING DEGREE, WITHOUT SUCH A LOAN.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Loans to study

From: dialogue@islam-online.net

Date: May 27, 2001

Name of Questioner

Gender

Age

Education

Date Submitted 5/9/2001

country of Origin

User Ref. No. FD52PX

Country of Res. India

Question:

Respected Sir, Assalamu Alaikum, I am an international student from India and have got the admission in a reputed American University (fall 2001 term.) at the Department of Electrical and Computer Engineering. My major is Computer Networks and my primary research interest area is Distributed Computing and Networking. I would be grateful if you could provide some information and guidance. I need 8000 US dollars for sustenance (for the first semester). For the rest of the period I will get any job on the campus and that will be enough to pay for my expenses and fees and even repay the loan, InShaAllah. I would also be very happy and have no problem in paying more than the loan amount ...but just that it should not be in the form of interest. But till now I have not been able to get loan from Islamic source. Now what should I do. Take a loan (with interest) for a short period and do the studies or leave this golden chance of post graduation. Thank you for your consideration, your guidance and help will prove quite valuable to me. Waiting for your reply. Thanking you, Sincerely, Sohel Khan AllahHafiz.

My Answer:

Dear Br. Sohel

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

I don't see a case of necessity in studying in America nor in having to finance it by an interest-based loan.

You can study computer in India, as good as it is in America and then migrate to the USA, you can also find other means to finance it such as scholarships, grants, study/work, etc. Also important as it really is, is studying itself a necessity?

Riba is forbidden By Allah, the Almighty, in the strongest language ever used in the Qur'an. Allah declares war on those who do not desist from the practice of Riba, it has no parallel in all other sins and violation of Islamic teachings.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Student loans with an interest rate that equals inflation rate

From: Islam on line

Sent: June 10, 2002

Name of Questioner Nabeil Gender Male Age 21-30
Education Post Graduate Date Submitted 5/22/2002 Email
country of Origin Yemen User Ref. No. XC45E9 country of Res. U K

Question

Assalamu 'Alaikum, and may Allah reward you greatly for this blessed service. This question consists of two parts. Nearly 3 years ago I took out a student loan. The only interest on this loan is that corresponding to the rate of inflation (i.e. the natural increase/decrease in the value of currency). (i) Was this loan Halal/Haram? (ii) Should I repay this loan as soon as possible? Why I ask this 2nd question is because the Student Loan Company is lenient in how it wants repayments to be made. They take a small amount from your wages (if they are over £10,000 pa) every so often. One can of course repay all the loan at any time. However, if you die or reach the age of 65 before your repayments have been completed then the loan is "forgiven"!

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Nabeil

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Interest is forbidden whether it is determined in the contract or later and regardless of inflation. However, there is a minority of Ulama, though this goes against the resolution of the Islamic Fiqh Academy of the OIC (Organization of Islamic Conference) in Jeddah, who argue that indexation is permissible. The link with inflation makes it indexation. Accordingly my answer is that such a loan contract is prohibited, but there are people who say it is not, I wouldn't do it and wouldn't like you to do it. I argue that at many times most banks wish to have their interest linked to inflation because it happens that interest rates may go below inflation rates.

For the second question I suggest that you pay it as soon as you can because it is interest-based and especially that you are not planning on dying soon, are you?

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Interest—based student loans

From: Islam on line

Sent: August 17, 2002

Name of Questioner Amina Gender Female Age 21-30
Education Diploma Date Submitted 7/23/2002 Email
country of Origin User Ref. No. 9CAE28 country of Residence

Question

Bismillah Salaamu Alaikum, I am a college student and was able to get full scholarship, nor do I have enough money to pay out right. Are there any rulings on students in the west taking out federal loans?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. Amina

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

College education is not a necessity, important and useful as it is! Look how many people live without it! Federal loans in the USA give you the option to pay within 18 month after graduation without interest. If you can be sure of yourself that you can do that, you then can take the loan because it amounts to signing a contract that gives you an option to be or not to be indulged with interest. This contract to me is permissible to sign for a Muslim with non Muslim provided you are sure you will and can avoid interest payment.

Wa Allahu A'lam

Wa Alhamdu li Allahi Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Student loans taken before reverting to Islam

From: Islam on line

Sent: September 27, 2002 8:01 AM

Name of Questioner Rafiah

Gender Female

Age 21-30

Education Diploma

Date Submitted 9/3/2002

Email

country of Origin United States

User Ref. No. 793795

country of Res. US

Question

I owe thousands of dollars in student loans. At the time I got them I felt pressured so that I could stay in school. I had just taken my Shahadah and although I knew that interest was Haram I did not understand the seriousness of it. What should I do about these loans now that my faith is strong enough to never want to touch interest again?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Rafiah

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

You have to fulfill your contract with the lenders, keep asking for forgiveness and have pure repentance in your heart, in application of the Verse, 11:114, " Verily good deeds take away (the stain of) bad deeds". At the same time try to pay back as soon as you can and negotiate alleviating the debt by removing accrued interest, most lenders accept.

Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Student loan before reverting to Islam

From: Islam on line

Sent: September 30, 2002 4:21 PM

Name of Questioner	saadiqah	Gender		Age	
Education		Date Submitted	9/18/2002	Email	
country of Origin		User Ref. No.	A22YM1	country of Residence	

Question

Assalamu Alaikum ~ Questions about the permissibility of taking student loans with interest have been asked many times. This assumes that the student loan has not already been taken. In my case, I reverted to Islam well into my college career, after I had already borrowed thousands in Riba-based loans. I once got into a disagreement with another sister who, in the same predicament, only had intentions to pay the principle amount and then default. I disagreed because while we are not supposed to deal with Riba at all, we are also supposed to fulfill all contracts. The fact that we accepted a Riba-based student loan in our Jahili existence does not justify defaulting now that we are Muslims...a Muslim keeps his/her word. I figure by common sense to pay what I promised to pay, asking Allah to understand my intention in participating in Riba for the sake of honoring my word, and from then on not to knowingly and deliberately deal with Riba anymore. So my question to you regards which principle prevails in this case - fulfilling our contracts or refusing payment of Riba and defaulting our contracts? **Thank**

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. saadiqah

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

You certainly have to fulfill your contract even though you are paying interest. However, you have to pay it as soon as you can and if you can negotiate a consensual elimination or reduction of the Riba you are paying you must go for that.

Defaulting without being really unable to pay is moral dishonesty and it is forbidden in Shari'ah. Please keep in mind that repentance requires sincere pledge not to go back to such sin in the future.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Financing study in France

From: Islam on line

Sent: May 24, 2002

Name of Questioner Bashar

Gender Male

Age 21-30

Education Graduate

Date Submitted 5/4/2002

Email

country of Origin

User Ref. No. T2WXL

country of Res. France

Question

Assalamu Alaykum, I live in France and have a question related to financing my graduate studies. I plan to do an MBA next year and have been accepted to a very good French business school. I have tried to search for Islamic banks that can offer me interest free loans but was not able to find any in France! So I tried to contact a French bank and received a very interesting offer for loan for my studies (very low interest rate in comparison with what is offered here in France). On the other hand, my wife and I received a wedding gift (an amount of money). The same bank also offers a type of investment that offers a guaranteed return which equal to the same amount as the interest it will charge me for my study loan. My question is: if I put the money in this investment and at the same time take the loan, this way I will keep a final balance of zero, as the bank will give me the same amount of interest as it will charge me (the amount of the loan is equal to the amount of our investment). Also both transactions are with the same bank, so the bank will be paying itself the interest and this way I will not be paying back anything but the original amount I need. In the final sum, I will gain nothing and lose nothing. Is such an arrangement Halal, in light that no alternative I know of are available? Please comment on my request and if it is not permissible, could you please suggest an alternative - jazzak allah kola khayer. Alsalam alaykom wa rahmat allah.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Bashar

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Financing education with interest-based loans is not permitted in Shari'ah, you may be surprised if I tell you studying for MBA is not a necessity! It is not, even if you disagree! It seems to me that the obvious alternative is to use the gift instead of the loan, why do you need a loan and you have an amount equal to the amount of loan? It only gives you the disadvantage of earning Riba (because a guaranteed fixed return on investment is nothing but Riba) and having to finance your food and other living expenses by a Riba-based loan, is that what you really want to do?.

If there is no difference between the amount of deposit and the amount of loan and between the interest paid and interest earned, why not simply deposit the gift in the bank in a checking account and consider it the loan facility and start withdrawing from it what you need to pay for our expenses, fine and clear?

Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: giving interest and student loans

From: Islam on line

Sent: November 24, 2002 8:01 AM

Name of Questioner	Asaduzzaman	Gender	Male	Age	21-30
Education	Diploma	Date Submitted	10/21/2002	Email	
country of Origin	Bangladesh	User Ref. No.	CWFED	country of Res.	Canada

Question

Assalamu Alaikum Brothers and sisters, I have these following questions. Please take as much time as you need. You don't have to be quick. Jazak Allah 1. I heard that taking interest is Haram, but is it also Haram to give interest. Please use Hadiths, and Quranic verses and give references from them. 2. Brother/Sister, I am 20 years old. I am continuing my education in a college, which is in Ontario, Canada. In Ontario, there is a financial help system called OSAP for students to continue their studies further in college/university. Now, after taking this loan, you have to pay it back when you aren't studying or when you are working, but with interest. Now, I am taking OSAP. So, when I will pay back their money, I also have to pay interest. I can't take any part time / full time job beside my studies, then it will be impossible for me to study, because it will be very big load for me, also if I take job, I will have responsibility for something. Also, I am not quite healthy either. My parents can't also help me financially for my studies too. So, do you think it is ok for me to take OSAP? Please use Hadiths, and Quranic verses and give references from them. 3. This question is related to the previous one. If I take OSAP, can I spend money from OSAP on the path of Allah? Like giving donations to poor people, charity, mosque, and community this and that? Also, is it allowed to give presents to others with this money? Can I spend for myself like buying my necessities? Can I buy for my-self anything Islamic like the book of Quran, Bukhary, Islamic cap, cassettes etc.? Please use hadiths, and Quranic verses and give references from them. 4. Is it allowed to take pictures of one-self and others? Pictures of what creations of Allah are allowed to take, and what are not allowed to take? Please use hadiths, and Quranic verses and give references from them. 5. If someone wants to be Muslim what they have to recite? Would there have to be a witness? Does the person have to be neat and clean instead of dirty like not taking water after urinating? Please use hadiths, and Quranic verses and give references from them. 6. Can you explain how we will know that from which day we have to fast? Please use hadiths, and Quranic verses and give references from them.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Asaduzzaman

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I will answer questions 1-3, your questions 4-6 are not financial, please resend them again so Islam online can send them to a specialist.

I want first to comment on your request of evidence from the Qur'an and Sunnah on every question you ask. This asking is incorrect and inappropriate. It is incorrect because both the Qur'an and the Sunnah deal with principles and issues that existed at the time of revelation, when the Prophet, pbuh, was alive. Muslims are required to set all aspects of their living and behavior in accordance with these principles and good examples in application that are given by the Prophet, pbuh. This does not mean that for every incidence there is a Verse or a Hadith, it means that there must be Muslim scholars who understand the Qur'an and Hadith and derive from them rulings relevant to our practices and surroundings. For instance, there is certainly nothing in the Qur'an and Hadith that mentions any answer to your question on what you called OSAP, but the principles there do apply to the case of OSAP as they apply to other innumerable potential cases. It is inappropriate because when you ask a scholar you must have some confidence in her/his scholarship, otherwise do not ask her/him! It is her/his duty and certainly your write to have explanation of the basis of the opinion given to you. Such basis may be from the Qur'an, the Sunnah, or from human thinking on the basis of the Qur'an and the Sunnah.

Question 1 - the Qur'an prohibits Riba in the strongest terms that go as far as declaring war on those who deal in Riba (2: 278-279). It defines Riba as any thing above the principal of the loan, (also 2: 279). the verse orders that we must quit Riba. It does not restrict the quitting to taking or giving. this means that both taking and giving are meant to be eliminated. The Prophet, pbuh, clearly mentioned it. He said: "May the wrath of God be on the taker of Riba, its giver and its writer" this is reported by al Bukhari and Muslim. Muslim added "and it two witnesses"

Question 2 - there are no exceptional cases in this prohibition that allows you to say that OSAP may not be included. Any increment in a loan is forbidden to give and to take. It is by implication also forbidden to sign its contract. You notice that writing it is forbidden even though the writer may be an absolute stranger to the contract. Think of it at large, you don't have to take your college study in 2 or 4 years, take double that time and work part time to furnish your needs from your income, if your health does' help much go at a slower pace. There are many opportunities for scholarship and financial aids other than loans or what you called OSAP. You have several alternatives that you did not explore and you jump to an easy conclusion.

Question 3 - don't you see it kind of illogical to disobey God by taking an interest-based loan, something that He the Almighty prohibits, and then from that try to please him by giving charity?! This is human logic and rationality you don't need a Verse of a Hadith for it. Yet, the Prophet, pbuh, said "God is pure/God (the word Tayyeb in Arabic means both) and He doesn't accept except what is pure/good." Further the Prophet also said that "any flesh that is raised on forbidden (things) deserves the Hell-Fire more than any place else." Both Sayings are correct.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,
Dr. Monzer Kahf

IV. INTEREST LOANS TO BUY A CAR

SUBJECT: Interest loan to buy a car

From: Islam on line

Date: March 31, 2002

Name of Questioner saneej

Gender Male

Age 21-30

Education Graduate

Date Submitted 3/20/2002

Email

country of Origin India

User Ref. No. B2HUBP

country of Res. India

Question

Assalamu Alaikum, I'm a final year medical student studying in Kerala, India. I wish to buy a motor vehicle for my private use. As I've no ready cash, I'm forced to take a loan from a finance group, which offers a way to give money in 36 months installments; Is there anything wrong in doing that?

Notes: For taking a loan to buy a motor vehicle.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. saneej

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Taking a loan with interest is forbidden in Shari'ah, and a car is not a necessity for a medical student or a physician in India, not a necessity that imposes relaxation of the prohibition of Riba. Riba is one of the gravest sins according to the Religion of Islam.

You have an alternative if you really want to buy the car before you make enough savings to pay for it from your own. either borrow from friends and family or make arrangement with the seller to sell it for the total amount he want on installments, i. e., make an installment sale contract at a higher price that includes the price of the car and the interest the seller wants. One may think this is only going around interest and giving it a different name. This is incorrect. In sale the parties are free to determine the price and the date of payment, and the difference becomes clear for the society as a whole. when you this financing only through a commodity (or assets) sale contract you are in fact excluding any financing for personal use, or for rescheduling; besides a loan contract has a different legal nature than a sale contract.

Finally you may take a lease to purchase as another alternative. Lease to purchase is permissible in Shari'ah.

Wa Allahu A'lam

Wassalam

Sincerely,
Dr. Monzer Kahf

SUBJECT: An already existing loan for a car

From: Islam on line

Date: April 14, 2002

Name of Questioner DINA

Gender Female

Age 21-30

Education Graduate

Date Submitted 4/8/2002

Email

country of Origin Egypt

User Ref. No. XUNLK6

country of Residence

Question

I took a loan to continue on what I saved from money to buy a car. When I took this loan from the bank I was not aware that loans are only legal and allowed for essential purposes. Do u see that I am guilty in this case and what to do noting that if I sale the car will lose a lot from what I paid? N.B: I am doing my best to settle this loan by paying most of my salary every month and any bonus I take. I Hope you could tell me if am guilty or not? And if yes, what to do? 2) Please advice me if wearing a socket while praying is essential or can pray without covering our feet?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. DINA

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Omar, the second successor of the Prophet, as a head of the Islamic state said once: who ever enters the market to sell or buy must first learn the Fiqh of Halal and Haram. You did that before knowing and that is a thing that requires repentance (Tawbah) and seeking forgiveness (Istighfar) from God.

There is no doubt that Riba is forbidden, Interest on loans is exactly the Riba the Qur'an prohibited and it is one of the worst sins according to the Islamic standards and criteria. Any prohibition is relaxed in case of necessities. If the car you purchased is needed for your basic transportation to work, that you need for living, to school if you are a student and to go to doctor and shopping, etc. and if you had at the time of purchase no other means, like help from family and friends, and if it was not reasonable to buy a cheaper car at that time and you could not make a lease contract or get an installment sale arrangement, with all these ifs, it becomes permissible to get an interest based loan for the car.

I personally believe that the many ifs make the case of a care week; it is not like the case of a residence for a big family that normally does not find rental residences.

Best that you can do now is not to sell the car because there is no reason that you should carry losses, but continue paying as much as you can until you are done with the interest-based loan, and try not to do such a thing again and make Tawbah and Istighfar.

Finally, according to the Hanafi School, you don't have to cover your feet (up to ankles) in prayer and the same outside prayer.

Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Buying a car on interest

From: Islam on line
Sent: June 19, 2002
Name of Questioner gerhard Gender Male Age 46-60
Education Post Graduate Date Submitted 5/27/2002 Email
country of Origin Finland User Ref. No. 14Q4R1 country of Res. Finland

Question

salaam Alaikum, is buying a car by the method of installment (monthly payment with interest) HARAAM or not

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. gerhard

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

buying a car on installments is different from buying it on interest. Take an example: a car that is worth cash 20,000. you may agree on buying it for 24,000 as a price payable at 500 a month for 28 months. This is installment sale. It has no interest (even though the difference of 4000 may have been calculated on the basis of "if it were interest how much would it be?" This is permissible.

Buying on interest is you buy it for 20,000 and borrow from the bank or any third party, pay cash and pay to the lender 500 a month for 48 month. This is prohibited. It is Riba as mentioned in the Qur'an.

There are similarity , OK; but there are difference, isn't there a difference between marriage and co-living?

Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: buying a car on interest

From: Islam on line
Sent: August 17, 2002
Name of Questioner Abdul Gender Male Age 15-20
Education Graduate Date Submitted 7/23/2002 Email
country of Origin India User Ref. No. Z1DWKB country of Res. India

Question

Assalamu Alaikum, We know that giving and acceptance of interest is prohibited in Islam. But if there is any exception for it, that is, we will get vehicles for loan having interest. We want to pay an excess amount which becomes 10 or 15 percent more than the original cost of the vehicle. If we have not able to pay the loans in time, the interest of that occurrence will increase. If it is allowed to take the vehicle by paying these type interest.

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Abdul

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

You said interest is forbidden. It is forbidden an an increment on a loan and also as a penalty for deauld in payment of installments too. This kind of contract to buy vehicles is forbidden.

Wa Allahu A'lam

Wa Alhamdu li Allahi Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Car loan from employer at lower interest rates

From: Islam on line

Sent: September 27, 2002 8:15 AM

Name of Questioner	Yaqub	Gender	Male	Age	31-45
Education	Post Graduate	Date Submitted	9/3/2002	Email	
country of Origin	Nigeria	User Ref. No.	98IBX9	country of Res.	Nigeria

Question

My office provides Car Loan for member of staff payable in five years. The loan is to enable the staff purchase a car. The problem with this loan is that anybody that takes the loan will pay the principal and pay 4% interest on the loan. Considering the stern warning of Allah against interest, is it allowed to take this type of loan? Thank you

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Yaqub

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

No, this is a clear case of interest-based loan that is forbidden in the Qur'an and Sunnah as it is very well known.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: A loan for a luxury car

From: Islam on line
Sent: September 30, 2002 3:51 PM
Name of Questioner Othman Gender Age
Education Date Submitted 9/16/2002 Email
country of Origin User Ref. No. 8D67MB country of Residence

Question

I had made a loan with interest for luxury product (a nice car) and I want to know if there is any possibility to be forgiven. Salam Alaikum

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Othman

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

In my understanding of the Shari'ah what you did was wrong! you need to do three thing:
1) try to get rid of the loan as soon as possible and/or substitute it with Islamically permissible financing, 2) make sincere repentance and pry to God for forgiveness, He promised in the Qur'an that He forgives all sins (39: 53), and 3) increase your good deeds as God mentioned that good deeds wipe away bad actions (11:114). Good actions include prayer, fasting, charity, kindness to parents, etc. and remember one of the conditions of repentance is to avoid such sins in the future and to rid yourself of its present effects as soon as you can without breaking any contract you have signed.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: A loan to buy a car

From: Islam on line
Sent: May 11, 2002
Name of Questioner Zaher Gender Male Age 21-30
Education Graduate Date Submitted 4/20/2002 Email
country of Origin Syria User Ref. No. E41MNS country of Res. USA

Question

Assalamu Alaikum Wa Rahmatullah Wa Barakatuh. I have moved to the United States recently to continue my study here. I need to get a car to be able to fulfill my daily life. I don't have enough money to pay cash for the car (nobody here in the States pay cash for the car because it is almost impossible to secure the cash flow). Does the Islam allow us to FINANCE (get money from a bank with interest to BUY the car, and pay it off within 3 years or more), or LEASE (get money from a bank with interest to RENT the car, and also pay it off within 3 years or more). I appreciate your great help, Gazakum Allah Kull Khair.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Zaher

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Since you are new in this country, mistakes regarding how things are done here are forgiven.... Many people, Muslim and non-Muslim alike pay cash for their new and used cars here, and there is a market for used cars that is not expensive, and also the car lease contract is not like you described it (take money from the bank for interest and rent a car, it is renting a car for 3-5 years and pay its rent that consists usually of a payment at the time of the contract and a periodical monthly for the period of the contract and at the end of the lease you have an option to buy it at a given amount, you may or may not exercise this option).

If the car is needed to go around, it is not necessary. The same if there are usable public transportation as if you live in New York or Philadelphia. If the car is a necessity to reach your job, or if you work as a home repair electrician or plumber who goes from a house to another for repairs, a dependable car may be a necessity if there are no other way to buy such a car without interest. BUT the lease contract does not include interest and it is available, so there is no need to for a forbidden thing.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Buying a new car on interest for going to internship training in a hospital

From: Ramadan

Sent: May 24, 2002

Question

My wife is going to do her internship for year in a hospital that is 1 hour away from home daily. We do not have any cash to buy a used car. I am looking for a reliable car. The only way I can afford it is to buy a new car. Interest is the issue here.

No one at this time will offer 0% finance. But here is what I found:

The least expensive car I can find is a Dodge Neon \$11827. If I pay with 7.5% interest, it will be \$241.59 for 60 months. If I want the least APR which is 1.9%, they will add back

to the price \$2500 rebate that is only allowable on the 7.5%. The monthly payment will be \$258 per month.

What is the Islamic view of that? Am I considered with the people who has no choice and allowed to finance. I never financed before. My wife is doing her PHD degree.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Mohammed

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

The question begins with is going to that internship as necessary as having a house for a family for which it is difficult to find other means of housing or house financing? I don't think so. If you want to study to improve your situation and also that of the community then find Halal means to do that, this is an improvement, especially that wives are not the ones required to spend on the family!

The second question, I think you kind of too much narrowed an otherwise wide range of choices. There are every day ads for zero percent financing and there are many dealers who love to lease you without additional cost and there are many dependable \$ 6000 cars in our country.

By the way tell me who you are and where we met!

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Car loan to benefit from company's refund

From: Islam on line

Sent: June 15, 2002

Name of Questioner

Gender

Age

Education

Date Submitted 5/16/2002

Email

country of Origin

User Ref. No. CDSTWX

country of Residence

Question

I work in a company for 15 years and I always have the option of getting a loan from the bank that the company deals with but I know it is HARAM and, therefore, have never taken a loan, Alhamdo Lelah. Now, I reached, Alhamdo Lelah, a position which requires me to represent the company and will be repaid, on monthly basis, for my car expenses during the month, against proper documentation. This means that the company will pay me X percentage of the monthly cost and price of a new car. But to pay me this X percentage of the price of the car on monthly basis, the company will ask the bank to give me a loan to be paid back to the bank (plus the interest) over 40 months by me. I, then, have to show to the company, every month, the bank statement showing the actual monthly amount deducted (loan+interest) and they will give me the X percentage. In summary, I get a loan Y, that will be paid over 40 months, the bank calculates the

monthly payment and starts to deduct from my account, every month, the loan plus interest, I show the company the deducted amount and they re-pay X% of that. Shall I go ahead and get the loan as it is the only allowed way to get the X% contribution of the company to the car price?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

No, you can't enter into a Riba-based contract to buy a car for the purpose you mentioned, get a partial payemnt in compensation for use for your company.

The rule of your company is oacward! You can't make a case with me with such a rule. I am sure there must be other ways because it seems, smell and feel incorrect. What if you already owned your car and no payment is due? How about the company prodie you with a car for company's use? Hwo about a milage rate that all companies in the world have? And hwo about a given amount for transportation. Negotiate with the company and now that you said you are in a position, change this oacward rule! Modernize it a little!

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Interest loan for a car

From: Islam on line

Sent: April 27, 2002

Name of Questioner DINA

Gender Female

Age 21-30

Education

Date Submitted 4/8/2002

Email

country of Origin

User Ref. No. 1UCEBE

country of Residence

Question

I took a loan to continue on what I saved from money to buy a car. When i took this loan from the bank I was not aware that loans are only legal and allowed for essential purposes. Do you see that I am guilty in this case and what to do noting that if I sell the car will lose a lot from what I paid? N. B: I am doing my best to settle this loan by paying most of my salary every month and any bonus i take. I hope you could tell me if am guilty or not? And if yes, what to do? 2) Please advice me if wearing socks while praying is essential or can pray without covering our feet??

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. DINA

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

It is forbidden to take or give an interest based loan unless there is a kind of necessity, such as needing a car for going to work or school in an area of poor public transportation system, even then a modest car might do it. At this time the Shari'ah does not call on you to sell the car at a loss, rather keep what you are doing in trying to rid yourself of the interest based loan as soon as you can. Also PLEASE REMEMBER that your feeling is a blessing from Allah Ta'ala that you recognize a mistake you've done in taking a Riba loan. This is InShaAllah a sigh of forgiveness from God. The Prophet, pbuh, said: if you don't make mistakes and ask God for forgiveness, God would have taken you away and put in your place other peoples who make mistakes and ask for forgiveness and He will forgive them. Keep making Istighfar and Charities, as the Qur'an says: good actions wipe out the bad ones.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

V. INTEREST LOANS TO BUY OTHER GOODS

SUBJECT: Getting clinical equipment on an interest loan

From: dialogue@islam-online.net

Date: 1/9/2002

Name of Questioner mustafa

Gender Male

Age 31-45

Education Post Graduate

Date Submitted 12/31/2001

country of Origin United Kingdom

User Ref. No. V23B2N

country of Res. U K

Question:

I would like to build a clinic in a Muslim country. I don't have enough money to buy essential equipments and the only way to do that is to take a mortgage within the same country and I have to pay interest on the mortgage till I pay back the money. This clinic will serve Muslim people. Is it O.K to take this mortgage? Jazakumu Allah Khairan.

My Answer:

Dear Br. mustafa

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

Although health care may be a necessity in many Muslim countries, but it is still forbidden in Shari'ah to build a personal clinic and equip it by means of Riba-based loans. It is incorrect to claim that in Muslim countries today there are no other means to finance such a project except through Riba. THERE ARE MANY OTHER MEANS THAT ARE WAITING FOR YOU TO EXPLORE, YOU NEED TO DO YOUR HOMEWORK MY DEAR BROTHER.

Your personal, and apparently profit making clinic, is a private project like all other private projects, that are necessary all over the Muslim countries and that all need to be

finance in accordance with Shari'ah. Even if it were to be a nonprofit project, you still have to finance it by means compatible with the Shari'ah; you must need to avoid what is prohibited in Shari'ah. The Prophet, pbuh, emphasized that what is prohibited must be avoided, all of it. Riba is one of the most serious sin, may be the most serious after disbelief, as the Qur'an consider it worthy of declaring a war from Allah and his messenger on those who deal in Riba. Solving problems of the Muslim Ummah must be by the application of its Shari'ah, not by putting it aside.

WA Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: An interest-based loan to get married

From: Islam on line

Date: February 21,2002

Question

Dear Dr. Monzer, what's your view of taking mortgage to get married if you are really scared of Fitnah and do not have anyone to support you?

My Answer

In the name of Allah, Most Gracious, Most Merciful.

May Allah's peace and blessings be bestowed on the Prophet Muhammad.

Answer:

Dear Muslim:

Assalamu Alaikum

The first solution for persons who are scared of sexual Fitnah is to fast as much as you can. If that fails, borrowing on interest may be permissible if the Fitnah is very serious, although I doubt that such a situation may arise for Muslims living in United States and Canada.

Finally, Marriage cannot be mortgaged!

Allah knows best.

Monzer Kahf

Subject: Buying furniture on interest, is repentance sufficient?

From: Islam on line

Sent: August 20, 2002

Name of Questioner emad

Gender Male

Age 31-45

Education Graduate

Date Submitted 8/3/2002

Email

country of Origin Jordan

User Ref. No. 2YRGS

country of Res. Jordan

Question

Assalamu Alaikum, I took a loan from a bank to buy some furniture. I feel so bad because I did not realize by then that I am contributing to a "Riba". I still have about 3 years to pay off the remaining amount and I promised my self not to borrow any money any more from banks. What shall I do? Is "Tobah" enough and what shall I do with the remaining dues I owe the bank. Secondly, I was living in a non Muslim country and used to use credit cards. I had to leave that country before paying off the rest of money which I still owe them. Financially wise I cannot afford paying the rest of the money which I still owe. So what shall I do? Jazakom Allah Kol Khair

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. emad

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Repentance and seeking God's forgiveness (Istighfar) must be accompanied by exceted effort to minimize both the amount and the period of any existing interest relationship or cancelling the contract if you legally can.

The credit card debts you owe for money and goods and services you received is the wright of some other people. It doesn't matter whether they are Muslim or not, companies or natural persons, foreign or domestic, their rights must be paid to them. You can't just accumulate debts on a credit dard and flee the foreign country you lived in. this is a kind of theft. If you can't afford payment in lump sum, you probably can reconsile with the credit card companies for installment payments and for dropping the interest. There is also bankrupcy procedures for debtors who can't pay their debts that may be pursued if the conditions of banrupcy apply to you.

Wa Allahu A'lam

Wa Alhamdu li Allahi Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: loans to buy goods and personal loans

From: Islam on line

Sent: November 24, 2002 7:01 AM

Name of Questioner Sa'aduddin Gender Male Age 31-45

Education Post Graduate Date Submitted 10/23/2002 Email

country of Origin Philippines User Ref. No. 91QXMK country of Res. Philip.

Question

In Islamic Shari'ah Law or Islamic Jurisprudence Opinion, is there any differentiation between the CAR LOAN OR ALIKE & PERSONAL LOAN (cash) from bank that should be considered as USURY? Allah bless you more.... Thanking you very much.

Wassalam

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Sa'aduddin

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

No, any loan with interest is forbidden regardless of its purpose.

Of course, any prohibition is relaxed under necessity's circumstances that are known in the Islamic jurisprudence.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

VI. OPENING INTEREST-BASED ACCOUNT

SUBJECT: Opening an account with interest-based banks

From: [Haroon](#)

Date: 1/25/00

My Answer

Dear Br. Haroon

Assalamu Alaikum,

Your letter was forwarded to me by Br. Dr. M., may Allah bless both of you.

1 - Placing funds in a Riba-based bank is not permissible if there are non Riba-based alternatives that provide similar conveniences. In the US today there are no other institutions, Riba free, that provide these services and they are very very useful that every body will suffer some kind or another of hardship should he/she refrain from opening a checking account. Therefore, it is permissible under the circumstances here in America.

ANY INTEREST THAT MEY GENERATE TO YOU SHOULD BE DISPOSED OF TO AREAS SIMILAR TO THE MAIN RECIPIENTS OF ZAKAH (EXCEPT AL AMILIN ALAIHA).

2 - IT IS DELIGHTING TO HEAR NEW PEOPLE COMING IN THE FIELD OF Islamic economics and finance. The field needs a lot of effort as you very well notice. There are needs for more, big and aggressive Islamic financial institutions.....Go on and May the Almighty be with you.

3 - you really do not need to work in a Riba bank for that, because the experience is available and it is there to hire, this is not an excuse to work in a bank, with the reservation you said and knew, their sources of funds is mainly the Riba they gain...

4 - however, if you do not find other jobs except in a Riba bank and you need to work for survival, you can work in such a bank and be sure to avoid working in the department of

lending because it is covered by the wrath (LA'NAH) mentioned in the Sayings of the prophet (pbuh)

5 - As you said there are a few Islamic financial institutions in America, there are certain legal difficulties for opening an Islamic (i.e., non Riba and non other prohibited transactions) bank that we Muslims need sometime to fight and challenge in the supreme court because they are discriminatory against our community in America, with the WTO and opening borders to financial institutions from other countries, it becomes easier to open branches for Islamic banks abroad, here in the USA. That might help a bit....

6 - Yes there are Islamic banks in the today's world; more than a hundred and fifty of them in countries spreading from Indonesia to Senegal, a few countries have even turned all their system into Islamic. They are Pakistan, Iran and Sudan. In Pakistan, the application was somewhat lame and incorrect, but the recent Supreme Court decision on it aims at correcting it and eliminating all remnants of Riba from its economy

Finally May Allah be with us always

Monzer Kahf

SUBJECT: Having a bank account in the West and earning interest

From: dialogue@islam-online.net

Date: 12/16/2000

Question:

Is about putting money in a (Western) bank. What does Islam and Muslim scholars have to say about putting money in a bank and receiving interest from it? Is this what is called in Islam al Riba? Jazacumu Allah Khairan.

Notes: In the western world you cannot put money in a bank without receiving profit from it each year. Moreover there is no other way to save money except in a bank

My answer:

Dear Br. Chaker

Assalamu Alaikum,

Al Hammed li Allah wa al Salatu wa al Salamu ala Rasuli Allah,

In the western world today one really has to have a bank account because it is difficult and inconvenient to live in the West without it. But there are accounts without interest and if one can live with a checking account that has only a minimum that does not charge you expenses nor earn you interest, it is the best solution.

Saving accounts, and some checking accounts give interest and these must be avoided as much as possible, and you should find yourself investments other than in banks' interests such as permissible stocks, businesses, real estates and others.

But if you have no better choice and happened to earn interest, or if the type of account that is convenient to you is the one that gives interest, then, you should give away that amount of interest you earn to a Muslim charitable or humanitarian cause anywhere in the world, your choice. This is required to keep your money and assets clean and pure from the wrath of Riba. Yes, interest is Riba that is mentioned and prohibited in the Qur'an.

Wa Allahu A'lam,

Your Brother,
Dr. Monzer Kahf

SUBJECT: Can you put your savings in CDs?

From: dialogue@islam-online.net

Date:

Name of Questioner mazen

Gender Male

Age 31-45

Education Graduate

Date Submitted 2/12/2001

User Ref. No. C4814K

Question:

I am a married student with a child living in the US with no source of income. I have an amount in the bank to support me and my wife until we both finish our education. I wanted to ask if I was allowed to put some of the money in an interest bearing certificate of deposit, "CD" or interest bearing account in order to help me make some income while I am still jobless. The CD's can be for periods of one to twelve months, the longer the time, the higher the return. Please advise me and Jazakumu Allah kull Khair. Mazen
Notes: The money has been in the bank for a while. We do not use for any purpose other than spending and paying the tuition. If you have any questions, I will answer them.

My Answer:

Dear Br. Mazen

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

The principle is to deal with Islamic banks only and any income you earn through their investment schemes is Halal InShaAllah. A Muslim must not deal with conventional banks unless for removing difficulty or hardship such as needing banks transactions caused by the prevailing lifestyle coupled with lack of Islamic banks or insufficiency or incapability of Islamic banks to offer equivalent services the lack of which makes handling your monetary transactions tangled with hardship or difficulties. This case applies to almost every Muslim living in the Western hemisphere.

This means: It is permissible to deal with conventional banks for us Muslims in North America. Two rules come out of that: 1) we must keep our transactions with conventional banks to the minimum that we need, and 2) do not allow yourself to be fooled or taken advantage of by a conventional bank. If you have to deposit a large sum, put it in a money market account or in an interest-bearing account and give away all the interest earned to Islamic charitable or general service organizations. Interest earned is not Halal to add it to your property, and you need to keep your assets clean of it. It is permissible for such organizations to take and spend it on the poor and needy and/or on activities of general services to Muslims (Fi Sabil Allah).

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Is a money market account Riba based? Can we use earned interest to pay for taxes?

From: Islam on line

Date: November 25, 2002

Name of Questioner Moustafa

Gender Male

Age 46-60

Education Post Graduate

Date Submitted 11/15/2002

Email

country of Origin Egypt

User Ref. No. B52LJ7

country of Res. USA

Question

I deal with a credit union bank. This bank has loans activities as well as investments activities e.g. Money Market Investment. At the end of the fiscal year, I receive the financial statement that shows the percent of each activity. I always isolate the percent of loan activities that the bank issues (the percent of the loan earning to the total bank earnings) and consider this the Riba part of the interest. I also use this part to pay the Tax in the USA. How allowable is this act?. Thanks. To clarify on the Money Market, the money can be loaned to big corporations. Is this still considered Riba even if all in all are calculated and risk weighted. Is not it an investing process not really a loan process?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Moustafa

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I was going to begin with what you just said at the end. Money market earning is pure interest (= pure Riba). Riba is defined as any increment in a loan. The substance of a lending relationship is that you give the money to be paid back after certain period of time. the meaning of the phrase 'to be paid back' is that this money is guaranteed for repayment, very often it is supported by a lien or mortgage on certain properties or other guarantees. When the loan is interest-based the payment of the interest is also covered by the guarantee. The risk in the money market that you mentioned is a risk of inability to pay a debt back it is a credit risk not a business risk. In business risk you share in the ownership of a business or an inventory of goods and you share in its value when sold, you may win or lose depending on the outcome of the business or the sale price and cost of inventory.

This means that actually all the income distributed by a credit union is only from interest sources. Interest is prohibited in the Shari'ah and Muslims are required to invest only in permissible businesses. If it happened that a Muslim, for any reason, earned an interest income, the in-principle position of Shari'ah is that such money is not yours and you must return it to the payer because an interest-based contract (that made you earn interest) is null and invalid, it does not produce any of its objectives. This money is still owned by the person who paid it to you and you must give it back. **IF THIS MONEY IS NOT YOURS, YOU CANNOT USE IT TO DISPOSE OF YOUR FINANCIAL RESPONSIBILITY INCLUDING TAXES.** You must not spend this "earned" (using the word in its common jargon because you did not earn it according to Shari'ah) interest for

payment of taxes, alimony even to non-Muslim divorcee, fees to government, or even paying interest on a loan you contracted whether sinfully or excusably.

I said that the in-principle position of Shari'ah is to give it back to the payer. We must note that the exception of this principle is the case when the payer runs and interest-based lending business such as conventional credit unions and banks. Giving the interest back to this kind of payer will only increase its capacity to make more interest-based transactions and mockery of you and your action. Therefore the collective Fatwa of the second international conference on the Fiqh of Islamic banks that came after careful study of this issue was that such payer does not deserve this interest back and because you do not own it must be treated like properties under your hand that is owned by no one. Such property must be given for the general causes of helping Muslims under stress such as those who are struggling against foreign occupation forces as is the case of Palestine or the poor and needy.

The conclusion is that you must invest you money in permissible investments and projects and until you do that, and whenever it may happen that you earn any interest from an interest based institution, you must give it to Muslim charities. This applies to the past as well as the future, you have to look into past interest and give equal amount to charity. The Prophet, pbuh, said: 'and every flesh raised on Haram deserves more to be in the Fire of Hell (than in any other place). This is a blessed month in which repentance (repentance must always be accompanies by correcting past wrong) and good deed are rewarded many folds. InShaAllah God shall give many fold of Halal income to compensate you for the little Haram you are going to give up.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Money market interest, is it prohibited?

From: Islam on line

Sent: November 25, 2002 6:57 AM

Name of Questioner	Moustafa	Gender	Male	Age	46-60
Education	Post Graduate	Date Submitted	11/15/2002	Email	
country of Origin	Egypt	User Ref. No.	B52LJ7	country of Res.	USA

Question

I deal with a credit union bank. This bank has loans activities as well as investments activities e.g. Money Market Investment. At the end of the fiscal year, I receive the financial statement that shows the percent of each activity. I always isolate the percent of loan activities that the bank issues (the percent of the loan earning to the total bank earnings) and consider this the Riba part of the interest. I also use this part to pay the Tax in the USA. How allowable is this act?. Thanks. To clarify on the Money Market, the money can be loaned to big corporations. Is this still considered Riba even if all in all are calculated and risk weighted. Is not it an investing process not really a loan process?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Moustafa

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I was going to begin with what you just said at the end. Money market earning is pure interest(=pure Riba). Riba is defined as any increment in a loan. The substance of a lending relationship is that you give the money to be paid back after certain period of time. the meaning of the phrase 'to be paid back' is that this money is guaranteed for repayment, very often it is supported by a lien or mortgage on certain properties or other guarantees. When the loan is interest-based the payment of the interest is also covered by the guarantee. The risk in the money market that you mentioned is a risk of inability to pay a debt back, it is a credit risk not a business risk. In business risk you share in the ownership of a business or an inventory of goods and you share in its value when sold, you may win or lose depending on the outcome of the business or the sale price and cost of inventory.

This means that actually all the income distributed by a credit union is only from interest sources. Interest is prohibited in the Shari'ah and Muslim are required to invest only in permissible businesses. If it happened that a Muslim, for any reason, earned an interest income, the in-principle position of Shari'ah is that such money is not yours and you must return it to the payer because an interest-based contract (that made you earn interest) is null and invalid, it does not produce any of its objectives. this money is still owned by the person who paid it to you and you must give it back. **IF THIS MONEY IS NOT YOURS, YOU CANNOT USE IT TO DISPOSE OF YOUR FINANCIAL RESPONSIBILITY INCLUDING TAXES.** You must not spend this "earned" (using the word in its common jargon because you did not earn it according to Shari'ah) interest for payment of taxes, alimony even to non-Muslim divorcee, fees to government, or even paying interest on a loan you contracted whether sinfully or excusably.

I said that the in-principle position of Shari'ah is to give it back to the payer. We must note that the exception of this principle is the case when the payer runs and interest-based lending business such as conventional credit unions and banks. Giving the interest back to this kind of payer will only increase its capacity to make more interest-based transactions and mockery of you and your action. Therefore the collective Fatwa of the second international conference on the Fiqh of Islamic banks that came after careful study of this issue was that such payer does not deserve this interest back and because you do not own it must be treated like properties under your hand that is owned by no one. Such property must be given for the general causes of helping Muslims under stress such as those who are struggling against foreign occupation forces as is the case of Palestine or the poor and needy.

The conclusion is that you must invest you money in permissible investments and projects and until you do that, and whenever it may happen that you earn any interest from an interest based institution, you must give it to Muslim charities. This applies to the past as well as the future, you have to look into past interest and give equal amount to charity. The Prophet, pbuh, said: 'and every flesh raised on Haram deserves more to be in the Fire of Hell (than in any other place). This is a blessed month in which repentance

(repentance must always be accompanied by correcting past wrong) and good deed are rewarded many folds. InShaAllah God shall give many fold of Halal income to compensate you for the little Haram you are going to give up.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Are treasury bills interest-based?

From: Islam on line

Sent: February 24, 2003 7:50 AM

Name: Vali

Gender: Male

Country of Residence: Canada

Question

Here Government of Canada issues Treasury Bill. Sell(Auction) in open market in less than face value for 30 days 60 days etc. On the day of maturity it is given to 100% (face value) to the purchaser. Suppose you buy for 30 days at \$99.75 and at the end of 30 days you get \$100.00. Is it allowed by Islam? Is it come under the Riba?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi
Ajma'in

Dear Br. Vali

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

No, this is exactly the prohibited Riba. You give a loan to the government of 99.75 and take after 30 day 100, what is the difference other than pure interest or Riba. Riba is prohibited in the Qur'an and Sunnah with the strongest terms ever. Verse 2: 279 threatens a war from God and his Messenger to those who keep dealing in Riba, a threat that is not provoked for any other sin including adultery.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Getting interest from banks

From: Islam on line

Date: March 11, 2002

Name of Questioner mohamed

Gender Male

Age 21-30

Education Graduate

Date Submitted 2/12/2002

Email

country of Origin India

User Ref. No. E7LF1W

country of Res. India

Question

My Muslim friend tried to convince me that collecting the interest paid by the bank on our savings account is permissible for us, saying that this was exactly like a business transaction similar to investing in the stock market. The bank is using our money to invest in various places and we are shareholders in the profit made thus. It is only Haram if we are lending money to someone and collect more money in return. What is your ruling on this?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. mohamed

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Interest is Haram. It is the same Riba that is strongly condemned and prohibited in the Qur'an. Interest is defined as any increment in a loan contract. Your friend is correct that it is forbidden to give a loan to someone put a condition in the contract that you take back more, But unfortunately he is incorrect with regards to bank deposits. Banks deposits are loans given to the bank; and the bank guarantees the principal and its interest. The contract of banking deposit is defined as a loan contract. Moreover, conventional banks use the funds they have also on the basis of lending to business and they make their net profits from the difference between interest they get and interest they pay. Obviously both are forbidden in Shari'ah. Shari'ah provides alternative mode and contracts for investment and for financing, you may consult any books on Islamic financing for their details. Finally, this is not like dividends of stocks, because stocks represent an ownership of a company that produce goods and/or services. If these products of a company are permissible in Shari'ah, its income is also permissible and the dividends distributed come from the net profit of the company. the difference is very obvious.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

VII. VARIABLE INTEREST AND INTEREST UNDER OTHER NAMES, PRIZE BONDS AND ACCOUNTS

Subject: Interest earned in 401K account

From: Islam on line

Sent: April 01, 2003 7:33 AM

Name of Questioner	Omar	Gender	Female	Age	21-30
Education	Diploma	Date Submitted	3/28/2003	Email	
country of Origin	Afghanistan	User Ref. No.	DM9Y5P	country of Res.	USA

Question

Assalamu Alaikum Brother, My question is concerning 401K retirement account, I wasn't sure until recently I heard that 401K or retirement account uses interest or Riba, I know that 401K fidelity uses dividends is that still not allowed according to Islam. Also is saving money in a savings account. I know it accumulates dividends or you have to put a certain amount on your taxes every year if you have saved in a savings account. Now are Muslims allowed to save money in a savings account and also what kind of 401k account can one save money to or what is one's options for saving money for retirement. Can one use a savings account or is one supposed to cash money and save them at home. Please, give some helpful information. May Subhana Allah keep us successful in faith of being good Muslim. Thank you, Omar

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Omar

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Saving accounts in conventional banks generate interest, nothing else. And 401K funds are usually invested in mutual funds, such as Fidelity's. Mutual funds invest in stocks and bonds. Bonds are always interest based. Stocks may be of companies whose main business is permissible such as technology and oil stocks or forbidden in Shari'ah such as banks and financial sector's stocks. Also companies whose main business is permissible may highly depend on interest-based borrowing or interest income or may not, if they heavily depend on interest, one way or the other, they are also prohibited. The problem is that when you own a stock you are a partner in that company, even a sleeping one. And a partner is responsible for whatever decisions the management make.

To sum it all up, there is a great deal of interest in the American investment market, and obviously in the saving accounts. Interest is clearly, very strongly and absolutely prohibited in the Shari'ah (the Qur'an 2: 278-9). If you can avoid it would be doing better, if you cannot, as in the case of 401K, you have to be religiously aware and play smart in selecting the funds that have the least interest in them and each year give away to Islamic charitable organizations the amount you estimate is coming from interest sources in these

funds. I certainly do not advice to keep money under your carpet at home, and you do the same with the interest if you have to use a saving account.

By the way, there is a study supervised by a group of Shari'ah scholars, that resulted in selecting about 600 stocks in the American market of companies that have least involvement with interest. On the basis of this study the Dow Jones company created the "Dow Jones Islamic market index" you can find this list on the internet under Dow Jones company. And there are several mutual funds established on the basis of these stocks that you may try to invest in for your 401K and other investments.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Variable interest in money market accounts

From: Islam on line

Date: March 04, 2002

Name of Questioner Ahmed

Gender

Age

Education

Date Submitted 2/6/2002

Email

country of Origin

User Ref. No. H1JM62

country of Residence

Question

Alsalamo Alaikom: To Dr. Kahf Regarding a variable-interest money-market account: 1) Is it Halal? It is theoretically possible to lose money in it, but practically this never happens. 2) How do you calculate zakah on it? Is it 2.5% of the money that has been in the account for a whole year (Hawl)? Thank you

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi Ajma'in

Dear Br. Ahmed

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

You have two questions one on interest and the other on Zakah.

Are you sure money market account may loose? aren't you confusing lack of insurance with losses?

Money market account is not insured, but the relationship in it is pure lending relationship, managing on daily basis by managers who try to maximize the rate of interest on every amount the have while they maintain sufficient liquidity to respond to liquidity demands. The variation in the rate of interest does not bring it into the Halal. It is still interest, being an increment in lending relation done by proxy.

Zakah is assessed on any assets that reached Nisab at a given date and again at 354 days from then. Money market account is Zakatable on the principal, since all accrued is not yours you will have to give it to general Muslim charities in addition to Zakah

Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Variable and fixed interest

From: Islam on line
Date: March 04, 2002
Name of Questioner khaled Gender Male Age 31-45
Education Diploma Date Submitted 2/6/2002 Email
country of Origin Egypt User Ref. No. 8IZBSK country of Res. Egypt

Question

Is fixed amount of interest Haram or Halal?

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi Ajma'in
Dear Br. khaled

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Interest is certainly Haram whether it is a rate, small or large, or an amount and whether it is fixed or variable

Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Is the return of the Pakistani Financial Saving scheme Riba?

From: Islam on line
Sent: January 18, 2003 5:06 PM
Name of Questioner ARSHAD Gender Male Age 31-45
Education Post Graduate Date Submitted 12/22/2002 Email
country of Origin Pakistan User Ref. No. S7ASL3 country of Res. Pakistan

Question

In Pakistan there is a financial Saving Scheme sponsored by the government. I have deposited One million rupees and get a monthly income of 12,000 rupees in this scheme. Zakah is also deducted at the source at the end of the scheme. Is it Okay or is it Riba?

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. ARSHAD

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Unfortunately, this Saving Scheme, sponsored by the Government of Pakistan as it is, is Riba-based. Riba is increment over the principal of a loan. the characteristics of a loan is that its principal is payable back by the debtor on the due date. if the principal is guaranteed, any increment over the principal is Riba as mentioned clearly in the Qur'an (2:279). Whatever names people give to the loan and to the interest (Riba) paid over and above the principal do not change the Shari'ah ruling. Also the Ruling is not affected by who gives the loan and who takes it, governments or individuals or legal entities.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Saving certificates with prizes

From: Islam on line

Sent: March 04, 2003 6:49 AM

Name of Questioner Shehla

Gender Female

Age 21-30

Education Graduate

Date Submitted 2/25/2003

Email

country of Origin India

User Ref. No. CVN3U3

country of Res. UAE

Question

Assalamu Alaikum! In U.A.E there is a bank called "Mashreq". They have a scheme in which the people can buy 'savings certificates' on whom no interest is given but there is a draw for such holders. So people usually buy this to enter the draw. My question is: Islamically is this permissible? If you haven't understood the real nature of this kindly refer to the following site www.mashreqbank.com, this scheme is popularly known as "Mashreq Millionaire". Kindly answer my question. Thanks and Regards

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. Shehla

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

saving certificates with a condition to enter a draw of prizes is Riba. it is certainly forbidden. The OIC Fiqh Academy issued a resolution in 1412 H on different kinds of bonds/ certificates that include Riba and made a reference to this kind as one of them. The reason is clear. Any increment in a loan is Riba even if it is determined by a draw as long as it is one of the conditions of issuance for which people buy these certificates.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,
Dr. Monzer Kahf

Subject: Are Prize bonds permissible?

From: Islam on line

Sent: June 18, 2002

Name of Questioner Muhammad

Gender Male

Age 21-30

Education Post Graduate

Date Submitted 5/23/2002

Email

country of Origin Pakistan

User Ref. No. Z4R952

country of Res. Pakistan

Question

Assalamu Alaikum in Pakistan issues prize bonds on no profit no loss bases but there is prize after every three months to make people save money. The money given away by the govt. to selected people(numbers) is lawful in Islam or not. Thanks.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Muhammad

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Giving prizes to randumly selected individuals from among a group of good doers with no cost to any and all individuals in the group is permissible. What does this means? If the government decided to encourage certain action or behavior, such as saving, by announcing that it will select winners from among the savers, through a fair and non prejudiced process, such as a randum selction computer program, and does not charge any cost to any saver for these prizes, This is permissible.

However, if prizes are given to every saver or to a large proportion of them with prior announcement, so that every saver knew she/he is going to have a chance, if not this quarter then in the next, under such circumstances prizes amount to interest distribution and becomes Riba based on the customary known increment at the time of lending (buying the bond) even if the amount is not known in advance nor in which quarter you are going to get it. In this case it is forbidden.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Commission on fixed deposits

From: Islam on line

Sent: August 17, 2002

Name of Questioner

Gender Female

Age 15-20

Education

Date Submitted 7/20/2002

Email

country of Origin

User Ref. No. 6BK8TI

country of Residence

Question

Assalamu Alaikum, I have a question regarding financial matters. I wanted to inquire about 'fixed deposits' because they earn interest as well e.g. from HSBC. I've heard that special Muslims banks offer something called 'commission' which seems like interest!! And things like 'mutual funds' like stocks and shares with brokers conducting the selling and buying and then earning a profit etc... What is the recommendation on them? How do we handle finances in today's world?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

How to handle finance in today's world is too big of a question. Our handling must be always within the limits of Shari'ah. I recognize that this may not be easy at times, but we need to expend efforts to make our financial environemnt compatible with Shari'ah (the Islamic Law).

Any contract that includes giving a sum of money, that is guaranteed to be returned, and earning an encrement money on it, whether predetermined or not, or fixed or variable, is jprohibited in Islam this is called Riba regardless of the name some people like to give to it, interest, commiission, profit or what not.

Investment in Mutual funds is like investment in stocks. There are stocks that are permissible to buy, own, hold and sell. These are stocks of companies that deal in permissible business and do not undertake any Shari'ah prohibited contracts and/or activities. And there are prohibited stocks too. These are stocks of companies that produce prohibited products and/or undertake prohibited activites. Examples of the latter: interst-based bank, alcoholic breweries, tobacco companies, companies involved in child.women. minorities abuses, companies that produce mass destruction weapons, etc.

Wa Allahu A'lam

Wa Alhamdu li Allahi Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

VIII. PARTNERSHIP WITH NON-MUSLIMS WHO MAY INDULGE WITH INTEREST

SUBJECT: Loans to a business with non-Muslim Mother

From: dialogue@islam-online.net

Date: 12/19/2000

Name: Sarah

Gender: Female

Education:?

Date Submitted: 12/18/00

Country of Origin: United Kingdom

Question:

Dear Sir, I am about to go into business with my mum. I have recently converted to Islam and am trying to change my life to make it as good as I can. My problem is that the business that we are about to go into requires my mum to take a loan out for the machine involved (it is a type of laser hair removal). This involves interest and although this does not bother her it does bother me. The loan is hers but the machine will profit me, and we will be partners in the business. Is there a way to make this Halal? Would it be okay for me to manage the business and be paid a wage? I would be grateful for any suggestions that you have. Thank you, Sarah Elliston

My Answer:

Dear Sister Sarah:

Assalamu Alaikum and Ramadan Mubarak,

My Answer: Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah,

We know in Fiqh that there are opinions that prohibit a Muslim from becoming a business partner to a non-Muslim on the ground that the latter may make certain Riba-based transaction within the partnership. I mean to say that Riba is one of the worst sins and we like all lives, of Muslims and non-Muslims, to be pure of it. This is without really violating the known rule that non-Muslims are only addressed with the call of faith in the Oneness of God and the acceptance of His messenger, not by the detailed Shari'ah rulings. This means that a non-Muslim is not asked to follow these rulings before she becomes Muslimah.

You have one of four solutions, I put them in sequence of preference: 1) Find an institution that provides Islamic financing such as an Islamic bank or an Islamic financing cooperative. 2) Try to get the machine you need for the partnership business on lease. You know that the prohibition of Riba does not mean that financing is free. It only means that financing by means of lending does not entitle the lender to any increment above the amount of loan. Hence, if financing is done by means of leasing or installment sale from the seller of the machine, even at a deferred price that is higher than what would be the cash price, is permissible. This means that according to Shari'ah financing may have a price or increment above its principal through leasing, installment sale and other financing modes that are compatible with Shari'ah. The Explanation of the rationale is outside the limit of this brief Fatwa. 3) You enter the business as a salaried employee, and it is none of your business nor responsibility what does the employer do. 4) You let your mother get the loan on her own, not on the partnership business, and consider the machine and whatever added cash she may contribute as her share in the business capital. In this case the loan is not taken by the business but rather by your mother personally.

Wa Allahu A'lam,

Your Brother,

Dr. Monzer Kahf

SUBJECT: Interest generating joint account

From: Islam on line
Date: March 04,
Name of Questioner Raheem Gender Male Age 31-45
Education Graduate Date Submitted Email
country of Origin User Ref. No. country of Res. United States

Question

I am a Muslim man married to a Christian woman. We have a JOINT bank account that gives good annual interest/Riba. Is it more Halal to keep this account and use the Riba as Zakah for her Christian family or to change the account to one that does NOT give INTEREST or RIBA? Jazakum Allah Khairan

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi Ajma'in
Dear Br. Raheem
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
What is better is to minimize your earning of interest without letting the bank fool you, i.e., keep minimum amount in the account.
Then whatever interest that accrues must be distributed to poor and needy and similar general charity causes, and if her family is not poor, why giving it to them, you better give them gifts from your own pure (un-sinful!) money. I believe this is a respectful manner on your part with your in Laws. Remember Christianity also prohibit interest.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Earning interest for another person!

From: Islam on line
Sent: September 25, 2002
Name of Questioner Gender Age
Education Date Submitted 9/4/2002 Email
country of Origin User Ref. No. ZA8IPT country of Residence

Question

Dear Sir, I am wondering about what Islam says on me, where a friend of mine put his money on my account with interest. I don't make any benefit of this money. The use of that for my friend that he won't pay the taxes on his earns. He said that the Riba money will be spent on good work. I hope you answer me in English. Thank u very much.

My Answer:

[Bismi Allah al Rahman al Rahim](#)

Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I hope there is no sin on you at all. May God forgive us all. also please advise this brother of yours that he should minimize the use of interest-based accounts as much as he can and certainly any accrued interest must be given to Islamic charities as a way of keeping his own money clean of the dirt of Riba, he is not rewarded for Sadaqah because Sadaqah must be given from one's own money and accrued interest is not his according to the Shari'ah.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Interest earned by non-Muslim wife

From: Islam on line

Sent: September 25, 2002

Name of Questioner Mohammad

Gender

Age

Education

Date Submitted 9/4/2002

Email

country of Origin

User Ref. No. 6HPKZ8

country of Residence

Question

Assalamu Alaikum: Can my wife who is Christian place money from her income and money I give her in an interest bearing account like a bank cd? Can she then use that interest to give her family? Will that in anyway impact me as a Muslim as far as Riba is concerned if I don't take any of her interest money? Jazakum Allah Khairan

Your Brother

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Mohammad

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Although Riba is not forbidden for her, it is forbidden for you and your family. you are required by Shari'ah to spend on your wife, regardless of her religion, and children and you don't want them, knowingly, to eat from forbidden sources. The Prophet, pbuh, said: "And any flesh raised on Haram the Hell Fire is more worthy of it (that any other place)" Taking the interest and spending it on her non-Muslim relatives or on Islamic charity or anything outside your responsibility is not a matter of concern to you as a Muslim.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,
Dr. Monzer Kahf

**IX. ELIMINATION OF INTEREST FROM PERSONAL
TRANSACTIONS**

SUBJECT: Gradual elimination of interest-based borrowing in Muslim countries

From: dialogue@islam-online.net

Date: April 30, 2001

Name of Questioner arsal Gender Male Age 21-30

Education Graduate Date Submitted 4/29/2001

country of Origin Pakistan User Ref. No. LDN4SW Country of Res. Pakistan

Question:

We have a textile processing unit in -----, Pakistan. We are under big debt of banks interest related. We want to get rid of it now, but the nature of business is such we cannot get rid at once. What should we do? Please do not publish the question on the et/website.

My Answer:

Dear Br. arsal

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

Allah Ta'ala ordained that we MUST quit Riba at once and get rid of any remnant of it.

Otherwise it is a real WAR From Allah and His Apostle. The tribe of Thaqif in the City of Ta'if had lots of funds given on Riba and many people in that tribe had Riba as a major part of their income they asked the Prophet, pbuh, to relax for them this prohibition, even for a year or two and they will become Muslims. THE PROPHET, pbuh, REFUSED.

Dear Brother, Pakistan has several Islamic Banks established in the private sector and its major banks must have mended their operations to conform to Shari'ah after the famous ruling last year of the Supreme Court, haven't they? I am sure if you try hard with seriousness you will find Islamic financing in place of the Riba in Pakistan, and you MUST.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Transition from non-Islamic to Islamic banking facilities

From: Islam on line

Date: March 19, 2002

Name of Questioner Gender

Age

Education Date Submitted 3/3/2002

Email

country of Origin

User Ref. No. B5K8FV

country of Residence

Question

I have a problem with Riba in the bank. We are getting a lot of facilities in the bank. over draft and loans but I want to escape all this to clear my self after that, what is going to happen for Islamic bank they cant give me a loan or over draft it will take long time to get all the facilities so shall I stay with the same bank where i am now or I should I clear my self and then I will get same facility in Islamic bank? I am very sorry I took long to explain. Thank you Jazaka Allahu Khairan. I will be happy if you could answer me as soon as u can plz and give me an idea on what to do? I am scared of this Aya saying: fa' thanuu biharbin mina allahi warasulihi. Shukran wasalamu aleikum warahmatullahi wabarakatuh...that my question it shouldn't put on the browse area

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Questioner,

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

All interest-based transactions with banks are forbidden in the Shari'ah. Sorry I can't help you in giving you a course of action because it is only you who can select your own course of action. But I can you what is the Rule of Shari'ah in this regards. Overdraft facilities and conventional banks' lending, if they are interest-based as it is normally the case, are forbidden in the Shari'ah. The bank's interest is the same thing as the Riba that is clearly mentioned in the Qur'an and Allah Ta'ala give note of war declaration form Him and His Messenger to those who deal in Riba (interest) and the Prophet, pbuh, says that the wrath is on the payer of Riba, its recipient and its writer, and in another Saying the Prophet describes Riba as the worst sin, he said: Riba has thirty six kinds, the least of them is as (bad as) a man making adultery with his own mother." These Sayings are correct and authentic. The Ulama say that even non- interest accounts with conventional banks may be Haram when there exists an Islamic bank that provides similar services, because the bank will benefit from the balances in your checking anyway and a conventional bank benefits from them through forbidden contracts, in a sense you helped!

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

X. WHAT TO DO WITH EARNED INTEREST?

SUBJECT: Disposing of earned interest

From: scitech@islam-online.net

Date: 9/12/00

Question

Your question is about interest generated in a bank in the U k on the account of the Islamic Center funds accumulated for establishment of a new Islamic Center.

My Answer

Dear Br. Morad

Assalamu Alaikum wa Rahmatullah wa Barakatuh,

Since you are dealing with a professional banker whose business is to lend on interest and to mobilize funds on interest too, there is no point in returning the accrued interest to the bank. This interest accrued to the account of constructing or establishing a mosque or an Islamic center is certainly impure. I suggest that the center must take this accrued interest, (i.e., it must not leave it to the bank which will use it to maximize its income through more interest-based lending), but also do not use it for the Mosque, especially prayers' hall, just to preserve the mosque completely pure, as much as we can. (Remember, even the disbelievers of Makkah did not use any Riba-earned funds in the reconstruction of the Ka'bah before Islam). Have the management of the center use this interest for the poor and needy, or add it to charity funds assigned to help people under stress and aggression throughout the Muslim world.

Sincerely,

Monzer Kahf

SUBJECT: Disposing of earned interest

From: [Haroon](#)

Date: 2/28/00

My Answer

Dear Br. Haroon

Assalamu Alaikum

Yes, this is the pure Riba, nothing else. Riba is an increment (fixed or variable) in a lending relationship regardless of the personalities. The criterion of lending is that the principal is guaranteed by the borrower.

You may give it to charity or a Local Masjid, for the Masjid it is better to tell them it is Riba, so they do not use it for very respected things like payment to Qur'an teacher or carpeting the mosque. I said better because it is only better, as compared to obligatory, not to use such "dirty" money for such respected purposes

You are rewarded, InShaAllah, for keeping you money pure and clean, not for the charity itself.....This giving cannot be considered, say, part of your Sadaqah or Zakah payment...

Respectfully,

Your Brother

Monzer Kahf

SUBJECT: disposing of earned interest

From: dialogue@islam-online.net

Date: 12/22/2000

Name of Questioner: Nayeem

Gender: Male

Age: 31-45

Education: Post Graduate

Date Submitted: 12/5/2000

User Ref. No: DBTQSQ

Question:

What should we do to the interest amount that we receive from Banks. We cannot leave it as such with the bank as it is likely to be used in sinful tasks. Please answer in light of Qur'an and Hadith. Jazakumu Allahu Khairan

My Answer:

Dear Br. Nayeem

Assalamu Alaikum,

al Hamdu li Allah wa al Salatu wa Al Salamu ala Rasuli Allah,

The Qur'an clearly prohibit Riba. This is emphasized in the Sunnah. A correct Hadith puts the wrath of Allah on the person who receives Riba, the person who gives it and the writer of its contract.

The definition of Riba, as derived from both language and actual practice When the Qur'an came, is: any increment made as a condition in a loan. (another Hadith adds Riba al Buyu' which is outside our subject now). This means that interest practiced in conventional banks is Riba. This is confirmed in one of the resolutions of the OIC Islamic Fiqh Academy.

One of the implications of this prohibition is that if for any reason a person received any amount in Riba, the amount must be returned to the payer because it was paid by means of unlawful contract. This is one of the known rules of Shari'ah that is derived from several texts and from the very logic of prohibition, i.e., an unlawful contract does not produce any effects and situation must be returned to the way it was before the contract. Such an amount (the Riba) is not earned by the receiver and must not become part of the receiver's property; it is a Mal Haram.

Notice now that we have two things that are not really equal: 1) to return the Riba to its payer, and 2) not to let it mingle with your own money. Suppose a case happened that you do not know the payer, or that the payer disappeared and left no agent of heir, you are still required to get rid of the obtained amount of Riba. Here again comes the Fiqh. It is known that the Shari'ah forbids destroying any property unless it is harmful on its own merit (such as alcoholic drinks). Then the only solution is to give away that amount of Riba to people who can use it without being forbidden for them, these are poor and needy and other general causes of benefit to the Muslim community.

Finally, we know for sure the payer of this Riba, a conventional bank known to us. Do we give it back to the bank? Knowing that it increases its ability to practice the evil of Riba since it is made permissible by many man-made laws....The Fiqh opinion must be prudent and it is not prudent to give it back to the bank. Here comes the opinion that: the principle is that a Muslim must not enter into a contract that earns her/him interest, and if for any reason that happens, she must give it away to general causes of the Muslim Ummah, including relieving the poor and needy. This opinion is actually unanimous between classical and contemporary Fuqaha'

I like to add that it is true a conventional bank uses the money deposited with it, but it uses that money, basically to give loans and earn interest, which is also Haram. The main business of a conventional bank is to obtain fund in interest and lend fund on interest. One must not be deceived by the term banks use for their lending, they call it 'investment.' It is in fact lending to people who make investment in the different sectors of the economy.

Wa Allahu A'lam,
Dr. Monzer Kahf

SUBJECT: Can earned interest be used to pay due interest?

From: dialogue@islam-online.net

Date: 3/2/2001

Name of Questioner Faiz

Gender Male

Age 31-45

Education Post Graduate

Date Submitted 2/25/2001

User Ref. No. EC5V3L

Question:

Since I am an expatriate and there are no means to do monetary transactions using Islamic Banks, I am forced to maintain an account in a non-Islamic Bank. Can I use the interest obtained from this account to pay back the interest incurred (even by others) on loans from such Banks? Is this not a good way to deal with interest, as one is not using the interest gained from ones account and at the same time is not giving interest (to the Bank) from your Halal money? Can the money from interest be given to help the poor? Jazakumu Allahu Khair.

My Answer:

Dear Br. Faiz

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

Interest money you get from a conventional bank is not yours because Riba is not a reason in Shari'ah to transfer or to earn property. Interest that came under your possession because of a Riba-based transaction with a conventional bank is not yours and you are not its owner. The fact is that it belongs to the natural or legal person that paid it to you, in this case the bank.

Money and any property that come under your possession that is not your, belongs to its owner and the Shari'ah requires returning it to its owner. **BUT WAIT A MINUTE NOW!** This money came to you from a bank whose business and main activity is to give loan and take deposits, both on Riba and under a law that permits such transaction. We Muslims must not fool ourselves and naively return the earned interest to a Riba-based bank. it will only increase its ability to make more Riba transactions and will give him your money with no cost. That is why the Fatwa of many and most renowned scholars came to the effect that we must give such interest to charitable and general Islamic services organizations, **DEFINITELY NOT TO ANY INTEREST BASED BANK.** **BUT** you must remember that since it is not yours, you cannot use it to pay your bills, nor to pay Zakah, nor to pay Kaffarat, nor to pay Sadaqah and you cannot use it to pay for any obligation you incur by freely entering in a Riba-based contract. The Shari'ah ruling

is that entering in a Riba-based contract to take a loan is forbidden, and it is forbidden too to use interest that came under your possession (and remember it is not yours) to pay the payable interest you created by the forbidden contract. All these must be paid from your own money. You give it away only to keep or preserve your own money clean of its sin. You cannot use interest money to derive any benefit except the reward from Allah in keeping your own properties clean.

Even an oppressive tax must not be paid from earned interest, because to say that a given tax is oppressive is judgmental and it is also on other people like you and the point that you earned interest must not give you any edge over people of cases similar to yours. Sadaqah must be paid from your own money so that you get the reward, InShaAllah, from Allah for sacrificing part of your properties for His sake.

Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Disposing of earned interest

From: dialogue@islam-online.net

Date: February 28, 2001

Name of Questioner mohideen

Gender Male

Age 31-45

Education Diploma

Date Submitted 2/22/2001

country of Origin Sri Lanka

User Ref. No. DS5B4Q

country of Residence

Question:

Assalamu Alaikum I have two questions, 1) I am living in non-Muslim country I have an account in a bank, yearly they are giving interest for my saving account. What can I do for this interest money? Can I give this money to any poor people in any religion, poor people in any Muslim or my family, to build mosque, to use any public development? 2) I read in Internet about Qadiani Muslim community (ahmadiyyat, Qadianism), please explain to me about them, who is that, what they are telling about Islam and Qadianism? There is no prophet after Muhammad (sww) so who is this Mirza Qhualm Qadiani? I heard about they are destroying/modifying translation of Qur'an also is it true? They have web side also (www.alislam.org) thanks.

My Answer:

Dear Br. Mohideen

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

1) Interest money you get from banks in non-Muslim countries must be spent on any charity, similar to the charities of the distribution of Zakah. You may give to a poor person, even a relative except those you are required to support, such as poor parents. You can give to projects that help Muslims at large in your country and outside, better give it to Muslims, though it is permissible to give it to non-Muslims. The matter is that Muslims are among the poorest in the world today and there are many other charitable resources available to non-Muslims.

BUT BEFORE EARNING INTEREST YOU ARE REQUIRED BY SHARI'AH TO MINIMIZE YOUR INTEREST EARNINGS AS MUCH AS YOU CAN, by reducing the money you deposited in banks, making other investment projects and spending on your family and on Sadaqat.

2) I am not an expert on Qadianism. The following is a brief position of Islam on them: They believe that Mirza Ghulam Ahmad received revelation from Allah, and that he was a Prophet. They made a translation of the Qur'an, by Muhammad Ali, that is not accurate on the point that Muhammad bin Abd Allah, is the last and seal of Prophets in order to accommodate their beliefs. In Pakistan their was a big struggle in the early 1950s because the government did not then consider them as a non Muslim minority. Street demonstrations and effort of Ulama and Muslim leaders like the late Maududi forced the government to treat them as non-Muslim minority.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Depositing in interest-based accounts

From: dialogue@islam-online.net

Date: February 15, 2001

Name of Questioner wael

Gender Male

Age 21-30

Education Graduate

Date Submitted 2/3/2001

country of Origin Egypt

User Ref. No. 2EAG1U

country of Residence Egypt

Question:

What about someone wants to put his money in the syndicate and he knows that they will invest it in the bank.

My Answer:

Dear Br. Wael

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

Your question needs certain explanation. What is the purpose of putting money in the syndicate? What is a syndicate? Is it what we call in America trade union: an association of workers? Does the trade union distribute any returns to members? Is putting fund voluntary or obligatory? And is membership in this syndicate obligatory or not? All these affect the Hukm.

Let me assume that you are not obligated by law to put this fund and that the syndicate uses the money to invest for its members and distribute most of or all the return to depositors and that it puts the money collected for interest in a conventional bank (not an Islamic bank). Under these assumptions, it is Haram to deposit in this kind of syndicate, and it is Haram to get any part of the return. The OIC Fiqh Academy has ruled that banks' interest is Riba and is forbidden. So did Majma' al Buhuth in al Azhar in 1965.

Wa Allahu A'lam

Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Use of earned interest

From: dialogue@islam-online.net

Date: March 31, 2001

Name of Questioner Bashir

Gender Male

Age 46-60

Education Post Graduate

Date Submitted 3/27/2001

country of Origin South Africa

User Ref. No. PBB3LX

country of Res. S A

Question:

Is money acquired as interest from bank savings permissible for use to pay personal income tax? As a Muslim living in a western environment banks are used as to facilitate money transactions primarily and to keep money safely. That it has attracted interest had been the intention. As Salaams.

My Answer:

Dear Br. Bashir,

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

Interest money acquired from conventional banks is the same Riba as mentioned in the Qur'an. The OIC Fiqh Academy studies this matter in details and issued a clear resolution to this effect. It was also declared so by Majma' al Buhuth of al Azhar since 1965.

It is Haram to take this money and if it were not from conventional banks, who are professional Riba dealers, the Hukm would be to return it to the payer.

Obviously, it is foolish to return it to Riba dealers, then the Opinion of the overwhelming majority of Muslim Scholars is to give it away for charity and general welfare of Muslims and Muslim communities. The Hukm is the same whether it is in the West or under western culture of in Muslim countries. You have to give it away so that you keep you own money and property clean and pure InShaAllah, you can't use it for paying taxed or even bank charges because it is not your money, you don't own it in accordance with the Shari'ah rule; and these payments are due on you either by virtue of contracts or of residency in certain location.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Use of earned interest

From: dialogue@islam-online.net

Date: April 30, 2001

Name of Questioner hosam

Gender Male

Age 31-45

Education High School

Date Submitted 4/21/2001

country of Origin Palestine

User Ref. No. BVC83H

country of Res. USA

Question:

al Salam Alaikum wa Rahmah Allah. I live in united state of America I want to buy a house because renting is very hard but I will have to pay interest on the house. I cannot pay it cash I have money in Palestine the interest on the money I give it away always .for not paying interest from my money can I use the bank interest to pay the house Interest and don't pay interest from my money Jazakumu Allah Khairan

My Answer:

Dear Br. Hosam

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

If you want to buy a house here in the USA can't you withdraw your money from the bank in Palestine to pay for the house here? Also is your money deposited in a bank in the part of Palestine occupied in 1948 or in an Arab bank in the West Bank or Ghazza? In the West Bank and Ghazza there is an Islamic Bank and it is Haram to deposit money in an interest-bearing account in an Arab bank there because You have the choice to deposit in an Islamic bank on the basis of Mudharabah or profit sharing and getting a Halal return or profit on it. If your money is in the West Bank or Ghazza you Must put it in the Islamic bank. If your money is tin the 1948 Palestine, you Must take the interest on it from banks in that occupied territories and you must NOT leave the interest to the bank, TAKE IT AND GIVE TO ARAB/ISLAMIC CHARITY INSIDE PALESTINE WHERE IT IS MORE AND DIRELY NEEDED. THIS APPLIES ONLY IF YOU CANNOT PUT YOUR MONEY IN A BETTER AND HALAL INVESTMENT INSTEAD OF PUTTING IT IN A BANK THAT IS PART OF THE OCCUPATION ESTABLISHMENT.

And if you can withdraw your money from the SUCH BANKS TO PAY FOR YOUR HOUSE HERE IT MAY BE EVEN BETTER.

For your specific question, the answer is NO. You cannot use the interest you take there to pay for the interest you may have to pay here on a mortgage loan for your house here, because the interest you got there is not yours from Shari'ah point of view and you have to put it in charity only to avoid mixing it with your money proper. The interest you may have to pay here is an obligation on you that must be paid from your own money not from money you do not own.

Further, you must ask the question of whether it is permissible for you to buy a house here with interest. Do you have a big family and difficulty in renting and in finding good schooling for your children and decent and safe living area for your family? all these to the extent that the conditions if the Fatwa about buying houses in America with interest apply to your case.... did you give sufficient consideration to question yourself about it?

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Earned interest and bank fees

From: dialogue@islam-online.net

Date: May 27, 2001

Name of Questioner Osama

Gender Male

Age 31-45

Education Post Graduate

Date Submitted 5/9/2001

country of Origin Palestine

User Ref. No. 6MJZTG

country of Res. New Zealand

Question:

The banking system in New Zealand and may be in most of the countries is that if you put some money in the saving account you will get interest every month and also you will be charged a monthly bank fee. My question is if the monthly bank fee is more than the interest you get monthly which means that you do not get any extra money from the bank is it OK? Or still I have to get rid of the interest? Thanks

My Answer:

Dear Br. Osama

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ALA Rasuli Allah.

The interest you get is not yours. The principle is that is it not due to you and if it is given it must be returned to the payer. BUT WE DON'T GIVE IT BACK TO THE INTEREST-BASED BANK, because giving it back to this bank increases the evil and wrong doing (al Fasad) on the earth rather than reducing it. That is why the this kind of payer does not deserves it back. The solution is thus to give it to general charity on the basis of analogy with money whose owner is not known.

If this money is not your, how can you use it to pay obligations due on you such as the charge of maintaining your account? you cannot use the interest to pay bank charges for maintaining your account, Although I personally believe that unless these charge are mutually agreed on, they are not fair because it is the obligation of the debtor (the bank as long as you are not in the red) to reach out to the creditor to repay owed money. /this argument can be challenged on ground of requiring the debtor to make on single payment for the whole amount and the debtor is not required to provide the services of honoring several checks and other payments you make.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Having interest generating account and leaving the interest to the bank

From: Islam on line

Date: February 21,2002

Name of Questioner semsem

Gender Female

Age 15-20

Education Diploma

Date Submitted 2/5/2002

country of Origin Egypt

User Ref. No. 87EBGL

country of Res. USA

Question:

Salamu Alaikum I have a saving account and there is 1% interest (Riba) but if there is going to be more than what I put in there I will not take it does that still forbidden in Islam. Thank you

My Answer,

Bismi Allah al Rahman al Rahim,

Alhamdu li Allah Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina

Muhammad wa 'Ala Alihi wa Ashabihi Ajma'in,

Dear Sr. semsem

Any amount of Riba is Haram, little or big. If you have to deal with conventional banks and there are no Islamic banks that provide similar services, as is the case in the USA, whatever Riba you get is better be taken, not left to the bank and disposed of for general Muslim Charity. Leaving it to the bank makes you a reason for mockery and helps it make more Riba.

Wa Allah u A'lam

Dr. Monzer Kahf

SUBJECT: Interest earned and interest due

From: Islam on line

Date: March 04, 2002

Name of Questioner Muslim

Gender Male

Age 31-45

Education Graduate

Date Submitted 2/9/2002

Email

country of Origin

User Ref. No.

country of Residence

Question

I have a bank account where they pay me bank interest. Al-Hamdulillah, I manage to get rid of this interest once a while when it accumulates. However, sometimes my account goes on the red and they charge me interest. Because the bank does its accounting quarterly, they show in my account the net difference between the interest given to me and taken from me which is always a positive value, i.e. interest given to me. What shall do, shall I get rid of the net interest or get rid of the interest that is paid to me and let the interest taken from me being taken from my original money?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi Ajma'in

Dear Br. Muslim

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

The best thing I start with is to change conditions of your account and close the option of going in the red. Because entering in such a contract is tantamount to entering in a contract of getting and giving Riba.

Then, earned interest is not yours and you shall have to give it away to general Islamic charity to keep your money pure.

On the other hand you must not let yourself be in a position to give Riba, remember both are not permissible and equal in their sinfulness. But if it is charged to you by the law of the land, you just have to pay it and make Istighfar.

If you were in a Muslim country I would say that is not permissible in Shari'ah especially if there is an Islamic bank in your area. and if you live in western countries, what I mentioned earlier applies

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Use of interest money

From: Islam on line

Date: March 04, 2002

Name of Questioner Fouad

Gender Male

Age 31-45

Education Graduate

Date Submitted

Email

country of Origin

User Ref. No.

country of Res. US

Question

Is it permissible to use interest money (accumulated without choice from bank accounts in countries like North America) for: (1) Needy people (2) Cover hospital expenses for people with insufficient funds (3) Tuition fees for needy students (4) Helping someone go for Hajj? In essence, how can one dispose off such money?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi Ajma'in

Dear Br. Fouad

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Disposition of interest money earned under such circumstance is by giving it to any general Muslim charitable purposes. poor and needy, tuitions and hospital bills

(sometimes, if the paicient is poor you don't have to pay them) and giving to any other poor and needy is permissible, but not for going to Hajj because a person who does have the financial capability is not obligated to make Hajj.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Use of interest money

From: Islam on line

Date: March 04, 2002

Name of Questioner Mahmoud

Gender Male

Age 31-45

Education Graduate
country of Origin

Date Submitted
User Ref. No.

Email
country of Res. United States

Question

I have sold a property with interest, when I agreed on the interest, I wanted to contribute it for building a mosque. But lately I have learned that this money is Haram. What do I need to do?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi Ajma'in

Dear Br. Mahmoud

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

It is better to keep mosques clean of any Haram money. give it to the poor and needy, general Islamic charitable causes and help those whose houses are been burnt in Palestine, Chechnya and India.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: use of interest money

From: Islam on line

Date: March 04, 2002

Name of Questioner Khalid

Gender Male

Age 31-45

Education Graduate

Date Submitted

Email

country of Origin

User Ref. No.

country of Res. United States

Question

Are Muslims allowed to take interest that banks pay on their money? As we know, banks in U.S. pay interest, so what should Muslims do with the interest earned on the money that they keep in these banks?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi Ajma'in

Dear Br. Khalid

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

The rules of Shari'ah regarding funds deposited in interest-based bands and generating interest are as follows:

1- there is no doubt that interest given by conventional banks is the same Riba prohibited in the Qur'an. This point has been confirmed over and over again by the Majma' al Buhuth al Islamiyyah of al Azhar University (1965) and later by Mama' al Fiqh al Islami

of the Organization of Islamic Conference (Decision No 10 in its plenary Session of 1406 H = 1985 CE).

2- Muslims must be keen that all transactions they do with other people, Muslims or non Muslims, are either permitted in Shari'ah or at least do not violate any of its rulings, regardless of the degree to which the other party abides by the rules of Shari'ah. In other words we can transact Muslim who abide by Shari'ah, Muslims who do not abide by Shari'ah and non Muslims as long as the transaction on hand is compatible with Shari'ah. consequently it is permissible to make transactions with interest-based banks as long as such transactions do not violate Shari'ah. Opening a checking account that does not generate interest is hence permissible, making transfers of funds, currency change, etc.

3- On the other hand, any transaction in violation of the prohibition on interest is Haram, whether with conventional banks in the Muslim countries or in the non Muslim countries.

4- There circumstance of hardship removal that affect such prohibitions, especially where there are no Islamic banks, or where they exist but they charge more than normal fees for their transactions or they are inefficient that they really waste the time of Muslims (as customer) or they have small capacity that doesn't accommodate the activities of large transactions one want to make. Shari'ah rule is to remove hardships, especially when they affect a category of people, as in such a case they are upgraded to the level of necessities in regards to their effect on relaxing a prohibition.

5- Under circumstances mentioned in (4), hardships and necessities have to be dealt with only to their size. This requires that whenever one has to deal with interest at conventional banks one must keep it to the smallest possible amount. This implies that if one happens to have an interest generating account, keep it to minimum, if you cannot avoid it.

6- The case of interest accrued in circumstances mentioned in (4) and whenever a Muslim happens to have earned interest and now he is revising himself/herself or repenting, etc.: any such accrued interest does not become your property according to Shari'ah and you must get rid of it. The principle is to return it to the payer. But this principle does not apply with regards to conventional banks, In Muslim countries as well as in non-Muslim countries (there is recommendation to this effect by the Second Fiqh Conference of Islamic Banks held in Kuwait in the early 1980s). The reason is that the banker will use it to strengthen the bank's position and ability to generate more interest-based transactions and income for itself. Beside you as a Muslim would be making fool of yourself because according to prevailing laws, that are obviously not compatible with Shari'ah, the banker, who deals in Haram, is giving you this interest lawfully and with consent. Therefore this earned interest must be treated like Haram money whose owner is not known. You still have to get rid of it but to general Muslim charities, areas like poor and needy to drought stricken people or people fighting to defend themselves and their lands.

7- Notice that this use of accrued interest is only for the purpose of keeping one's money clean from the dirt of interest and will God willing be rewarded accordingly. This is not a Sadaqa nor Zakah and cannot be considered part of due Zakah of a Sadaqa. It is also better not to use such dirt to buy copies of the Qur'an nor to build mosques, or at least the prayers area of it. Remember that the people of Jahiliyyah did not put any money earned as interest in the reconstruction of the Ka'bah before the Revelation.

8- One last point that is consistent with the previous analysis. If a Muslim happen to need to keep large sums with a conventional banks, for any reason, is it better to keep it in no interest generation account or in an interest generating account and give the interest away as mentioned in (6)? In my opinion, here come again the point that a Muslim must not put herself/himself in a position that she/he is fooled. This implies that if the laws of the land permit, especially in non Muslim countries, it is better to put large sums, when you have to put them anyway, in interest-generating accounts and dispose of the interest the same way as in (6) above.

Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Forgoing accrued interest to the bank

From: Islam on line
Date: March 16, 2002
Name of Questioner
Education
country of Origin

Gender
Date Submitted 2/27/2002
User Ref. No. K5CQVN
Age
Email
country of Res. India

Question

Assalamu Alaikum, I am an Indian living in a Hindu majority country. The banking system here runs on interest basis. In a savings account, can i take the money that is given as interest or should I forgo the money. Please instruct. Allah hafiz

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Questioner

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

No, if you happen to earn interest from a conventional bank, it is better that you take and give it to Muslim charity. Do not add it to your money because it is not yours, it is Haram for you but not Haram to charities.

This is Riba and the principle is that Riba, being unlawful in accordance with Shari'ah, must be returned to the payer. The exception of this principle in when it is paid according to the law of the land, whether in Muslim or non-Muslim countries and at the same time the payer is a person or entity that promotes and works on the basis of Riba. The reason: by returning it to such person or entity, you are allowing it more power to do the same evil and also you are giving the bank a chance to ridicule and fool you.

Try also to deal with Islamic banks, if you can, and to minimize funds you put on interest basis, without being treated as a fool by the bank.

Wa Allahu A'lam
Wassalam

Sincerely,
Dr. Monzer Kahf

SUBJECT: interest gained on a Saving bond received as a gift

From: Islam on line

Date: March 16, 2002

Name of Questioner

Gender

Age

Education

Date Submitted 2/26/2002

Email

country of Origin United States

User Ref. No. 6DTUYI

country of Res. US

Question

Assalamu Alaikum I have a question concerning interest. Before I converted to Islam, I took out some government loans to finance my education. I also recently discovered a government savings bond that I received as a gift several years ago. I cashed it in as soon as I found it, but it has already gained \$250 in interest. Is it permissible for me to use the interest GAINED by this savings bond to help pay off the interest DEBT that my student loans have collected? Can two wrong things be used to cancel each other out?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. questioner,

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

No, Brother, two wrong do not make good! a wrong needs a good action to wipe it out as Allah Ta'ala tells us in the Qur'an. Interest you earned is not your, it belongs to its payer, but we are not going to return it back there because the issuer of bonds is used and addicted to the practice of Riba and it will only help them do more Riba. Give it to Muslim charities to the purpose of keeping you own money clean and not mixed with Haram. Interest on education loans, you have to pay them unless you can make a compromise with the government otherwise. These are legal commitment that you have to honor, even recognizing that it is wrong to charge interest for such humanitarian loans. I know that the government usually give certain grace period you pay the principal without interest, you should grab such an opportunity and negotiate one like it if you missed it, otherwise pay it and make Istighfar.

I like you to be sure that the \$ 250 is really interest. Take an example. if you were given a bond of \$ 10000 as a gift and when it was given to you the market value was 4000 and maturity 30 years. You went a year later to cash it and found its market value 4500, this 500 hundred is not treated as interest, it is part of the gift you were given. This is different from a case if you bought it for 4000. If you bought it the difference is interest. but if I am given a vase as a gift and then values of vases increased and I decided to sell for 1000 although it was only 400 when it was given to me, that is not Haram. You were not given 4000, in the example above.

Wa Allahu A'lam

Wassalam

Sincerely,
Dr. Monzer Kahf

SUBJECT: Giving interest money to nephew for education

From: Islam on line
Date: March 25, 2002
Name of Questioner Abdul Gender Male Age 31-45
Education Graduate Date Submitted 3/13/2002 Email
country of Origin India User Ref. No. 7QNIFM country of Res. India

Question

Assalamu Alaikum. i am getting interest money to my nri account but I am not using it. So kindly let me know can i give the interest money to my nephew for his education. May al-mighty Allah reward you for you valuable advise for my question.

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Abdul

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

If your nephew is poor, yes you can give the interest money and you don't have to tell him that.

But if you can help your nephew from your own money I prefer it, because you don't like your nephew to live on interest money, that he is so close to you.

If he is not poor, you cannot give him interest money. You rather have to spend it of the general welfare of Muslims, especially in India where there are many Muslims who can use it.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Paying income tax from interest

From: Islam on line
Date: March 27, 2002
Name of Questioner Nazir Gender Male Age 31-45
Education Graduate Date Submitted 3/23/2002 Email
country of Origin India User Ref. No. 3LKCLU country of Res. India

Question

A Muslim living in a Islamic country is paying one income tax i.e., Zakah. But a Muslim living in a non Muslim country like India, Sri Lanka should pay two income taxes i.e., Zakah and income tax imposed by non Muslim Government. Is not contrary to the

economic equality Islam proposes? Is there any compensation/concession Islam suggests to the one living in non Muslim country in this regard? Please advise.

Notes: Is it allowed to pay income tax imposed by non Muslim government from the interest earned from bank deposits?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Nazir

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

My Dear Brother, you made a second question disguised under "note" but any both questions are in my area and I will answer them with pleasure. I shall need to make an introduction or background to each of them.

1- Zakah is not a tax and if I want to be accurate and specific it is not on income either. Zakah is the third pillar of Islam, a worship you give to any or all of the deserving categories enumerated in Verse 9:60. It is a payment but not a tax. It aims at satisfying the needs of the poor and deprived and spreading social/ economic justice between people of the same area, locality or country. Taxes are payment to governments by virtue of its being the socio political authority that administer the society/country. Since Zakah has specific objectives and recipients to the extent that it cannot be spent outside these categories, taxes are needed in any society, Muslim or non-Muslim alike. Therefore all Muslim countries and all non-Muslim countries have their own taxes, on income and/or assets and properties. They all need to spend on government employees, judges and police, roads and bridges, etc.

Zakah is not on income but on savings. because it is a religious obligation, it is lean and moderate and merciful, it does not burden the payee. it is to be assessed and paid on savings rather than total income. You may like to look at my website www.kahf.net and look at the Calculation of Zakah in North America for an example of how to calculate deductions from income when you want estimate your Zakah. In brief: you deduct all actual expenses, taxes, gifts, costs of travels and Hajj, giving for charity, to reach what is actually left over. Or simply suppose all you have is in the bank and you start from zero balance, look at the end of a lunar year from the beginning of your employment year, if you have a Nisab (# US\$ 1000) you pay Zakah at 2.5% of the balance. If less than the Nisab you don't owe anything.

2- Interest you get from anybody is not yours at all. According to Shari'ah this interest money is still owned by whoever paid it to you. What you do with it? give it back to the payer, whether Muslim or non-Muslim, and whether in a Muslim country or anywhere else. BUT if the payer is a bank or a professional interest-based money lender, you do not return the amount of interest to the bank or money lender because doing so amounts to helping it/ him making more lending for interest besides making fool of you. A Muslim must not allow herself/himself to be cheated or made fool of. Hence, interest taken from banks or money lenders must be given away to Muslim charity because it is not yours. You cannot use interest to pay taxes, never mind the country, because taxes are your duty that you must pay from your money.

Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: What do we do with interest money?

From: Islam on line
Date: April 14, 2002
Name of Questioner mohammed Gender Male Age Above 60
Education Post Graduate Date Submitted 4/8/2002 Email
country of Origin Palestine User Ref. No. WPSP5 country of Res. Canada

Question

Thank you for answering my previous 2 questions. I have a daily question by many Muslims; I will list some facts then the question (1)we receive money from the banks as an interest on our accounts(2)we pay taxes on most item we buy (3)we pay property tax on our homes(4)most of us pay interest on money we borrow from the banks to by home to live in. I read the fatwa concerning taking mortgage from bank to buy house to live in he confirm that this Haram but he said that some times but not at all time etc I REFERE TO HIS FATWA VG3A9 . NOW MY QUESTION IS (10what to do with the money we receive from the bank as interest to our account [2] can we use this money to pay the property tax on our houses and/or to use it to pay the interest on our mortgage [I told you that I took a mortgage from the bank the same year I immigrate to Canada, at that time I did not know that this Haram. Dr. Monzer Kahf asked me to more ISTIGHFAR thank you and may ALLAH bless you

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. mohammed

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

The ruling of Shari'ah is that money you receive as interest is not yours. you did not earn it and you got it by means of a forbidden contract, a forbidden contract does not cause ownership. INTEREST EARNED IS NOT YOURS. IT IS HARAM TO TAKE. What to do with it? If it were not from banks the ruling is to return it to the payer. But since it is from banks, you would be helping it make more Haram contracts and looking at you with mockery. YOU CANNOT TAKE AND CANNOT RETURN IT TO THE BANK! THEN WHAT? you have to give it to Muslim charity, help the Palestinians who are suffering from lack of food and water. This is not Zakah or Sadaqah because both must be from what you own, and you never owned this interest you got. You will be rewarded InShaAllah for keeping you own money and assets and stomach clean from the sin of Riba. You cannot use this money to pay your obligations, whether contractual or by virtue of being a resident of certain country.

Obligations of taxes, and interest on contracts you made for mortgage and others, whether sinful or excused, are your and you have to pay them from your money not from money that you don't own. By the way such obligations must be done even though interest is Haram, because you have to fulfill your contractual obligation unless you can compromise it with creditor or the government becomes Islamic and cancel it by law.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: What to do with interest money

From: Islam on line

Sent: May 11, 2002

Name of Questioner Ayman

Gender Male

Age 21-30

Education Graduate

Date Submitted 4/27/2002

Email

country of Origin Egypt

User Ref. No. AKIRMC

country of Res. Egypt

Question

I have a bank account that gives me a regular interest of 8% annually, I would like to get rid of this interest. What are the proper ways to spend it?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Ayman

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

interest money must be given away for Muslim charity and other general Muslim objectives such as helping Muslims who are struggling against occupation in Palestine and other Muslim lands under foreign occupation.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Using interest to pay interest

From: Islam on line

Sent: May 23, 2002 6:03 AM

To: 'Tamir Abo ASood'

Subject: RE: question

Name of Questioner ABDUL

Gender Male

Age 31-45

Education Graduate
country of Origin India

Date Submitted 4/30/2002
User Ref. No. ADDL44

Email
country of Res. India

Question

Assalamu Alaikum may al-might Allah reward you for your nice guidance to questioners. My brother in-law has taken loan from bank and he has to pay interest on his bank loan. In the meantime I have interest money in my nre account which i am not using. So can I pay my interest money for my brother in-law's bank interest.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. ABDUL

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

No, interest you earned is not yours according to Shari'ah and you have no right to give it to anybody. It belongs to the payer (the bank) but since the bank is a dealer in Riba we will not return it to it, instead we have to give it away to Muslim charity for food such as those who need it most in Gujarat and other areas. You cannot dispose of it as if it were your own money, because it is not yours.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Use of interest money

From: Islam on line

Sent: June 02, 2002

Name of Questioner Reshma

Gender Female

Age

Education

Date Submitted 5/28/2002

Email

country of Origin

User Ref. No. ZGBU7N

Question

Assalamualaikum A mufti and an Imam when asked by my husband about the interest gained on money deposited in bank, both said that this interest could be used to pay telephone bills, pave the toilet, erect walls, buy telephone cards. So far, Allah forgives me if ever I am mistaken, I have never touched the interests on my money in bank what I do remember. My husband is telling me to take out the interest and give it to him to pay telephone bills but I refused. I think nowadays telephone is of great importance and using the interest thereon will it not be considered a major sin. I told my husband unless I ask you I won't give him the interest. Can you please advise if I can give him the interest for use in the ways mentioned on top or do I give the interest in charity. Jazak Allak. May Allah bless you in your efforts.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. Reshma

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Interest you got from banks or any other source is not yours, period. Interest is prohibited in Shari'ah and Muslims are not supposed to earn interest because a contract that earn them interest is not valid from Shari'ah point of view.

In principle, we must not take, to begin with. We in fact must do that if we collect interest from a natural person. But banks make their business to earn interest and give depositors part of what they earn, is it wise to return it to them knowing that such an action only gives them more power to make more interest-based contracts and they make fool of us in the meanwhile.

This is the reason of the Fatwa that we must give it to charity, without expecting a reward as a Sadaqah. The only reward we surely expect from God, as the most generous Being is that for keeping our own money pure and clean. This means we must not use it to pay any of our obligations, not taxes, not phone bills, not any other obligation even if we believe it is unjust, as long as it is due on us by laws.

Your heart is correct and whoever gave a different opinion on this issue may have not been aware of the collective Fatwa of the First Fiqh Conference on Islamic Banking held in Kuwait 1984.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: What to do with interest money?

From: Islam on line

Sent: August 14, 2002

Name of Questioner

Gender Male

Age 15-20

Education

Date Submitted 7/19/2002

Email

country of Origin

User Ref. No. 2BGM9

country of Residence

Question

Assalamu Alaikum I recently opened a bank account and specifically asked for a non-interest account. However, from my bank statements, I seem to be receiving interest. I was wondering whether it is Halal to keep the interest, or if it is not, is it Halal to give this interest to charity. Please reply. Thank You.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

It is not permissible in Shari'ah to keep the interest nor to allow it to mingle with your own money. Accrued interest is not yours and you must give it to charity, it does not matter whether you tell them it is interest or not.

(an interest generating contract is void in Shari'ah and accordingly interest does not accrue. This means that it is still owned by the bank who credit it to your account. Hence, it must be returned to the bank. But because the bank is an interest based dealer, giving it back to the bank will only increase its ability to continue this prohibited activity.

Therefore you must deprive the bank such a privilege and you cannot take it because it is not yours. The solution is charity because it becomes Halal for the poor and needy).

Wa Allahu A'lam

Wa Alhamdu li Allahi Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Using interest to pay interest

From: Islam on line

Sent: August 17, 2002

Name of Questioner Mohammad Gender Male Age 21-30

Education Date Submitted 7/26/2002 Email

country of Origin United Kingdom User Ref. No. GHBCP4 country of Res. UK

Question

Assalamu Alaikum. My family has a mortgage on our house as we have no other means of purchasing it in the UK. We pay interest to the bank on this loan. I had an idea to put my money in a savings account; and then to use the interest gained on the savings to pay towards the interest charged on the mortgage. The end result would still mean we pay more interest to the bank than we receive from them, but it would ease the burden. Would it be permissible to this? Jazakallah.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Mohammad

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

No, this is not permissible. Interest accrued to your saving account in a conventional bank is not yours because interest is forbidden in Shari'ah and the interest clause, in the saving account contract that generates it, is invalid. This interest you have to give away to Muslim charity because you must not return it to the bank (that amounts to helping it do more interest contracts). The interest your family contracted is a legal obligation on them they have to fulfill, if they made the housing contract out of need to do it it may not be sinfull, God Willing.

The easier solution, and you save more on interest, is to use your money and earning to pay parts of the principal on the house of your parents, even if it were a loan to your parent, that they will pay it back to you after they finish payment on the house. This way you would be helping them reduce the amount of interest they will end up paying and reduce the time frame too.

Wa Allahu A'lam

Wa Alhamdu li Allahi Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: To whom can interest money be given?

From: Islam on line

Sent: October 07, 2002 9:06 AM

Name of Questioner	Fathi	Gender		Age
Education		Date Submitted	9/25/2002	Email
country of Origin		User Ref. No.	1FMS5X	country of Residence

Question

I want to send some money to our brothers and sisters in Palestine. I am sending a mixture of Sadaqah, Zakah and interest money. The main groups in the UK I know use some of our donation towards administrative expenses. Now I have been told that if it is Sadaqah or Lillaah money used in admin, it is acceptable. Zakah from what I think should be distributed 100% to the poor, and I don't know about bank interest. Now if I give it to the organization stating exactly what the money is and with the right intentions, would it be OK for me, or would I be also responsible if not all the Zakah is given to the poor. Please also tell me the facts about interest; who it can be given to and whether it has the 100% status as Zakah does? Jazaakumullaahu Khairan.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Fathi

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

1- Part of the Zakah money can be used for administrative expenses of the organization that takes charge of collection and distribution. It is better for this part not to exceed one eighth only because eight categories are mentioned in the Qur'an (9:60) and this is one of them. Most Muslim charitable organizations in Europe and North America are fully aware of this point and they normally use donations for their administration and distribute all Zakah to poor and needy.

2- Interest money, obtained from interest-based institutions, must be given away to the poor and needy. This is a money that is still owned by the payer, but since the payer gave it by will and is itself an institutions that uses its money in making interest-based activities we do not return it to the payer in order to avoid helping it to do more interest-

based activities, so we reduce, even a little bit, the evil of interest in the world. You better tell the Muslim charity that it is interest money, although it is also permissible to pay from it the cost of making it reach the poor and needy (administrative cost)> interest money can be given to the eight categories of Zakah recipients, it can also be used for general services to Muslims, like paving a road in your village. it is a bit wider than Zakah.

3- In all cases of Zakah, interest, and Sadaqah you don't have to tell either the recipient or the Muslim charity about what it is, but if you do it is OK as long as it does not humiliate the person who takes it.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: use of interest money

From: Islam on line

Sent: January 20, 2003 8:52 PM

Name of Questioner TAJ

Gender Male

Age 31-45

Education High School and Below

Date Submitted 12/29/2002

Email

country of Origin Trinidad

User Ref. No. 8G93GH

country of Res. Trinidad

Question

Assalamu Alaikum I live in a country which is not ISLAMIC. To whom can we give our INTREST money; can we give it to poor and needy Muslims or do we only have to give it to NON MUSLIMS? Who at this time would be bad mouthing Muslim at any given chance.

Notes: One MUFTI told me I can use it to repair fence and yard but what I really need to know is that my interest money can help someone in need

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. TAJ

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

The principle is that wherever you live you must arrange all your transaction according to the Islamic law. Hence, you do not enter in a contract where you earn or pay interest. If it happens inadvertently you Must return the interest to the person who gave it to you because it was given by means of an invalid contract, certainly we are talking from Shari'ah point of view although it may enforceable by law not only in the Western countries but unfortunately in all Muslim countries today, including inside the city of Mekkah, in conventional banks that have offices beside the Haram!

If the person who paid it to you was a professional money lender or a bank, you must not give it to the payer because that increases its/his/her ability to deal more in Riba and

makes mockery out of you and your religion that forces you to return it to the payer. In such a case you still must not allow the interest money to mingle with your own pure money and you have to give it to Muslim Charities or poor. There are several Muslim charities in your country and in all other countries that have Muslim communities. It is not prohibited to give it to non Muslim poor, but in today's world there are many many Muslims who are in much more dire needs than all others, you better give to those who need it more. But remember it is not yours and you cannot consider it a Sadaqah nor Zakah. You will, God Willing, be rewarded by God for your keenness to keep your own money pure and clean.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Using interest on savings to offset interest on mortgage

From: Islam on line

Sent: February 02, 2003 9:04 PM

Name of Questioner muhammed Gender Male Age 21-30

Education Post Graduate Date Submitted 1/30/2003 Email

country of Origin United Kingdom User Ref. No. KPG5L8 country of Res. UK

Question

Could one take a mortgage whereby any interest charged could be offset from interest that the bank gives on a savings account i.e. there is only one account for savings and mortgage and the account holder is not concerned with interest gained or taken from the account but allows them to cancel each other out.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. muhammed

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I cannot understand how this can economically be feasible, you pay interest at 7% and get interest on your savings at 0.8%,! Is that what you ask me about? give me an exact incidence not a hypothetical unreal one! After all, making such transaction is irrational and a person who does it must be punishable at least for his irrationality if not for double indulging in prohibited acts!

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Using interest money to pay taxes

From: Islam on line

Sent: March 03, 2003 7:16 AM

Name of Questioner faizalpk

Gender Male

Age 21-30

Education Post Graduate

Date Submitted 2/22/2003

Email

country of Origin India

User Ref. No. XUTFYW

country of Res. India

Question

I have a bank account in a secular bank in Kerala and there is Rs 5000 as interest, at the same time I have to pay Rs5000 as income tax for my income for one year. If I can receive interest from the bank and pay the sum as Income tax?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. faizalpk

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Earned interest is not your money and it is forbidden to keep it with you or mingle it with your money. if in fact belongs to the payer because you got it through a forbidden invalid contract (the bank deposit contract).

If it is not your money, you cannot then use it to dispose of your responsibilities including taxes to local and central governments. Taxes, regardless of whether you believe that they are just/right or not, are personal responsibilities that are a result of laws in the country you live in. (If you live in Texas you don't pay State income tax because Texas has no income tax, and if you live in New York, you pay federal income tax, State income tax and City income tax too).

Interest must, in principle, be returned to the person who paid it. But since the payer is a bank whose business is to give and get interest, and payment is done according to land law returning it to the bank helps it to make more of this forbidden transaction and makes it look at you as a fool and irrational person, you do not return it to the bank but YOU MUST GIVE IT TO MUSLIM CHARITIES. You will get the reward of keeping your money clean but it is certainly not considered Sadaqah nor can it be counted as part of the due Zakah.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Use of interest money

From: Islam on line

Sent: March 25, 2003 6:28 AM

Name of Questioner basheer

Gender Male

Age 21-30

Education Graduate
country of Origin India

Date Submitted 3/20/2003
User Ref. No. FY6WHL

Email
country of Res. India

Question

It is about banking interest (Riba). Shall I pay the interest to poor as help. Can I do the same in a better way if it occurs on our life?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. basheer

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Interest obtained from conventional banks is not money you own because it came to your hands by invalid contract. Therefore you should rid yourself of it as soon as you can by giving it to the poor and needy, better through Islamic charitable Organizations. It is not "clean or pure" money to give to the local mosque for instance. You cannot make Waqf out of it because Waqf, according to Shari'ah, can only be created by one. own money or assets. This is not considered Sadaqah for the same reason but you will be rewarded for you intention and action of keeping you money untainted by, or pure off interest.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Use of interest money

From: Islam on line

Sent: June 02, 2002 10:57 PM

Name of Questioner Reshma

Gender Female

Age

Education

Date Submitted 5/28/2002

Email

country of Origin

User Ref. No. ZGBU7N

country of Res.

Question

Assalamu Alaikum A mufti and an Imam when asked by my husband about the interest gained on money deposited in bank, both said that this interest could be used to pay telephone bills, to pave the toilet, erect walls, buy telephone cards. So far, Allah forgives me if ever I am mistaken, I have never touched the interests on my money in bank what I do remember. My husband is telling me to take out the interest and give it to him to pay telephone bills but I refused. I think nowadays telephone is of great importance and using the interest thereon will it not be considered a major sin. I told my husband unless I ask you I won't give him the interest. Can you please advise if I can give him the interest for use in the ways mentioned on top or do I give the interest to charity. Jazak Allak. May Allah bless you and your efforts.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. Reshma

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Interest you got from banks or any other source is not yours, period. Interest is prohibited in Shari'ah and Muslims are not supposed to earn interest because a contract that earn them interest is not valid from Shari'ah point of view.

In principle, we must not take, to begin with. We in fact must do that if we collect interest from a natural person. But banks make their business to earn interest and give depositors part of what they earn, is it wise to return it to them knowing that such an action only gives them more power to make more interest-based contracts and they make fool of us in the meanwhile.

This is the reason of the Fatwa that we must give it to charity, without expecting a reward as a Sadaqah. The only reward we surely expect from God, as the most generous Being is that for keeping our own money pure and clean. This means we must not use it to pay any of our obligations, not taxes, not phone bills, not any other obligation even if we believe it is unjust, as long as it is due on us by laws.

Your heart is correct and whoever gave a different opinion on this issue may have not been aware of the collective Fatwa of the First Fiqh Conference on Islamic Banking held in Kuwait 1984.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Can interest money be given to family?

From: Islam on line

Sent: April 01, 2003 6:57 AM

Name of Questioner A. S.

Gender Female

Age 31-45

Education

Date Submitted 3/25/2003

Email

country of Origin

User Ref. No. LBZDRN

country of Residence

Question

Assalamu Alaikum Wa Rahmatu Allah wa Barakatuh! I'd like to ask the following: Can a female (married) give the interest she receives from her stocks/Bank Accounts to family as a help with their finances (housing, bills etc). Family means mother, unmarried sisters, sick brother, and adopted brother. Can the same married female pay her Zakah of Mal to the adopted brother's education and the sick brother's handicapped schooling. The father has passed away, and it is the unmarried sisters who are running the family.

Notes: Your immediate reply to the above will be highly appreciated. Best Regards

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. A. S.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Let us first establish whether you are financially responsible for their economic welfare. If you are rich and your mother and minor (including handicapped adults who are unable to earn) brothers/sisters are poor and they don't have a male bread winner closer in relation than you (like a father of your deceased father), you and your unmarried working (or rich) sisters are required according to Shari'ah to satisfy their financial needs to your standard of living or at least to the extent you can financially afford. In such a case you cannot give them either the interest you happen to acquire (which according to Shari'ah is not earned nor owned by you) or your Zakah. The reason is because that amounts to giving these funds to yourself as they reduce your responsibility. This financial responsibility is shared between you and other working (or rich) sisters in accordance with the financial ability of each. If what a closer relative is providing is not sufficient, you are required to supplement it from your own income and wealth.

Notice that I am assuming you are rich, that is you are the owner of bank and stock accounts independent of your husband because in Shari'ah husband and wife are financially independent from each other unless they elect to have joint accounts, then these joint accounts are considered as owned separately on the basis of 50/50. If your husband is the owner, or if we are dealing with the interest on his 50% of joint accounts and the Zakah on his own money, all that can be given to the poor members of your family including mother and minor siblings, even adult siblings if their income (and wealth) is not sufficient for their expenses.

If we establish that you are not financially responsible because either they have their own wealth or they are taken care of by a grandfather you cannot give them the interest or your Zakah because they are not poor any more!

This means that you should not give the interest to your mother and minor siblings, and you should not give them your Zakah too. Adult unmarried sisters who are poor (either not working for some reason or their income is not sufficient) may be given from Your Zakah and also from the interest, Although I wouldn't advise to do so if you can afford it, especially the interest, because it is not pure money; also because a possible likelihood that you may be required to support them too.

The case of an adopted sibling: You know that adoption is prohibited in Islam as mentioned in the Qur'an (33: 4 and 5) and any adoption made under any law in a Muslim or non-Muslim country is invalid from Shari'ah point of view. On the other hand fostering a child and providing her/him with family care and environment, especially for an orphan, is highly praised and recommended in both the Qur'an and the Sunnah. The implication of the Prohibition of adoption is that it does not produce any family relation at all according to Shari'ah. This means that you have to treat an adopted sibling exactly as if he/she were a totally stranger in all matters of Hijab (covering body and hair except face and hands) financial responsibility, inheritance, marriage, etc. Consequently you are not responsible to provide an adopted sibling with his financial needs and you can give him the interest and your Zakah if he is poor.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Use of interest money

From: Islam on line

Sent: April 08, 2003 8:16 AM

Name of Questioner Ronaq Gender Age
Education High School and Below Date Submitted 4/6/2003 Email
country of Origin Mauritius User Ref. No. Z3AHCP country of Res. Mauritius

Question

We have put money in bank since a long time and we have much interest on this money now in bank. Can we use this interest money for the Mosque or Madrasah or another work? If no, what can we do with it?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Ronaq

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

You are not in the non-Muslim hemisphere, you are in a country with substantial Muslim minority that cannot be treated like Muslim individuals who live in the West.

As an Islamic organization you should have not put money in the bank to earn interest.

You should have used this money, I am sure collected from donations, to benefit the Muslim community in the area of your Society, as the donors put their trust in you. Now that it happened, it must not be repeated and the interest must be used for the general services to Muslims in areas other than the main function of the Society. This is in fact the Fatwa given by the OIC Fiqh Academy to the Islamic Development Bank earlier in its life, that such interest money must not be added to the normal bank's money and be used for the general services of the Muslim community.

You can use it to help the poor and needy, establish an orphanage, a battered women shelter, a house for the elderly, or any similar use, but do not mix it with the society's own funds and do not leave it to the interest-based bank either.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

XI. FULFILMENT OF EXISTING CONTRACTUAL OBLIGATIONS TO PAY INTEREST

SUBJECT: Fulfilling already signed interest-based contracts

From: dialogue@islam-online.net

Date: December 30, 2000

Name of Questioner: Umm Amin

Gender

Age

Education: Post Graduate

Date Submitted: 12/25/2000

User Ref. No.: 4Q3VT9

Question:

Then it would be Haram to take out more loans to finish school that was started before I was a Muslimah, but it would be acceptable to pay back loans very slowly and attend school very slowly, even though attending school might divert some of the money that would repay the previous debt sooner?

Notes: Assalamu Alaikum Sheikh Mufti Monzer Kahf Previously, you gave me answer A3EDC7. Of course, as a Muslimah, I would love to still attain high achievement.

However, I prefer to obtain the 'Ilm that is best for obtaining Jannah rather than for obtaining worldly things. As a new Muslimah, I have a lot of serious responsibilities that could have a lot of consequences if I make the wrong choice, like a newborn baby boy, elhamdulillah, or learning the right path and avoiding the Haram. I have read so many Hadith that speak about how Riba will get us to hellfire. InShaAllah I can see how Riba paid from previous commitments might be unavoidable, but I am afraid of committing to more educational loans because they would be commitments to Riba now that I am a Muslimah and know it is Haram. The only means of attending school I have is through loans with Riba, or by attending at a very, very slow rate (MAYBE one class per semester). So I am not sure what a person in my situation should do, except to do my best to avoid committing more Haram with new loans and trying to continue at a very, very low rate to pay the loans, and of course, study. Of course, right now my husband is also seeking to improve himself, but his studies will also be slow because he has to work and learn the language here, too, InShaAllah.

My Answer:

Dear Sr. Umm Amin

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

Please allow me first to express my admiration about your commitment to find out the right path. This keenness is a major asset that many people lack. It is essentially important to find out the right thing and this is the meaning of Taqwa as defined By Umar, the Second Successor of the Prophet, pbuh. **TO WATCH CAREFULLY WHERE YOU PUT EACH STEP.**

Remember that becoming Muslimah removes all prohibited sins committed before Islam. You have to fulfill your obligation, though Riba-based because as a Muslimah you must honor your contracts, and this contract was done before Islam and under non-Islamic laws.

Now solving you present problems without any Riba or other prohibitions is required by Shari'ah, as much as you can. Allah, Subhanahu wa Ta'ala says: and he who fear Allah, Allah will make a way out for him, and will give him sustenance from where he does not expect, [65: 2-3]. Do your best to the best you can and make your intention to pay the previous loan as soon as you can, because this is also a Shari'ah requirement: that you allow the least Riba accumulation on your previous loan, and seek some grants, some better paying job, some help from the community, Muslim and otherwise, etc. I would not say that a solution is to slow down on payment of old loans and to slow down on schooling together..... I would say to make your Niyyah first to do the most on both and to seek the different venues to helping doing them both as much as you can. And May Allah be in your help.

Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: An interest-based loan before reverting to Islam

From: dialogue@islam-online.net
Date: 12/22/2000

My Answer

Dear Sr. L.

Assalamu Alaikum,

Al Hamdu li Allah wa al Salatu wa al Salamu ala Rasuli Allah,

The loan you obtained before reverting to Islam is an obligation on you, and the Islamic morality does not permit abstention of repayment, with its interest after you become Muslim, even if that will take many years, and You are not making a sin by doing so, unless you can reconcile with the lender to give you a relief on the interest or part of it. What surprised me is that you consider your reversion to Islam as the cause of not being able to continue your study, are you sure? I rather think that becoming Muslim strengthens your urge to study and to go to a higher level of achievement.

Wa Allahu A'lam,
Dr. Monzer Kahf

SUBJECT: Paying interest and principal on already contracted loans

From: Islam on line

Date: 2/16/2002

Name of Questioner Tara

Gender Female

Age 21-30

Education Post Graduate

Date Submitted 1/29/2002

country of Origin United States

User Ref. No. 876GH3

country of Res. USA

Question:

Bismillah er Rahman er Rahim. Assalamu Alaikum Wa Rahmatullahi Wa Barakatuh. 1) I incurred a debt from a Riba based loan during my university studies in excess of 11,500

USD and also from a credit card that has Riba of 500 USD. I was a new Muslim at the time I took out the student loan and if I had known the consequences then of Riba I would never have taken it out. The credit card was not done in ignorance Astaghfiru Allah but out of necessity that occurred in my life. Now I find myself not able to pay off either loan. What can I offer as expiation for these debts without paying them off (i.e. extra fasting, praying, Sadaqah) or MUST I pay this debt back? 2) I have an offer of marriage from a Muslim brother who intends to go to jihad in the future InShaAllah after he pays off his debts. I also have an offer of marriage from a brother who is an Imam. I know that I should put my trust in Allah Ta'ala and make Istikhara. My question is which would be more pleasing to Allah Ta'ala, that I should marry the Mujahid and not worry about when he dies and who will take care of me afterwards or if I should marry the brother who is an Imam? I hope that you can answer me soon InShaAllah! Jazak Allahu Khair ameen.

My Answer:

Dear Sr. Tara

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

There is no escape in Shari'ah from paying one's own debts. Unless relieved by creditor, If one doesn't pay one's debts in this life one has to pay them in the Afterlife. Debts do not die out and there is no compensation in prayers or fasting. Debts have just to be paid back unless one reconciles with one's creditors that they accept partial payment or forfeit the debt, all.

I suggest that you must find a job, if you are not already working and start paying on your debts. Many creditors accept a compromise; take such opportunities and negotiate with your creditors. Unfortunately, unless you make such compromises you have to pay the interest too that have become your legal obligation though it is Haram.

I am not an expert on the second question. Please send your second question again separate and it will be forwarded to an expert. But I have one word for you to think about. Unless the person who wants to be a Mujahid is a Palestinian, a Chechen, a Cashmiri, or a southern phillipino, he cannot make the hopeful Jihad. These are the people who are making Jihad for their liberation from occupation and colonialism. I am afraid he may be ignorant of the very meaning of Jihad. Any way, ask that your question should go to a specialist in Islamic marriage counseling.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Do you have to pay all debts to banks?

From: Islam on line

Sent: December 28, 2002 8:31 PM

Name of Questioner uk

Gender

Age

Education

Date Submitted 11/25/2002

Email

country of Origin

User Ref. No. NUBTCB

country of Residence

Question

Hi, I want to know do I have to pay back the money which I owe to the bank. I had a student account and I took out an interest free loan of 1250 pounds and also I am now over drawn by 7000 pounds. With the same bank I owe them 2000 pounds for a credit card bill. I want to know if I don't pay the money back to the bank will this be seen as a debt unpaid on the Day of Judgment because the bank says it will take me to court which will lead to me being black listed if I don't pay. If I have to pay this money back do I pay the interest on it? Please explain with references thanks.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. uk

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

It is forbidden in the Shari'ah to "Eat the property of people in vain." This is mentioned in the Qur'an several times. it is also mentioned in the Sunnah several times too. There is no differentiation between Muslims and non-Muslims as they all are covered by the word people [in Arabic al Naas]. Beside this is a form of Nahb [maraud] that is specifically prohibited by the Prophet, pbuh. A man came and announced that he became Muslim. He asked the prophet that whether it was permissible to keep some property he got from the unbelievers in a way of Nahb (raided their land and got property) The Prophet did not allow him to stay in Madinah and ordered him to return that property and said that Nahb is not permitted in our religion. It is certainly sinful to take this money, all of it : credit card, loan and overdraft and any similar taking) with the intention of not returning it. It is also sinful not to return it, and it remains your debt that will be questioned on the Day of Judgment. It is sinful to escape paying it by default, fleeing the country or any other method. Black listing by banks is a form of penalty but it does not relieves you from the penalty on the Day of Judgment.

If you took money from others, regardless of whether legal entities like banks or natural persons like another human being and regardless of the religion of the person you take money from, with the intention not to pay it back is forbidden no doubt about it.

Remember that the Prophet, pbuh, at the time of his migration from Makkah left his cousin Ali, although that would endanger his life, to pay back the money deposits some of the unbeliever Makkans had deposited with the Prophet, pbuh.

But taking it with the intention to pay back and it happened later that you r circumstances changed and you became unable to pay it is permissible to declare bankruptcy as long as it is honest and truthful, and then the court decides to sell your properties and distribute it to creditors.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

XII. INTEREST-BASED LOANS TO RUN OR SAVE BUSINESS

SUBJECT: Interest-based loan to protect one's business form bankruptcy

From: dialogue@islam-online.net

Date: 3/27/2001

Name of Questioner Muslim

Gender Male

Age 21-30

Education Diploma

Date Submitted 3/26/2001

country of Origin Pakistan

User Ref. No. VLH43Y

country of Res. US

Question:

Salamu Alaikum I have a terrible situation developed. I have a friend who is an excellent practicing Muslim. This friend had started a business that can be highly profitable and purely Halal. In order to get off the ground, though, he needs a hefty investment. No one within our community can offer the funds. If he does not get the funds, he may go bankrupt. In cases like this, is it allowed for him to take a business loan from a bank? Of course the loan will have Riba. Can you think of another alternative (i.e., any Muslim organizations that assist entrepreneurs with monetary needs).

My Answer:

Dear Br.

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

I am too fearful to give a Fatwa on this issue. I know that protecting one's property and reputation (avoid bankruptcy) is one of the Maqasid of Shari'ah, but the Fatwa we have goes to the extent of interest-based mortgage for those who really need residences in a reasonable manner.

It is up to you brother, try your fellow Muslims and ask your heart if it is very crucial to protect this business and your reputation from bankruptcy.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: borrowing to run business

From: dialogue@islam-online.net

Date: 2/13/2002

Name of Questioner Sarfaraz

Gender Male

Age 21-30

Education Graduate

Date Submitted 1/25/2002

country of Origin India

User Ref. No. CLFRCZ

country of Res. India

Question:

Assalamu Alaikum If a person needs money to run his business. He does not have any other source of borrowing the money. So he can take the money on interest. If he does not take the money or borrow the money then his business will close down. In that case, taking money on interest is valid or not?

My Answer:

Dear Br. Sarfaraz

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

Borrowing on interest is certainly forbidden. This is very clear and specific in the Qur'an and the Sunnah. it is one of the grossest sins the Shari'ah defines, one of "al Kaba'ir."

Muslim businesses must realize that prohibition and build their businesses within their means without any dependence on conventional banks' support.

Only necessities may relax such a very sinful act.

To my knowledge Indian Muslims have several quasi-Islamic banks that provide financing in accordance with Shari'ah and the Muslim Indian community has many interpersonal relations that help in emergencies. I can hardly see a necessity for borrowing on interest there. Anyway a necessity can only be determined by the consciousness of the person, not by any body else, but realize that Allah, Ta'ala, is most knowledgeable.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Interest in business

From: Islam on line

Sent: Tuesday, April 16, 2002

Name of Questioner jaffer

Gender Male

Age 31-45

Education Post Graduate

Date Submitted 3/23/2002

Email

country of Origin India

User Ref. No. G4ZC73

country of Res. India

Question

could you please let me know the calculation of zakah in the modern context to include properties on rentals/leases, stocks and shares, business incomes, mutual funds, etc - in short an ideal zakah calculator 2) Please clarify the situation with regard to bank interest in the normal course of the business - whether it is allowed in the context of payment to bank/individuals. 3) Whether life insurance is allowed in Islam? 4) Insurance in the context of business - retail outlets in stocks/cash/vehicles/buildings, etc

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. jaffer

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Brother are you asking me to write you four books through questions in a fatwa?

1- please read "the calculation of Zakah in North America" you will find it on two Websites www.isna.net and www.kahf.net

2- bank interest is forbidden in all its forms, in business and in relation with customers.

3- life and other insurances are controversial. cooperative insurance in which premiums are paid on donation basis are agreeably permitted. commercial-based insurance is permissible according to the late Shaikh Zarka and others (a minority) and not permissible according to the majority of Shari'ah scholars.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Interest loans to salvage business or to expand it

From: Islam on line

Sent: September 06, 2002

Name of Questioner Bilal

Gender Male

Age

Education Post Graduate

Date Submitted 8/20/2002

Email

country of Origin United Kingdom

User Ref. No. 9VEDCR

country of Residence

Question

This question is regarding dealing with interest based business finance and whether it is allowed for a Muslim business person to involve in such finance if a) they reach a situation where if they do not get such finance the business could either go under or seriously lose its viability b) There is a need to expand the business to realize real business opportunities especially when there is no alternative available either due to its lack of existence or accessibility for your business. Surely, if all Muslim entrepreneurs stop taking interest-based business loans (especially either due to lack of accessibility or absence of Islamic finance or even non-viability of Islamic finance package) they are going to struggle to grow business albeit very slowly through organic means or become prey to severe competitive environment of the today's business world. I do understand that we Muslim business people should support or even set-up Islamic finance initiatives but this is a strategic issue and the real question for now is what should we do in the meantime? We cannot just simply leave non-Muslims to eat-up business opportunities (including in the Muslim world) and subsequently use the profits to suppress us!! Thank you

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Bilal

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

You dilemma is very serious. it is as serious as being a religious obligation on all the

Muslim community (Fard Kifayah) that exists as minorities in countries which do not have Islamic financing institutions. The meaning of Fard Kifayah is that it is a personal individual obligation on each and every Muslim who can help in this effort and such persons are considered sinful until what is needed is done and the only way to relieve them from the sin is if some of them actually take action to fulfill this requirement.

Establishing Islamic financial institutions for Muslims in the western countries is a Fard Kifayah. Until sufficient number of them is established, using conventional financing for protecting one's property is permissible such as being threatened of bankruptcy and an interest-based loan would set it up straight. However, promoting one's business is speculative by definition and consequently it is not a necessity that warrants relaxing a prohibition. Yet establishing Islamic financing institutions for such an objective is a Fard Kifayah

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

XIII. PARTICIPATION IN FUNDS THAT INCLUDE INTEREST

SUBJECT: A Compulsory Provident Fund that operates on interest

From: dialogue@islam-online.net

Date: April 30, 2001

Name of Questioner mohamed

Gender Male

Age 46-60

Education High School and Below

Date Submitted 4/22/2001

country of Origin Sri Lanka

User Ref. No. 8PBWCI

country of Res. Sri Lanka

Question:

Assalamu Alaikum. In my country a compulsory Provident Scheme operates where the contribution is credited to your Account with the Central Bank and interest is also automatically credited. This could only be withdrawn after you attain 55 years of age. Since the interest element comes to you automatically how could I dispose of interest received from the bank? Also how should Zakah be paid on the money? Should it be paid once after receiving the money or annually on the amount with the Bank?

My Answer:

Dear Br. Muhammad

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

To give you an exact answer I need more information in specific about the provident fund you are in, they all are not exactly alike. Matters like, can you withdraw even with a penalty? Do you have an option not to enlist in it if you are an employee on whom the law of the fund applies? Is deduction obligatory and defined in the law or you choose

how much to contribute? Are funds invested by the Central Bank? And where does the interest come from? Is it from the CB itself?

Now, if the contributions are obligatory and usually deducted from salaries before payment and if interest is added by the central bank itself automatically and if you are not allowed to withdraw and not given a choice to change venue of investment and if at old age you are paid in accordance with actuarial calculations, The amount deducted from you, with whatever accumulation over it are not subject to Zakah, because you don't have full command of ownership over them. **It is not of your business what the government adds to it**, when you are paid pensions, these payments are treated like salaries from the government. Shaikh al Qaradawi believes that Salaries are subject to Zakah after deduction of the amount needed for living of the recipient and family and other legitimate expenses this is applied actually in Sudan today. If the pension you get is high enough to cover all that and you have any left over, you may be subject to Zakah. The majority of Fuqaha, including the OIC Fiqh Academy's opinion is that salaries (and similarly pensions) are not subject to Zakah.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Are the additions to Provident Fund account interest?

From: Islam on line

Sent: February 24, 2003 8:19 AM

Name of Questioner	Tariq	Gender	Male	Age	31-45
Education	Post Graduate	Date Submitted	2/5/2003	Email	
country of Origin	Pakistan	User Ref. No.	SRADAW	country of Res.	Pakistan

Question

Dear Scholar, Assalamu Alaikum! I am a government servant. Some amount of money is deducted from our salary and is put in provident fund every month, and 15% interest is also given on this amount. Is this Halal from Islamic point of view, or is it Riba.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Tariq

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Interest is certainly prohibited. But I don't think you explained the transaction of the Providence Fund correctly, to my knowledge it does not give you any interest. Please check you sources and get me the exact, especially in written instructions, of how the Providence Fund in Pakistan operates and how it deals with the enrolled employees, exactly and I will give you detailed answer. I need this information and I hold you responsible toward God to provide it to me.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

XIV. INTEREST LOANS UNDER HARDSHIP

Subject: What necessities relax the prohibition of Riba?

From: Islam on line
Sent: January 19, 2003 7:43 PM
Name of Questioner ali Gender Male Age 31-45
Education Diploma Date Submitted 12/21/2002 Email
country of Origin Yemen User Ref. No. 97Q38U country of Res. Tanzania

Question

Is it Halal to borrow money FOR BUSINESS from BANKS?

Notes

I hear scholars saying: For emergency almost everything is Halal. If you are in a place where no food and you are about to die and you got Haram food (pork) then Halal to eat...Then please let me know what is the scale of Emergency (financial position) for Riba to be Halal?....

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. ali
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Necessities that invoke relaxation of a prohibition are cases that if no immediate remedy is done a great harm is almost certain to happen to any of the five fundamental thing for which the whole set of Shari'ah rulings is given. Like the example you just mentioned, a person is thirsty to the extent that if a liquid is not swallowed a certain damage shall happen to the person's body. similarly, a person who sets her finance according to the rules of Shari'ah, and does not undertake Riba-based debts nor make other contracts that contradict the Shari'ah rulings, happens to fall under a debt, say for taxes, and her property is threatened to be confiscated or foreclosed in such a way that brings unbearable harm to the wealth of this person, and she does not find any way to get money without interest; to save her property she may get an interest-based loan provided such a loan does not make her sink more !

Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,

[Dr. Monzer Kahf](#)

SUBJECT: Destitute taking loans from governments

From: dialogue@islam-online.net

Date: Feb. 28, 2001

Name of Questioner nissar

Gender Male

Age 21-30

Education High School and Below

Date Submitted 2/24/2001

country of Origin India

User Ref. No. J5C8PC

country of Residence India

Question :

The Govt. here has started some schemes to lends loans to the under privileged youngsters, it also provides the claimants with subsidy to the loan. I am one of the kind without any support from any sources. Should I go for it.

My Answer:

Dear Br. Nissar

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

If you are really destitute and have no other support and you cannot reach any of the Islamic organization, cooperatives, Amana or Amin Islamic quasi bank, Yes you then can take as much as can make you stand on your feet and make a small business that provides you with an income sufficient to pay the loan and its interests and for your sustenance.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Getting an interest loan to pay a due loan

From: dialogue@islam-online.net

Date: March 28, 2001

Name of Questioner MOHAMED

Gender Male

Age 31-45

Education Graduate

Date Submitted 3/17/2001

country of Origin UAE

User Ref. No. LGAAVE

country of Res. Sri Lanka

Question:

I borrowed an amount of Dirham. 3,000.00 six month ago for some urgent works. Now he needs the money. I am not in the position to give that money. Only way is to withdraw the money from credit card and pay. When I withdraw money from credit card, bank will charge interest on that. Please advice me in this regard whether can I take money from credit card or not? Salaam

My Answer:

Dear Br. Mohamed

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

The loan you have is due when the lender asks for it. This is the nature of lending is Shari'ah when it is not attached to specific promise of postponement or given for a special purpose known to the lender, that can only mature after a given period of time that is known to the lender. In other word, general purpose loan does not have a maturity date. It can be called for payment by the lender any time.

If you cannot pay, with full honesty and your utmost effort, the lender is required to wait on you until you can do it as Allah, Ta'ala says in the Qur'an.

Getting an interest-based loan through credit card or any other means is not an option for Muslims in their borrowing/lending relationships. This is not a necessity that allows interest-based borrowing.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

XV. BORROWING ON INTEREST FROM OWN 401K ACCOUNT

SUBJECT: Borrowing on interest from one's own 401K account

From: dialogue@islam-online.net

Date: April 30, 2001

Name of Questioner Omar

Gender Male

Age 31-45

Education Graduate

Date Submitted 4/19/2001

country of Origin Lebanon

User Ref. No. 28FR4C

country of Res. U S

Question:

Salam I work for a company in the United States that offer a retirement plan known as 401k plan investing in stocks. As an employee I am eligible to borrow half of my amount invested. However, part of the borrowing conditions is you return the money over a certain period of time and you are charged interest on the money. The interest is paid to your account (this is the key issue here). The principal and the interest go back to your own investment plan. Is borrowing the money acceptable? Salam Omar

My Answer:

Dear Br. Omar

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

The funds you contributed in a 401K account is completely yours, although there area few restrictions on your withdrawal and all can be solved by a penalty. These restrictions aim at the tax issues. They are not restrictions from the point of view of ownership.

However the funds contributed by the employer do not become yours unless you fulfill certain conditions. You do not own the employer's contribution until these conditions are

fulfilled. In a sense they are only Amanah (trust) in your account until these conditions are fulfilled.

Usually, all earnings in the account are yours.

What does that mean? It means that any amount you put in that account is yours, you name interest it is OK. It doesn't matter even interest is permissible within your own properties. Suppose you own 2 companies with different ID numbers and different legal entities, but you own both of them completely and it helps you in taxes or for any other reason to pay interest from one to the other. That is also permissible.

In the case of the 401K you are paying interest from one account that you own (your personal account with your bank) to another account that you also own. That is permissible.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Loans from the 401 accounts

From: dialogue@islam-online.net

Date: August 12, 2001

Name of Questioner Uzzal Gender Male Age 21-30

Education Graduate Date Submitted 7/18/2001

country of Origin U SA User Ref. No. H8662Z country of Residence US

Question:

Assalamu Alaikum. May Allah reward you abundantly in this life and hereafter for helping Muslim Ummah. I believe this is the most authentic site on the web. I need your advise about the loan from my the 401K plan. I am planning to borrow money from my 401 plan. My company will deduct this money in five years from my pay check. But they will charge me 7.50% interest. This interest will be added in my account. Basically this will be my money. If I do not pay back the money they will simply deduct this money from my 401K account. I would have to pay around 40% tax. Should I borrow this money? My second question is can I go to Hajj if I borrow money from my 401K plan? If some one has debt is his hajj will be acceptable to Allah? Please answer my questions in the light of Qur'an and Sunnah. May Allah reward you for your help.

My Answer:

Dear Br. Uzzal

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

You mention in your question that the company will charge you 7.5% and it will add it to your 401K, and you mentioned a 40% tax. You kind of confused me by that. Let me put it the way I understood it and give the answer, if I am wrong, please correct me.

You have a 401K account which is administered by the company, funds in this account are contributed by you with some matching money from the employer, and you are allowed to borrow from this account, if you opt to withdraw money from this account you

have to pay taxes as well as penalty to the IRS, also if you close your 401K account within a given number of years from the beginning of your employment you may be penalized by the employer by taking back part of the company's contribution. But when you borrow funds from your account the administrator of the account, and probably the law too, require you to pay interest which will be credited to the account itself, no part of this interest goes to the administrator.

Borrowing from your own 401K account is permissible because you are borrowing from yourself and you can charge interest to yourself because it means you taking money from one account of yours to another, no more than that. You do not need a Qur'an and Sunnah for that. But there is a case clause to it reported by Ibn Abbas, May Allah Be Pleased with him and his father. It is about interest between a person and the person's own slave. That is permissible because all that is in the hand of the slave is owned by the slave's owner, as the slave does not independent financial identity.

There is an established Fatwa in Islamic banks all over the world to this effect. They use it to avoid taxes or to reduce them when the bank owns several other subsidiaries and manipulate income between them as interest to seek the best tax saving strategy.

Your second question about Hajj, certainly you can go for Hajj and you can also use money borrowed with interest from your own self, i.e., your 401K account to finance the trip if you so desired.

Only one case of a debtor that prevents him/her from going to Hajj, that is when the debt is due and the money planned to be used for Hajj is the money needed to pay the debt.

Debts that are not due like house mortgage that are due on future income and money that is not needed to pay a due debt can be used for Hajj and May Allah Ta'ala accept you hajj.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Borrowing from 401K

From: Islam on line

Date: 2/13/2002

Name of Questioner Sarfaraz

Gender Male

Age 31-45

Education Graduate

Date Submitted 1/23/2002

country of Origin Pakistan

User Ref. No. Q3ZH76

country of Res. U S

Question:

Assalamu Alaikum InShaAllah this e-mail reach you in highest degree of Iman. I would like to know is it Halal, if I borrow some money from 401K plan, and when I return my own money to my account I have to pay interest. Please I need this answer as soon as possible. Jazaka Allah Khair

My Answer:

Dear Br. Sarfaraz

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

401K is an account fully owned by you, it is like having two bank accounts in a bank. From Shari'ah point of view, you certainly can withdraw and deposit any amount in any of your two accounts under any name. In other words, Riba doesn't occur between two financial and legal entities owned fully by the same person, even if the word interest is used for regulatory and/or tax purposes.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

XVI. TRANSACTIONS CONFUSED WITH INTEREST

SUBJECT: Is factoring a form of Riba?

From: Abdullah

Date: 10/12/00

Dear Br. Abdullah

Assalamu Alaikum,

Thank you for your message.

The question about factoring is to my knowledge new for Muslim scholars, in fact this is the first time I hear of it although I claim that I am familiar with the banking practices in the US, I doubt that it is practiced by banks in the Middle East. I never heard of it in Saudi, Egypt, Syria and Jordan. I did not come across any writing in either Arabic or English about the Shari'ah position on factoring

In fact there are special insurance companies, mainly international, that give similar benefits. They guarantee the debt created on international importer by the import transaction so that the debt is paid on time to the exporter.

This is why I wanted you to explain it in writing. So an answer can be specific to the point. Any way let me make the best out of what I understood from you on the phone yesterday.

Factoring means: the creditor in a sale carries the bill of credit sale, or the promissory note (which was signed by the debtor) to the bank, and the bank guarantees its payment on due date, to the extent that if the debtor does not pay, the bank steps in and makes the payment to the creditor. The bank charges the creditor a fee which is usually a percentage of the amount guaranteed. You also added that this factoring service is provided by the bank to its customers (the creditors) against a fee paid on regular intervals, usually monthly, with the provision that if the creditor uses the service to the extent that the total individual fees of all transactions during the month exceeds the monthly amount the bank takes only those fees and forsakes the monthly charge, but if that total falls short of the monthly fee, the bank takes the latter, which is higher.

I added the words "promissory notes" because this is a known transaction. When there is a promissory note and the bank signs it, this is usually called acceptance, at least in some

countries and creditors make it part of their contract with purchasers, The bank usually charges a fee to the guaranteed person, not to the creditor. This provision is known to the Islamic literature on banking, and if falls under the title of guarantee (kafalah) according to Shari'ah. it is permissible and there are differences of opinion among scholars with regard to the permissibility of the fees charged to the debtor.

Let us talk about factoring when there are no promissory notes and when the creditor is charged. The closest point that I remember is that of the fee charged to merchant who accept credit cards by the issuer of the card for providing them with the service of guaranteeing the payment of the amount charged on the card in their sales to the card holder. The only difference being that payment in credit cards is spontaneous while payment in factoring is postponed by virtue of the conditions of the sale contract itself, not by virtue of the bank garnet.

The fees on merchant in credit cards are approved in the writing of most scholars who wrote on credit cards, especially in the last few meeting of the IOC Fiqh Academy. This means that if factoring is what is described above, it must also be permitted, because the difference is not related to the issue of guarantee itself and it does not involve any interest based transaction, although the price of deferred payment sale may be higher than spot-payment sale.

With my Salam and greeting to you Br. Abdullah, and please feel free to contact me any time

Sincerely,
Monzer Kahf

SUBJECT: Taking a house loan as a tax shelter

From: dialogue@islam-online.net

Date: September 19, 2001

Name of Questioner Muhammad Gender Male Age 21-30

Education Graduate Date Submitted 8/17/2001

country of Origin India User Ref. No. 3MYEWB country of Residence India

Question:

Dear Sir Assalamu Alaikum. I am a citizen of India. I am working for the most prestigious software company. My payment is about 20,000 RS P.M. I pay about RS 3,000 every month in the form of income tax here. I had consulted various learned Islamic scholars here. They say that tax is not a liability in Islam and U r not required to pay tax as a religious obligation. I pay the Zakah regularly. What I want to know is what should I do in such Situation? I had devised a very good and legal (in terms of legal constitution of India) way to prevent myself from paying tax. I saw that every year I am paying about RS 36,000 as Tax. Then why not I take some home loan, Buy a home and start paying the installment. In this case the government will give me tax exemption. I will save tax and instead of paying the money to the corrupt officials I will pay to the needy Muslims. If suppose that I am required to pay RS 20,000 instead of RS 36,000 then I save 16,000. I am willing to divert this entire amount to the Needy Muslims. One of the scholar here whom I respect very much said that It is Not Allowed, The reason being that

I am paying interest to the bank when I take the loan and Islam does not allow transaction where Interest is involved. What's your opinion sir, please reply soon Allah Hafiz.

My Answer:

Dear Br. Muhammad

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

Let us not mix issues. Zakah is obligatory in Shari'ah; it has its conditions, exemptions, recipients, etc. It is one of the Pillars of faith on which the whole religion of Islam stands.

On the other hand, taxes are in most countries necessary to finance the running of governments and their services. Taxes are sociopolitical obligation that need not be mixed up with religious obligations. Hence, terms like 'taxes are not liability in Islam' have no relevance at all. In taxes, laws usually permit using tax loopholes to avoid taxes in a legal way, these can be used by any person to the fullest of the law; no blame.

Further, Riba (interest) is prohibited and all interest based transactions are not permitted in Shari'ah unless one falls under a state of necessity, as defined in Shari'ah.

If it is necessary for you to buy a house on interest you can do it otherwise the answer is NO. I understand that there is an Islamic bank in India, can't you take financing from it and get the same tax benefits?

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Refinancing to get some money out

From: dialogue@islam-online.net

Date: Sept. 5, 2001

Name of Questioner Aisha Gender Female Age 31-45

Education Post Graduate Date Submitted 8/24/2001

Country of Origin United States User Ref. No. AGCRRW country of Res. U S

Question:

Assalamu Alaikum. I purchased a home for my sister 3 years ago because she was experiencing financial difficulties. I have an outstanding mortgage balance in the amount of \$120,000, after having put approximately \$150,000 into the house. The problem is that I can't afford to keep up with the payments and also I would like to receive some equity out of the house as I need immediate cash. What are my options! My thoughts on the issue are this. 1. My sister purchases the house for whatever amount she can afford to pay. The downside to this is that would mean I could never get out of the house what I put into it and my sister would end up with a 30 year mortgage. NOT GOOD. 2. I keep the house in my name. My sister pays as much as she can monthly. I make up the balance. Then I refinance the house to get out some equity. Is this acceptable in Islam? Your Sister in Islam, Aisha

Notes: Property Value approximately \$270,000. I am a new Muslim. InShaAllah my husband is just in the process of accepting and doesn't understand usury. He is a business man and doesn't want to lose what he feels is his. I could give more info if required.

My Answer:

Dear Sr. Aisha

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

1- Please allow me, Dear Sister, to start from the beginning. In the Islamic law interest is forbidden. This is mentioned in the Qur'an in the strongest language ever. Please refer to Chapter II Verses 275, 276, 278 and 279. And if you use Yusuf Ali's translation please put the word interest (as we know it in our language today in place of the word Usury and notice also that he sometimes used milder words than in the Arabic Text. As in verse 276 Yamhaq means to wipe out and make it vanish not only to deprive it from blessing. Any talk about permissibility of any interest-based transaction is only based in Shari'ah on the matter of necessity or quasi necessity, not on the basis that the prohibition can afford any relaxation.

2- The Act you did in helping your sister is a glorious one. This is the best of charity and it will, God Will, be rewarded by the Almighty manifold, even if you did it before you became Muslimah.

The rule in Shari'ah is that "a benevolent must not be charged burdens." It is derived from Verse IX: 91. In this regards, it implies that although you bought the house to help your sister, you still can make any other use of it, being your property because you are helping her in every moment she lives in the house, and you don't have to be burdened with helping the next moment. Of course if you do you are still rewarded, more and more.

3- Put together, your options do not seem to me limited to only what you mentioned (one point is missing yet, do you take rent from her? regardless of whether at market rate or below because you are rewarded many folds, InShaAllah, by the Most Generous and Most Knowledgeable.

4- Can't your sister rent some other place, even with your help, and you sell your property? Can you borrow from another benevolent like you?

5- In the final analysis refinancing does not seem to me an option unless there is necessity or quasi necessity for you that can be invoked to overrule the prohibition of Riba.

6- Your sister's family may have such a necessity or quasi necessity, and you may consider keep helping her finding and making down payment on a smaller house or on renting, etc.

7- My prayers go to you that Allah, Ta'ala, gives His guidance to your husband and bring the light of truth into his heart.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Free overdrafts, are they permissible?

From: dialogue@islam-online.net

Date: 1/9/2002

Name of Questioner

Gender

Age

Education

Date Submitted 12/20/2001

country of Origin

User Ref. No. IBKEVZ

country of Residence

Question:

It is the practice of many of the banks in my country to offer an interest free overdraft to students as an incentive to open a bank account with them. Could you advise as to what the position of the Shari'ah is regarding Muslims accepting such overdrafts. Jazaka Allahu Khair in advance.

My Answer:

Dear Br.

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

I wished you gave more details in your question, details about other attached conditions to permitting overdraft and for how long and whether you ask about students writing overdrafts or the student's creditors who accept such overdrafts.

Allowing interest-free overdrafts amounts to extending interest-free Hawala (transfer)-based loans. This is permissible to offer and to accept and to practice. However, conventional banks, very often use it with a catch, more often by limiting the interest free (grace) period to a given number of days, after which they start charging interest if the amount of the overdraft is not paid. The final outcome is: it is a conditional permissibility from Shari'ah point of view. If a student is very sure of her/his sources of sufficient funds to pay the amount of overdrafts WITHIN THE GRACE PERIOD, he/she may write such overdrafts, otherwise it is forbidden to write them.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Renting a spot to a conventional bank for ATM

From: imam@IslamiCity.com

Date: 2/1/2002

Question

I am a businessman situated in India. I have recently constructed a small building for commercial purposes which I intend to rent/lease out to some good company/firms. I have been approached by Citibank and American Express to lease out a small portion of my building on the ground floor for putting up an ATM (Automated Teller Machine) which as you all know dispenses cash and attends to other banking related activities. My question to your learned Self is whether it is permissible to do so and whether the rent that I receive from such banks will be Halal. While I do partake in normal banking activity for my business I try very hard not to involve myself in any interest related

activity, which I am sure you will agree is next to impossible in a country like India. I will also be grateful to you if you can forward me any links from where I can obtain more related information. May Allah Guide all of us on the right path. Was Salaam

My Answer:

Dear Br.

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

This question relates to the issue of what transactions are permitted with people whose income comes from Haram or mixed sources, and/or their use of commodity we sell them is for conducting Haram or mixed actions.

Although there are sayings about the prohibition of the incomes of those who claim being future and unseen readers (Hulwan al Kahin) and prostitutes (Mahr al Baghiyy), there is no call or even a trace of evidence that they must not be sold food, cloth and other permissible commodities. Would it be imaginable that the Shari'ah may call for prohibiting selling them and leave them to starve? Any claim of prohibition of making sale contracts with them is not consistent with the texts and objectives of Shari'ah and cannot be supported by any evidence from the Qur'an and Sunnah.

Further, in contracts when we talk about components of a sale contract and the conditions of these components, there no mention to make research about the source of the price paid by the purchaser or rent paid by lessee. It is true that if one happens to know that the price itself (they say its 'Ain) is known to be stolen, you must not accept it as a price. The reason is that a stolen thing remains a property of its owner not of the person who has a hand on it.

Let us come now to the use of sold commodity by its purchaser. There are talks about resentment or dislike (Karahah), not prohibition, of selling grape to a person who is known for sure to use it for brewery. But al Nawawi [al Majmu', vol. 9] argues that it is permissible to sell a slave singer for a price that includes a premium for her singing (with the assumption that singing is Haram). Putting these together, one may conclude that even if we accept the view of Karahah, it is conditioned by certain knowledge that it is going to be used for Haram.

Applying these rules to the question on hand makes the following: the use of an ATM machine is to dispense cash, make deposits and provide information. It is not to make interest based contract. For instance, there is no argument for prohibiting a job of cashier or teller in a conventional bank even though cash dispensed may be a result of a Riba-based contract. But dispensing the cash by a teller is not Haram. It seems it is permissible to rent a space for an ATM from the point of view of the use of the rented space. As for the income of conventional banks, no one can claim that all of it comes from interest, in some conventional banks, especially in the third world, like India, non interest sources of income make high percentage of net profit. The most that can be said is that its income is mixed. Further no one can tell for sure that the specific dollar given as rent is the dollar that came from Riba transaction so one cannot fall back on the argument of a stolen price. Lastly, the price (rent in our case) is taken in exchange of a permissible thing (the usufruct of the space) in a permissible contract.

Wa Allahu A'lam

Wassalam

Sincerely,
Dr. Monzer Kahf

SUBJECT: Recommending interest investment to non Muslim clients

From: Islam on line
Date: March 15, 2002
Name of Questioner Jamal Gender Male Age Above 60
Education Graduate Date Submitted 3/9/2002 Email
country of Origin United States User Ref. No. HVKBH7 country of Res. US

Question

I am a Muslim professional financial planner (that is I recommend financial plans for a fee). Is it Halal for me to recommend non-Halal investments to non-Muslim clients?

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Jamal

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I know it is not Haram to make such recommendations, but I wouldn't like it because interest-based investments are also prohibited for Jews and Christians. they are bad for the society as a whole.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Interest and extra repayment of loan

From: Islam on line
Sent: April 18, 2002
Name of Questioner Gender Age 21-30
Education Date Submitted 4/6/2002 Email
country of Origin User Ref. No. ZCBVYE country of Residence

Question

I would like to discuss a matter with you, one of my friend asked money from me and offered to pay me something more than what I will give him, by himself. As i had no intention of asking him more, so I am in doubt whether I can take what he pays or just the amount I have given him

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. mohammed

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

The is a difference in Shari'ah between interest and good manners at the time of repayment of a loan. The Prophet, pbuh, praises "Husn al Qada" that means good at the repayment and in an instance of repaying a debt on him, pbuh, to Jabir bin Abdullah, the Prophet pbuh, instructed Bilal to pay him the amount of debt and "give him more." This is certainly permissible and rewarded.

Interest must be pre-conditioned in the contract, or as a result of customary practices "al 'Urf." If your friend told you about the extra at the time of getting the loan, I am afraid he may have thought of it as interest, but if he volunteers an extra at the time of repayment, it is Halal InShaAllah,

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Foreign currency Credit cards transaction fee, is it Riba?

From: Islam on line

Sent: April 18, 2002

Name of Questioner AbdulHameed Gender Male

Age 21-30

Education Graduate

Date Submitted 3/30/2002

Email

country of Origin United Kingdom User Ref. No. RC7MQ6

country of Res. UK

Question

Assalamu Alaikum. When you buy a product from another country; this obviously involves a different currency. Credit cards allow you to buy in another currency and charge you a "foreign exchange transaction fee" in addition to the corresponding monetary amount in your own currency, is this transaction fee considered Riba?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. AbdulHameed

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

This fee is not Riba. To my knowledge, credit cards companies don't charge fee but charge the highest exchange rate on the day of the transaction settlement, which is also permissible.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Is sharing cash discount interest?

From: Islam on line
Sent: November 25, 2002 11:26 AM
Name of Questioner S Gender Male Age 31-45
Education Graduate Date Submitted 11/15/2002 Email
country of Origin India User Ref. No. 4WNIQE country of Res. India

Question

Dear Shaikh Salam Alaikum A friend of mine has a manufacturing industry, He has to buy raw materials on credit terms, He can avail about 10% discount on cash payment or upfront payment. He asked me to invest money for purchases of raw materials and agreed to split the discount money equally between us, i.e., 5% each. If the purchase is worth 100k and he gets discount of 10k, both of us takes 5k per transaction. Can you kindly shed some light on this, because here the risk factor is negligible as the materials are insured, and I do not have any share in the manufacturing profits. Please advise.

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. S

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

If you give him the cash and get any increment (this 5k in your example), then he pays you back the cash you give, this becomes pure lending for interest. But there is a Murabahah contract you may use that is within the limits of Shari'ah. You can make an agreement between the two of you in which you buy materials and he promises you to buy them from you at a higher than your cost. then for each shipment, the order will be made in your name (i.e., you buy the materials) for the 100k - 10k discount, upon arrival and taking delivery you sell them to him in a second contract at 95k. This way you get your expected 5k and he gets the material for the 95. The catch here is that there must be two sale contracts, one after the other and you must take legal delivery of the materials before the second contract is signed. Of course you can delegate him to take delivery on your behalf, by a power of attorney that authorizes him to take delivery in your name and on your behalf.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Are tips interest?

From: Islam on line
Sent: March 12, 2003 8:03 AM
Name of Questioner Hamad Gender Male Age 21-30
Education Graduate Date Submitted 3/4/2003 Email

country of Origin Pakistan

User Ref. No. BTEYV9

country of Res. UK

Question

Assalamu Alaikum. The following is a dilemma/question someone has asked me to request your opinion on the matter. A Brother in Islam who by profession is a taxi driver was asked by a Non Muslim if he accepted tips from paying customers. The brother replied he did, the Non Muslim then enquired wasn't this actually accepting 'Interest' or not. Wassalam

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Hamad

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

It is absurd to equate tip with interest. Interest is a stipulated increment in a loan while tip is a gift by a satisfied customer although it is often paid reluctantly. Tip is not forbidden.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Interest on saving bond given as a gift

From: Islam on line

Sent: February 24, 2003 9:30 AM

Name of Questioner p

Gender Female

Age 21-30

Education Graduate

Date Submitted 2/17/2003

Email

country of Origin United States

User Ref. No. X211CA

country of Res. USA

Question

Assalamu Alaikum, this question refers to the interest that might be earned from United States savings bonds. These are money bonds that can be purchased for one price, and as the years go by it gains interest. My question is this: my mother has sent me a US savings bond that someone had given to me as a gift 20 years ago (my mother was holding onto it- i did not know about it). Since I did not know about the bond.. And therefore was not intending to gain interest from it.. And it was a gift...can I keep the interest? I think my case might be different than the person who saves money with the intention of getting the interest. Please advice me what to do. i could really use any money i can get, but i do not want to do anything Haram. Thank you. Assalamu Alaikum

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. p

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Your mother sent you a bond saying this is a gift for you from some body you just go to a bank and cash it. Do not allow time to laps after you received it, because time here means accumulation of interest. You have nothing to do with what happened in the past and you are not required to dig and search how it reached its cash value of the day you received it. It is simply a gift you received today and cashed it. You get its value on the day you received it Halal InShaAllah.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

XVII. ALTERNATIVES TO INTEREST

SUBJECT: Does fixing the profit in investment make it like interest?

From: Islam on line

Date: March 04, 2002

Name of Questioner Asif

Gender Male

Age 31-45

Education Graduate

Date Submitted 2/9/2002

Email

country of Origin Pakistan

User Ref. No. 1DIKPH

country of Res. Pakistan

Question

One Textile mill is offering Investment Certificates and offer profit between 10-15% per annum. It means they will give profit on year end not less then 10% and not more then 15%. It means profit is not fixed. My question is this that this kind of profit is allowed in Islam or not.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi Ajma'in

Dear Br. Asif

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

You should notice that all opinions on Musharakah and Mudharabah certificates are derived from the Fiqh chapter on partnership. Hence, imposing an upper limit on the share in profit of some parties in a partnership or company is permissible because it amount to that party surrendering what is above that limit to the other party.

On the other hand, there is symmetry with imposing a minimum. Imposing a minimum amount to guaranteeing a fixed return and this may end up, under certain assumptions, to give all the profit or more to one party and depriving the other from any part of realized

profit or even letting him down in the red. This is called interrupting the principle of sharing in partnership. And it is not permitted in Shari'ah, being a form of interest.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Are dividends forbidden like interest?

From: Islam on line

Date: March 11, 2002

Name of Questioner siraz

Gender Male

Age Above 60

Education

Date Submitted 2/12/2002

Email

country of Origin United Kingdom

User Ref. No. M4LESN

country of Res. U K

Question

I have bought company shares after saving for 3 years. I receive dividends but I have not sold them yet. Q1. Are dividends Haram as interest is on savings? Q2. Do I need to pay Zakah on unsold shares? Q3. Even though I have no physical money in hand during contributing towards the share option scheme, when do I pay Zakah, once a year or at the end of 3 years when the shares mature?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. siraz

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

You confused me, brother, what is the three years for? what does it have to do with the question? what did you not sold, dividends coupons of the shares? you didn't have physical money during contributing to the scheme, but do you have now?

Anyway my general and very brief answer is:

Share you buy of your company and other companies, in company option plan and outside it, in retirement plan and outside it are subject to Zakah on the market value of the stock on the day the Zakah is due. Zakah is due 354 day (lunar year) from the day you obtained Nisab (approximately US\$ 1000) adding up all your Zakatable items together, i. e., shares+ cash+ saving and checking accounts, etc. If the company contribute to the option plan and has restriction on the transfer of ownership to you, e. g., shares the company contributes become your only after six month of the grant although they are credit to your account now, you do not include in the calculations shares that did not satisfy this condition. Zakah is due and payable at the end of the year from the first time you acquired Nisab and every year thereafter. Zakah is a yearly due payable year after year even if the Zakatable items are declining as long as they are still at least Nisab. It is sinful to knowingly delay its payment without Shari'ah acceptable excuse, but it still must be paid. If you don't have sufficient cash to pay it, this is an acceptable excuse, you can

pay when you have cash, even if it were when you liquidate the shares, but you have to pay for all past years.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Interest and Murabahah

From: Islam on line

Date: March 15, 2002

Name of Questioner Syed

Gender Male

Age 21-30

Education Graduate

Date Submitted 2/25/2002

Email

country of Origin United Kingdom

User Ref. No. 746YBC

country of Res. U K

Question

Dearest brother and respected Shaikh, I pray that Allah continues his blessing upon you and accepts your truly valuable work Fisabilillah, and grants you the highest ranks in Jannah, InShaAllah. Amin. We are an Islamic Television Channel established in the UK, to be broadcasted on Sky and Cable by the end of this year, InShaAllah. Our programs are structured around three key strands; Informative, educational and entertaining within the platform of the Islamic Shari'ah. The core aims of the channel are to provide a unique platform for the Muslim Ummah and also counter the western and non-Islamic media and propaganda, with the will and help of Allah almighty. NOW TO THE QUESTION: We are currently doing a program for a series called The Business Hour, and the topic for next week's program is: Islamic Finance and Halal Investments. There will be three guests on the program, two of them are the Managing Directors of Two Islamic Banks and one of them is Brother Tarek Al-Dewani, who wrote a book titled "Problems with Interest". The questions concerned are as follows: 1) Is it prohibited for Person A to transfer 100 dollars to Person B on condition that Person B transfers 110 dollars to Person A in one year's time? 2) Is it prohibited for Person A to transfer 100 dollars to Person B on condition that Person C transfers 110 dollars to Person A in one year's time? 3) Is it prohibited for Person A to pay 100 dollars to Person B for a car, on condition that Person C shall immediately buy that car from Person A for 110 dollars payable in one year's time? (The cash flows from A's perspective on all three of these contracts are the same, but some [a and b] are clearly interest whilst c is the standard Murabahah contract used widely in Islamic finance). These questions will be presented to all three guests for profiling during the program, therefore we would like to know the stance of the scholars on the following case-study which we then can reveal to the audience. I would be very grateful if you may email the answers to me please. Finally, If you have any enquires regarding the Channel or the program, then please do not hesitate to contact me on this email address: admin@Channelislam.tv with many thanks, Jazak Allah Khairan. Was-salam. Syed

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Syed

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I wish great success in this very impressive endeavor and I pray to Allah Ta'ala to grant you all help and support.

Brother, for God' sake when you deal with terms that relate to finance or any legal matter please make the words you use in the program clear and tied. Your three questions are not definite nor tied.

Nothing in law, Shari'ah and business called "transfer" unless you deal with transferring funds from one bank to another or one country to another.... Q1) A gives a loan to B with condition.....A 1) this is Riba, it is Haram. Q2) A gives a loan to B \$ 100, with the condition that C will pay on behalf of B 110. A2) This is Haram, like case 1 because CO here is merely an agent of BE, CO has no effective role in the contract. Q3) A buys a car from CO for 100 with the condition that BE buys it from A for 110. The purchase contract is Fasid because CO has nothing to do with BE and cannot obligate her to buy the car from A. YOU ARE INCORRECT IN THINKING THAT THIS IS THE MURABAHAH.

Murabahah is : BE promises A that if you buy that car from CO for 100 cash I will buy it from you for 110 delayed. A buys the car, and after that BE buy it from A in fulfillment of the promise. This transaction is not Riba, it is not Fasid, each contract stands on its own. If BE does not fulfill her promise A is stuck with the car, cannot go back to CO and de-validate the purchase contract. With regard to whether this promise is binding, there are two views: yes and no and some Islamic banks follow the yes and others follow the no.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Alternative to interest in micro-credit financing

From: Br. Rao

Sent: April 27, 2002

Assalamo Alaikum

Dear Monzer Kahf

First let me introduce my self

Am MSc Economics from International Islamic University, Islamabad. I have been working with Islamic Relief (UK) All the mailing am doing is Unofficial, should not be quoted anywhere Am a part of Neelum Valley Integrated Development Program, and running the Sustainable Livelihoods component. My component aims at improving the economic status of the firing hit valley of Kashmir.

Now we are planning to start a Micro-credit for that area our methodology is to form "Community Organizations" or COs comprising of 20-50 households. We do all the work

with these COs. All COs collect their savings, and deposit in bank account, in the name of the org. IF we do "Mudarabah" with CO, for 50% ratio (of profit or loss. Now our CO "Murabahah" say for Agricultural inputs.

Question 1

What is status of the CO here? Can we do a business with CO. Is the CO an entity, Islamically to deal with?

Question No 2

Which mode of financing is appropriate for us to deal? We have to work in Agriculture, Micro Enterprise Development, Livestock and Small Infrastructure schemes. I have taken a lot from your time. May Allah pay you much more. Rao

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Rao Javaid Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

1- The COs are legal entities from the Shari'ah point of view. This is emphasized if they are registered as legal entities with proper authorities. We have several example in Shari'ah of this kind of entities, even if they are not treated as such by the law of the land (though this does not apply to the COs because they can easily be registered as legal entities). For instance, the cooperative fund of an Islamic insurance company is considered an entity with accounts of its own.

2- Remember that agriculture in most Muslim countries is highly weather affected. This means that we need to use a contract that does not overtax the peasant at the good times, and gives her/him some relief at bad weather times. It seems that Mudarabah at 50% is overtaxing or overcharging. You may like to consider a weather cycle, by making the Mudarabah for several years and at lower rate of profit. Salam can help if the country does not suffer from high inflation. Salam is a cash purchase of crop that will be delivered at the harvest. The price differential is the compensation of the creditor. Murabahah is OK for inputs although if the crop fails every one will default. It is important to keep cost low, especially cost of the CO because at high cost you really are not able to make the small ones become owners of their productive assets, especially livestock. Please don't do a cost of capital at any thing close to 15% maximum even if you have to support the program by donations for the administrative cost.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Interest of conventional banks and profit of Islamic banks

From: Islam on line

Sent: June 19, 2002

Name of Questioner yosra

Gender Female

Age 15-20

Education Post Graduate

Date Submitted 6/1/2002

Email

country of Origin Egypt

User Ref. No. 22M2J country of Res. Egypt

Question

Assalamu Alaykum, my father died when I was 5, my mother got a great depression after that , so 3 years ago she transferred our money from Islamic to non Islamic bank I was told (no blame for sick people), I am going to be 21 soon & I will take the money but to transfer money she kept for me for so long this will hurt her so much I know that there is no obedience to anyone for disobeying Allah (she has psychological sickness) can I calculate the difference between interest of two banks and give it to charity or what can I do to obey Allah also without hurting her?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. yosra

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Giving the difference to charity is not a solution because all interest is prohibited and must not be left to mingle with your Halal money.

If you can't transfer the money to an Islamic bank without informing your mother, even if you have to give her words that have two meanings and you decided to keep it in an interest-based bank, you must give away for charity all the interest not only the difference.

Besides, interest earned during the period, when your mother was your guardian must be given away to Muslim Charity and Muslim public causes, such as supporting the fair and just struggle of the palestinian people against occupation and aggression. This past interest must not be left with your own Halal money.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject:

Buying a computer on installments

From: Islam on line

Sent: September 30, 2002 4:06 PM

Name of Questioner amged

Gender Male

Age 21-30

Education Graduate

Date Submitted 9/11/2002

Email

country of Origin French Polynesia

User Ref. No. QC7J46

country of Res. Andorra

Question

Salam Alaykum. Is it permitted to buy a computer by installment on a fixed interest over certain amount

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. amged

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

paying and/or taking interest is certainly forbidden in our Shari'ah. This is clearly mentioned, with the strongest wording, in the Qur'an and in the Sunnah.

Buying on installment is permissible at the same price as cash purchase and/or at a higher price, even if the seller calculates the installment price by adding interest to the cash price. If the contract does not specify a price and an increment for installment in the contractual text, it is permissible (even if the word interest is used as a method of calculating the installments, but not as a clause of the sale agreement).

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Interest and return on savings and investment

From: Islam on line

Sent: August 21, 2002

Name of Questioner muhammad

Gender Male

Age 21-30

Education Post Graduate

Date Submitted 8/3/2002

Emai

country of Origin India

User Ref. No. F413VN

country of Res. India

Question

DEAR MONSER KAHF ASSALAMU ALAIKUM I want to know about RIBA I am reading the glorious QURAN and the interest mentioned there is on lending of capital and charging interest as banks do. But I want to know about the returns on savings and investment where the return is not fixed it varies from time to time on the profit that the companies make. Can we call this at interest for example the company which I work gives the policy holders bonus which is projected at 5% but not guaranteed can v call this interest because I have heard that anything which has the element of profit and loss is not interest. And further your opinion on the insurance policy that pays guaranteed returns and also about bank interest in non Islamic countries where the economy runs on interest (banking).

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. muhammad

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Interest in any increment stipulated in a lending contract or transaction. It may be prefixed or determined at the end of contract. Investment is a loose term that is used for lending and for equity. Equity differs from lending in that equity exposes the owner to

losses and profits. Equity is permissible as long as the trade you are investing in is permissible. Lending according to Shari'ah does not generate any income, it is an act of charity and goodness rewarded by God only and thanks, but no increment, from the borrower. Names do not affect the Shari'ah ruling and what matter is the nature or exxence of the relationship, that what determines whether it is equity or lending. If you call Riba interest or commission or profit, it does not become permissible as long as the nature of the transaction is an increment, conditioned or customary, in a lending transaction.

Insurance run by commercial companies is disputed and insurance offered by cooperative (mutual) companies and the premiums are paid on contributory basis is permissible provided it is void of interest.

Wa Allahu A'lam

Wa Alhamdu li Allahi Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Is buying with deferred payment not Riba?

From: Islam on line

Sent: January 30, 2003 8:55 AM

Name of Questioner	Hakeem	Gender	Male	Age	21-30
Education		Date Submitted	1/29/2003	Email	
country of Origin	United States	User Ref. No.	89CBHE	country of Res.	USA

Question

Assalamu Alaykum Dear Scholar, I want you to clarify for me the concept of Riba in detail, my question arose when I heard that a friend of mine bought a car from a dealer by financing directly with the company, he said to me it's not Haram if there is no third party involved such as a bank, he is going to pay monthly some amount, I don't know for sure if it has any interest on the monthly payment, he kind of concluded it for me as follows delaying to pay extra is not Riba. I need your help, I'm planning to do the same if this is the case Thanks.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Hakeem

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Riba is a contractual increment in a loan (there is another kind of Riba that is called Riba of exchange, in modern times it only applies to currency and gold and silver, it is not related to your question). It doesn't matter if this increment a percentage, a given amount, an amount to be determined later according to certain parameters etc. the same applies to changing the due date of an already existing debt (what is usually called rescheduling) because of the identical characteristics of a loan and a debt that is been rescheduled.

Sale contracts can be cash or for deferred payment, as in installment. If a sale is contracted for installment payment at a higher price than what it would be had the contract was for cash payment, it is permissible because it is not a loan but a sale. In other words, Shari'ah recognizes the value differential between cash and deferred-payment sales. The reason is the actuality of the transaction and people value there merchandise differently according to due date for payment of the price. One may say this is similar to Riba (especially in financing things like a car or a house). In fact, there are similarities, but if you look at it from a legal point of view there are differences too. That is what the Qur'an did not deny the similarity when the unbelievers objected saying "Innama al bay'u mithlu al Riba" [sale is just like Riba]. Instead God answered "wa Ahalla Allahu al bay' wa Harrama al Riba" [But God makes sale lawful and prohibits Riba." To put it in our words, as if God says but there are differences between them too to an extent that in spite of some similarity warrants prohibiting one and permitting the other. I like to look at it this way: a prohibition is a prevention (don't do), therefore its virtue becomes clear in what it prevents rather than in what is common between it and other transactions. (Notice: liquor has certain similarities to pure water or orange juice, and the virtue of the prohibition appears only in the non-similar effects). The prohibition prevents transactions of debts for debts, accumulation of debts by rescheduling and piling them up, creation of huge money and so called capital markets that are only financial transactions which obscure the real transactions and the real market and impose negative effects on it, etc. Let us come to the specificities of your questions, remember there must be a line somewhere between what is permissible and what is not, and points around the line, though on different sides, look similar! If the contract is between the seller and the buyer of the car on installment and the total of the installments is more than the otherwise would be cash price, the contract is permissible. if the contract between them to sell cash for say 20,000 and then finance it by adding interest of 5000 and make the payment of the debt with interest on 50 equal installments of 500 each. This is a sale followed by an interest-based loan contract with the seller. It is like making it with a third party, a bank. It is certainly the prohibited Riba.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Inflation, interest and profit/loss deposits in Pakistan

From: Islam on line

Sent: March 06, 2003 8:13 AM

Name of Questioner Qureshi

Gender Male

Age Above 60

Education

Date Submitted 2/27/2003

Email

country of Origin

User Ref. No. RU91K5

country of Residence

Question

Assalamu Alaikum: RIBA: Al-Azhar Fatawa say modern fixed bank interest is not Riba aj-jahliya. Here in Pakistan the devaluation is about 18%p.a banks pay only 12% which

they call profit. We officially have no Riba bank accounts are profit/loss accounts but in reality its interest as offered by any other bank. I don't have a job right now and I am unable to enter a business and I need constant income my savings are eroding as I am living on my savings for the past 13 months. Please suggest. Is this PROFIT Riba? Can I take this profit for a certain period of time till I'm able to earn some money through a job or a business?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Qureshi

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I don't want to dwell on the new Fatwa of Azhar, it is political and instigated by the Shaikh of al Azhar who expressed the same Fatwa before and was banned from the OIC Fiqh Academy in 1995 because of it. This Fatwa has no base in Shari'ah on two grounds: 1-the contract of bank deposits is a loan contract, it is not investment. Shari'ah defines any increment in a loan as Riba and Riba al Jahiliyyah as prohibited in the Qur'an itself. 2- the conventional banks' activities is mainly to give loans to businesses on the basis of interest, hence depositing with a conventional bank is tantamount to giving it money to give interest-based loans and the source of the banks income is from interest

You case is very typical my dear brother. What conventional banks in Pakistan give on deposits is interest even if they call it profit. Pakistan has several private Islamic banks you can deposit in them what they give to depositors is a share of profit and they give to businesses on the basis of Shari'ah-compatible financing contracts. You can deposit in these banks or make a business with a friend or relative.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

XVIII. NON ESSENTIAL INTEREST CLAUSE IN A CONTRACT

SUBJECT: Interest clause in letters of credit

From: Islam on line

Date: March 04, 2002

Name of Questioner Hussain

Gender Male

Age 31-45

Education Graduate

Date Submitted 2/6/2002

Email

country of Origin U A E

User Ref. No. G6CW6P

country of Res. UAE

Question

I have an import business, where I import the goods using L/C facilities (Letter of Credit) provided by Reba Bank. I deal with this bank due to many restrictions & limitations that exist with the only Islamic Bank in my country in order to provide me with L/C facilities. My question is, is it allowed in Shari'ah to deal with Reba bank as far as I deposit the cash in my company's account before the due date in order to avoid interest charges. The reason behind my question is that I heard from a friend that my L/C contract with the bank is "AQD SAHIH", but the clause which states the interest charges after specific dates is "SHART FASSED", & makes the whole contract "FASSED". Please advise

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi Ajma'in

Dear Br. Hussain

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Are you sure you did not find in the three Islamic banks in UAE (Dubai, Abu Dhabi and Sharja National), any branch that give as good of a service as that of the Riba bank?

Because I believe that if an Islamic bank provides similar services dealing with non-Islamic bank is not permitted, because of a trace of Riba that will reach you there no latter what you do to avoid it! While if Islamic banks charge more or give lower or limited services, then dealing with other banks is permissible.

What you are told is correct. The condition of Riba makes the contract all Fasid. I add however, that if the condition is completely optional, e. g., you pay interest if you do not deposit the amount due within one day, and you are sure of yourself that you shall deposit during that period, the contract is permissible to sign from your side and it is Haram for the other party to whose favor such a condition is put. This becomes like credit cards we use in the west. For those of us who are sure they will not withdraw cash and will pay during the grace period, the contract is not Haram because the activation of the interest condition is left to you and you know you are going to opt for no interest. The contract is Haram from the point of view of issuers of the credit card, and an Islamic bank must not issue a contract with such a condition.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Interest condition if a contract is broken

From: Islam on line

Sent: January 23, 2003 9:48 PM

Name of Questioner Tommy

Gender

Age

Education

Date Submitted 12/26/2002

Email

country of Origin

User Ref. No. W6C2C8

country of Residence

Question

Assalamu Alaikum, Dear Scholars, I signed a contract with a government body that funds me for my on-the-job training in another country. The contract says that in return of the fund they spend on me, I am required to work for two years in the country that is funding me, and I do not need to return any cents from that fund. However, in any case and in anytime, if I break the contract, I have to return the fund that they have spent on me and plus an interest of 10%. InShaAllah, I have no intention of breaking the contract when I signed it and that is the reason why I signed it as I see it is Halal. However, I need to hear from you on this case. If I were considered doing something Haram, how can I purify myself from it since the funding last until August 2003 and the bond that I will serve last until year 2005? And if I break the contract now, it means that I have to pay additional 10%, which I consider it as Riba and thus it is Haram. Jazaka Allah Khairan Wassalam Alaikum

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Tommy

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

You are right brother, the interest condition is not basic to the contract and you may sign it as long as you intend to avoid invoking it and you know you can do that. You did what is correct and you have to implement your commitment or service as per the contract.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

XIX. EXCUSES FOR INTEREST DEALS

Subject: Interest loans to fight poverty

From: Islam on line

Sent: May 05, 2002

Name of Questioner Mohammed Gender Male

Age 21-30

Education Graduate

Date Submitted 4/19/2002

Email

country of Origin Bangladesh

User Ref. No. X96L8R

country of Res. Bangladesh

Question

Dear Sir, Assalamu Alaikum. I want to know the view of Islam about taking loan from bank .It is to be noted here that for taking loan we've to pay interest to the bank. But without taking loan it is not possible to take large projects like industrial, housing etc. These commercial projects also play a great role in poverty elevation in a country. But the state offers loan with interest .What we can do ? Thank you

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Mohammed

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Interest-based loans are forbidden from banks, governments and individuals. This is mentioned in the Qur'an as the worst of sins that call for a war be declared on those who deal with interest from God and His Messenger (Verse 2:279). Poverty alleviation can better be done through Islamic financing not through the prohibited interest. The prophet, when asked about taking liquor as a medicine, answered that God did not put a cure in What He Prohibited. The cure for poverty is not in what is prohibited my dear brother. Besides, Bangladesh has several Islamic banks that can finance big projects and some of them have successful program of micro financing addressed to the poor families.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Buying a mosque with interest

From: Islam on line

Sent: May 23, 2002

Name of Questioner Shahid

Gender Male

Age 31-45

Education Graduate

Date Submitted 5/2/2002

Email

country of Origin Pakistan

User Ref. No. L963CC

country of Res. USA

Question

Dear brother, Assalamu Alaikum. We live in usa and bought a place for mosque foe one million Dollar with 400000.00 in advance and 600000.00 in installments. We also make agreement each month we will pay him 7% interest on remaining balance until we finished the payments. Is this ok? If not can we pray slat there or not. shahid

Thank you for your help and cooperation.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Shahid

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

You certainly made a grave mistake in this kind of contract, especially for a mosque. Unbelievers in Makkah when they wanted to rebuild the Ka'bah, it was before the time of the revelation and the prophet, pbuh, was still a young man, did not use any Riba related money in its expenses.

The interest in the contract you made is the Riba itself that is prohibited in the Qur'an, you, and other Muslims around you who collaborated on this contract have made a big sin and you need to make a lot of Istighfar and Tawbah (repentance). You still are required to either pay the amount as soon as you can even with loans from the community and friends. However, the mosque is OK for prayers, in other words those who made the contract on interest basis get the sin and those who pray in the mosque get the reward of their prayers InShaAllah.

Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Earning interest for non-working woman with children

From: Islam on line

Date: March 15, 2002

Name of Questioner shereen

Gender Female

Age 31-45

Education Graduate

Date Submitted 3/9/2002

Email

country of Origin Egypt

User Ref. No. CPVUTG

country of Res. Egypt

Question

please I wanted to ask about bank's interests for a woman like me who can not work as i have 2 kids at the same time i know no one who could invest me this money. My question is also please what to be done when my husband also is like me doesn't know anything? Thank you sooo much

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. shereen

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Depositing funds on interest basis in banks is Haram, no doubt about it in spite of what may be said by some people that these are investment. They are loans to banks. You find this definition in the Egyptian Law of the Central bank, please read it.

Moreover, in areas that have Islamic banks, many Fuqaha argue that it is forbidden to deposit even as checking accounts in interest-based banks. You have Three Islamic banks in Egypt, please ask about a branch close to you and place your funds, and tell your husband to do the same, in Mudarabah accounts with one of the Islamic banks.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Charging interest in self-help micro-credit non-profit organizations

From: Islam on line

Sent: December 21, 2002 12:46 PM

Name of Questioner qudsia

Gender Female

Age 46-60

Education Post Graduate

Date Submitted 10/31/2002

Email

country of Origin India

User Ref. No. XP4CC

country of Res. India

Question

A friend of mine got a job in a non-governmental voluntary organization where most of the functionaries are Muslims. This organization works in partnership with the government for the uplift of the poor and disadvantaged women mainly belonging to minority communities which comprise of Hindus, Muslims and Christians. One program is formation of self-help groups of women where thrift is taught to women. Once sizable amount is saved the women are encouraged credit activities through internal borrowings by the group members. The groups are free to charge interest. However, the groups do not charge interest for women in distress, like for women who borrow for medical expenses, funerals, and the like. They charge very nominal interest for trade and business activities. While the general pattern is like this the organization where my friend works has advised women not to charge interest. They have asked them to charge service charges on actual expenditure basis. for example, the leader of the group has to go to the bank, maintain accounts and other incidental expenses have to be borne by the group. Therefore these are calculated and charged as service charges. There is no penalty etc. The groups may also borrow from the banks for which they have to pay bank interest. But it is left to them to borrow or not to borrow. Now my friend who has taken training in this activity (he is also a Muslim) saying that as he has to teach credit activities to the groups who might borrow money from the banks on interest he does not want to be a party to it and wants to leave the job. Everyone including his mother has tried to convince him that he should not leave the job as he is neither charging nor paying interest. Of course he may be collecting the loan amount including interest from the group and remitting to the bank. The organization is also getting credit from the government for lending to the groups but they do not charge interest to the groups only the actual transaction costs. However the groups have to pay interest to the government through the organization. They (the organization) just collect the loan + interest amount and remit it in the Government account. My friend is not convinced and wants to leave the job. Please advise.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. qudsia

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

It is permissible to charge the cost of transaction to the borrower. Cost of transaction includes cost of accounting, collecting, carrying money to and from the bank, follow up on the loans, etc. What is definitely excluded from transaction cost is the cost of the money, interest, even if this interest paid to the bank or the government, you may not include it in the cost charged to members of the group. If your friend works as the person

who contracts the bank and government for getting interest-based loans, even if the rate of interest is very small, this kind of transaction is forbidden in the Shari'ah and it is sinful to carry it even if it were on behalf of the group or the organization. Equally forbidden to contract any group member a loan with interest. carrying money to and from bank or government is not forbidden even with your knowledge that interest is included in payment being made because you are not making a Riba transaction you only handle cash for all its purposes.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

XX. MISCELLANIOUS ON INTEREST

SUBJECT: Earning interest, disposing of earned interest and paying interest

From: dialogue@islam-online.net

Date: 1/31/2001

Name of Questioner: Mohamed

Gender: Male

Age: 31-45

Education: Post Graduate

Date Submitted: 12/21/2000

User Ref. No: HCQW2E

Question:

Assalamu Alaikum The question concerns Interest or Riba. What shall I do with the Interest I earn from the banks in India. I am not using it for my personal use -- should I just leave it at the bank or can I use it for some purpose. Secondly for most of the things like a House, Car or Motorcycle you have to take a loan -- is it permissible.

Dear Br. Mohamed

Assalamu Alaikum Wa Rahmatullahi Wa Barakatuh

My Answer:

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah

- 1- Earning interest Is not permitted in Shari'ah. And normally there are no reasons why a Muslim person should earn interest. Muslims are required to use their money, funds and properties in businesses and investments that are compatible with the Islamic Shari'ah. Earned interest does not become a property of its earner because an interest-generating contract is not a means for earning. In other words earned interest is not yours and the principle is that you must return it to the person who paid it.
- 2- If for any reason a Muslim happened to have earned interest we must look at the ruling on returning it within the realm of the Objective of Shari'ah as well as the specific positions of the minute issue on hand. Earning interest from a person who sells permissible goods is different from earning it from a person whose business is to lend money on interest, especially banks whose basic and dominant activity is to earn interest from people with whom they deal.

Thus retiring earned interest to a person (a bank is also a legal person) who makes his income from lending on interest defeats the very purpose for which interest is prohibited and increases the power and income of those who actively spread the evil of interest.

3- Therefore, the ruling of the Second International Conference on Islamic Banking held in Kuwait in 1987 (may be earlier) which was attended by many Shari'ah Scholar came to not permitting returning earned interest to conventional bankers, instead we must apply to such earned interest another Shari'ah rule that requires giving away to general charity any Mal Haram, that happens to come under the hand of a Muslim (remember that it does not become a property of the Muslim, so it is not his) , and It better that such Mal Haram must not be given to a Mosque just for keeping it Tahir (clean).

4- Buying cars, houses and other properties on interest-based financing is also not permitted in Shari'ah, and all Muslim in an area are required by Shari'ah to establish Financial institutions that provides financing on Islamically acceptable grounds. This is with no doubt a Fard Kifayah in our days since financing has become a necessary part of contemporary life.

Until such institutions exist, The First International conference on Fiqh in the USA held in Oct. 1999 rightly resolves that for important things like housing for families who needed them interest-based borrowing is tolerated until Islamically- compatible institutions are established.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Contribution to Muslim organizations whose sources are from banks

From: dialogue@islam-online.net

Date:

Name of Questioner Aihab

Gender Male

Age 21-30

Education

Date Submitted 3/20/2001

country of Origin Egypt

User Ref. No. ZPMMB6

country of Residence USA

Question:

Assalamu Alaikum, I am the treasurer of the Muslim organization on my campus. And because of our status as a religious organization a special fund was setup for organizations like ours. I asked where the money comes from and was told that through the deal that the university has with a bank, that for each university credit card that is issued the bank will give the university a fixed amount of money, I believe \$5 per card. My question is would it be okay for us to use this money, even though it has some sort of connection to Riba?

Notes: the university has a credit card that is sponsored by MasterCard. So the way it was explained to me was that they give to university money for every card issued. This fund is the only fund through the university that we can use and without it, it would be extremely difficult to put on our events. Please give me any information to the best of your knowledge. If anything is unclear or if you need more information please ask. I look forward to your response. Jazakumu Allah Khair

My Answer:

Dear Br. Aihab

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

Why do you ask question that you do not need their answers and have no use for them?

The University gives your organization and you know the university is not a thief that steals its money. It is none of your business where it gets its money from. This donation from the University is Halal for the organization and also Halal for any of you if she/he get a scholarship from. Invite for a lecture and pay me Honorarium from this money. Additionally, you have no right to assume that all money that comes from a bank is Haram. All banks have several kinds of revenues that are permissible, such as commissions on transactions, differences in foreign exchange holdings, fees and charges on accounts services, (other than what is on lending money) rent for deposit boxes, fees on credit cards, etc. In other words, as long as you do not know for sure that a given dollar you receive is itself coming from Haram you need not to worry as long as the service you do or the commodity you sell for that dollar is permissible.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Do you pay Zakah on interest mixed with own money?

From: Islam on line

Sent: August 20, 2002

Name of Questioner Abdul

Gender Male

Age 31-45

Education Graduate

Date Submitted 8/3/2002

Email

country of Origin India

User Ref. No. 1JU1XJ

country of Res. India

Question

ASSALAMU ALAIKUM MAY AL MIGHTY ALLAH REWARD YOU FOR YOUR VALUABLE WORK FOR ISALM. MY NRE ACCOUNT MONEY IS MIXED WITH INTEREST BUT I AM NOT USING THE INTEREST. INORDER TO AVOID MIX UP THE INTEREST WITH ACTUAL MONEY I AM KEEPING SEPERATE ACCOUNT BY WRITING. SO WHEN I PAY ZAKAT AT THE YEAR END SHOULD I PAY ZAKAT FOR WHOLE AMOUNT INCLUDING INTEREST MONEY OR FOR ACUTAL MONEY ONLY. KINDLY ADVISE.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Abdul

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Interest is prohibited and interest-based contract are void from Shari'ah point of view.

This means it is not earned in accordance with Shari'ah. Zakah is only imposed on items you own, therefore, there is no Zakah on interest accrued to your account. All the amount of interest must be given away for Islamic charity, including helping poor and needy, riot-stricken Muslims, and Muslims fighting against foreign occupation of their land.

Wa Allahu A'lam

Wa Alhamdu li Allahi Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Can Zakah be given to settle an interest-based loan?

From: Islam on line

Sent: October 10, 2002 10:28 AM

Question

As-Salamu`alykum:

This question is referred from the live fatwa. Can you please answer it coz we need it for permanent fatwa bank.

I am the chairman of a zakaat committee, so I need some guidelines on how to operate and manage my committee I have the following questions:- 1) We receive zakah on terms of cash, can we give the bearer fakiir or maskiin assistance on terms of food instead of hard cash. 2) Can we pay house rent direct to the landlord on behalf of masakiin and fakiir instead of giving them cash for the same purpose. 3) Can we pay school fees to the school management directly instead of giving cash money to the needy for the same purpose. 4) Can we use the money of zakah to open an account with the hospitals for the purpose of assisting fakiir and masakin while they need medical assistance. 5) Is it halaal to assist a needy on basis of his/her behavior (e.g. fasiq, drunkard, prostitute, adulterer, witchdoctor, munajjim). 6) Can we assist to settle a loan of a debtor which he took from a bank on basis of interest. 7) Can we give cash to the fakiir and maskin on monthly basis, instead of giving them lumpsum for the whole year. 8) Do we have authority to make thorough investigation before assisting the needy

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Your work in the committee of Zakah is InShaAllah very rewarding. To be instrumental in helping others, especially the poor and needy is one of the greatest things to be done.

1- You can pay Zakah the way it is better to the poor. If you receive cash and find that it is better to the poor (person and family) to give food instead, you may buy the food and give it.

2- The same way you may give the usufruct of a house or apartment, especially if the rental contract is in the name of the committee or the Islamic center. If the contract is in

the name of the recipient (the poor) I prefer that you pay her/him and have her give it to the landlord because the principle of Tamlik (making the recipient own the given amount) is important in Zakah, especially in the Hanafi school. It is in fact a very important principle that preserves the sanctity and purity of Zakah and prevents a lot of potential abuse.

3- For the service of teaching (school tuition) for the Poor's children, the same principle of rent applies, may be in an easier way because you can always tell the management of Islamic school that your committee is contracting it to provide the service of teaching to the child. However, I question the legitimacy of spending Zakah on tuition for a poor child to Islamic schools if you are in the USA, Canada or similar countries. My reason is that in Zakah payment we have to weigh priorities and in the USA and Canada (if you are in these countries) the availability of public schools and their usually superior teaching qualities along with existence of other opportunities of providing Islamic teaching to children make spending Zakah on tuition of low priority especially with the tremendous needs of people struggling to survive and/defend themselves against occupation and aggression in many parts of the Muslim world, remember we live in a world village!

4- You can use the money from Zakah to pay for the service of hospitalization and price of medicines for the Zakah recipient (poor and needy). If you open an account with a hospital for that purpose keep either zero balance or a very minimum because you are not supposed to freeze the money of Zakah in any such account.

5- When you have to be selective, it is better to chose for your Zakah the most pious persons. But when you have abundant Zakah resources you spend on all including non-Muslims. The Prophet, pbuh, advised: "and let none but a God lover/fearer (Taqiyy) eat your food."

6- You cannot settle a debt of the Zakah payer on a given poor from the amount given as Zakah by that payer. You can directly pay a debt on the poor from Zakah to the creditor without paying it to the poor or you can pay the money to the poor and she then gives it to the creditor. This is mentioned in the Qur'an (9: 60) as item number 6 of Zakah recipients. It is preceded with the preposition for (fi) instead of to (li). For does not require Tamlik. It does not make a difference whether the loan in interest-based or not.

7- You can make monthly, weekly or even daily stipends to the poor and needy, it is sometimes better. you give large lump sum only when you are giving capital or capital goods to remove the recipient from the Zakah list and make her/him a producer and self sufficient and rarely on other occasions. This is one of the merits of the institutional distribution of Zakah through a government agency or an NGO like your committee.

8- Yes, you can and you have to make sufficient investigation to see to it that your Zakah goes in the correct destination. This does not mean that you are not rewarded if mistake happens (remember the saying that a person gave his Sadaqah to a rich, a thief, a prostitute, etc.). There is even an argument in the Fiqh books whether you have to get the poor to swear under oath that s(he) is really in need for help.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

XXI. GOING FOR HAJJ WHILE UNDER INTEREST LAONS

Subject: Going for Hajj while under credit card's interest

From: Islam on line

Sent: January 10, 2003 7:19 AM

Name of Questioner mohamed Ref No HFGJE Age 31-45

Education Diploma Date Submitted 1/1/2003 Email

Country of Senders Origin Sri Lanka Country of Citizenship Sri Lanka

Question

I have kept Niyath to perform Hajj this year, but I am worried about a certain issue, that is I have used my credit card to the full limit actually totally not thinking of the seriousness of it, now I am unable to settle the whole thing in full & monthly I pay a portion, but as the whole amount is not being paid the bank is charging a small interest component to my account. I am making arrangements to settle the card in full & getting rid of it as soon as possible, but I might not be able to do this before I perform Hajj, I do not want to delay my Hajj as I am not sure whether I will live till next year to perform Hajj, on the other hand I have left instructions with my family that incase something was to happen to me, the first thing they have settle is my credit card after realizing some asset. Will my Hajj be accepted? Please give me your Fatwa on this?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. mohamed

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Avoiding what is prohibited is more important than doing what is obligated. God loves that what he prohibited be avoided. Riba is a worst of sins one may make not including denial of the existence and mercy of God. It is a sin for Which God declared a war from Him and His Messenger (the Qur'an 2: 279).

delay Hajj and settle your interest-based debts. make clear and sincere determination that you don't deal with interest any more. It doesn't matter small or big amount (although it is normally big because rate of interest on credit cards debts is much higher than on other loans). and write in your last will that if you couldn't make the Hajj in the years to come your family must send someone at your cost before they distribute the estate.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Going for Hajj while under interest-bearing debts

From: Islam on line

Sent: January 10, 2003 7:29 AM

Name of Questioner Ruzainl Ref No V94Z2 Age 31-45

Education Post Graduate Date Submitted 1/2/2003 Email

Country of Senders Origin Malaysia Country of Citizenship Malaysia

Question

Assalamu Alaykum dear scholars. I read your reply to a question by a father who enquired whether he should perform Hajj or help his son to get married. With me , I am disturbed by the fact that I have a lot of debts to settle i.e., from credit cards to housing loan and others but at the same time wanting to perform the Hajj come the next season. I am in dilemma between settling debts and performing Hajj (as I longed to do this after my Umrah experience). I read that if one dies and there are unsettled debts, the soul will linger and not go up to heavens. Please help to give some advice.

Note

Please also provide help on how to curb spending desires - any Quranic recitations which may help is greatly appreciated.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Ruzaini

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

If you have interest-based debts, settling them has priority over going for Hajj or Umrah. You seem to have made Umrah, did you make while you have debts that accumulate interest. Interest (Riba) is one of the worst sins God prohibited in the Qur'an. It is mentioned (2: 279) with a War declared from God and His Messenger on those who continue dealing in Riba. You must avoid what God prohibited before you spend the money on Hajj or Umrah. A non-interest debt does not prevent you from making Hajj. If you want to curb your expenses, cut your credit card in two halves and throw it away, and don't buy anything on credit at all. This makes you live within your limit. Recitation from the Qur'an does not help you if you insist on not helping yourself. If you fear God and you really long to go to His Jannah, you must obey Him and avoid Riba, interest on loans and credit cards in Riba, no doubt about it at all.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Going for Hajj while under interest-based Student loan

From: Islam on line
Sent: February 24, 2003 9:55 AM
Name of Questioner Rahima Ref No JE3Z9 Age 21-30
Education Graduate Date Submitted 2/18/2003 Email
Country of Origin Bangladesh Gender Male Country of Citizenship U K

Question

Assalamu Alaikum, I recently graduated and would like to perform Hajj next year. The problem is, having studied for a Law degree over 4 years I have accumulated Student debts. This is a specialized form of debt where the interest rate is kept to a bear minimum and poor students have no other alternative but to take out this loan in order to pay for their education. I pray to Allah that I have the strength and capability to clear this debt. As such my question is can I still perform Hajj with this student debt which I am paying off gradually?

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Sr. Rahima

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

A interest-based student loan is forbidden in Shari'ah, no matter how small the interest rate is. There is no necessity for it whatsoever, even if you do not make higher education study. Bill Gate doesn't have a U. degree!

You do not qualify for capability of Hajj as long as you have an interest-rearing debt on you. You must pay it first and pay it the soonest possible, even by making personal non interest loans from family and friends. Non-interest debts that are not required for immediate payment doe not prevent becoming required to perform Hajj if you spear the cost of the trip.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Going for Hajj while under interest-based student loan

From: Islam on line
Sent: March 06, 2003 7:59 AM
Name of Questioner Gender Age
Education Date Submitted 2/27/2003 Email
country of Origin User Ref. No. 7JC3NY country of Residence

Question

Assalamu Alaikum ba3da salaam i would like to thank u for a great work you guys have been doing.. I am proud to say that Islam online is one of the best Islam websites on the net.. I would like to ask a question regarding Hajj, as far as I know I might not be right that, I can not perform Hajj if I am in any kind of debts.. I am a student who goes to university in UK and i take the university loan which is approximately about £5000, per year. this is to help me get through my study and help me with the daily help and life, there is interest in this while taking this loan, now it has been my dreams to do Hajj in my life before I die, and as we all know that performing Hajj is one of the pillars of Islam to those who are able to. my question is would I be able to use the money I get from the university/government loan to perform hajj and at the same time I am in debt which I do no have to pay now only when I finish university and also when I start a job which I will be earning over£10,000 per year.. Also to remind u that there is interest on this loan as well please let me know as soon as you can .. Shukran wajazakumullahu khairal jazaa.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

If you have no money, you are not required to make Hajj because the condition of requirement is having sufficient funds to cover all its cost.

With regard to debts, there are two points:

1- interest-based loans are forbidden to give and take whether from governments, universities, or any other entities regardless of the rate of interest. This loan that you called education loan is forbidden according to Shari'ah. If you have money and you have an interest-based debt, you must get rid of the interest-based debt before you go for Hajj. It is even worse to take interest-based loan to pay for the cost of Hajj.

2- non-interest debts do not prevent from going to Hajj if they are not due soon enough that one needs the same money (that is to pay for the cost of Hajj) for payment of such debts. Money that is needed to pay debts is not considered when one estimates one's financial requirement to pay for the cost of Hajj, i.e., if you have money you need to pay for due debts or debts that will be due shortly having such money does not fulfill the condition of capability to spend on the Hajj trip. But if one goes for Hajj in spite of that, the Hajj is acceptable InShaAllah even with the sin of delaying payment on due debts.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Sending mother for Hajj while under interest-based student loan

From: Islam on line

Sent: March 09, 2003 7:11 AM

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. Janah

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

If the Student loan carries interest you must pay it and cease taking new interest-based loans before spending money on Hajj. The only exception is for certain kinds of student loans that give a grace period for payment without interest usually up to 18 month after graduation and the student borrower is certain (not only expects) to be able to pay it within the grace period without letting it begins generating any interest regardless of whether its rate is low or not. Under this exception the interest clause in the loan contract becomes optional (you have the option to pay it within the grace period and you take this option, or delay and pay interest).

Consequently, if the loan is interest-based you must begin with its payment regardless of its maturity date and if there is any left over from your nest egg of savings you can use for Hajj for your mother or yourself. Interest-based student loans are as prohibited as any other interest-based loans regardless of the rate of interest.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf
