

FATAWA ISLAMIC BANKING 2003

Islamic Banks/Companies, their Financing and Transactions

From: Monzer Kahf
Sent: Monday, December 15, 2003 10:32 PM
To: Islam on line
Subject: RE: Can I Buy a House with the Contribution of an Islamic Bank?

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. Hassan

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

If you think that Islamic Bank will give you money because its depositors love you as their brother in Islam, your expectations will certainly fail! Islamic banks are there to make money for their depositors and share holders. they use Islamically permissible contracts instead of interest-based contracts, and no they are not similar. you are incorrect in seeing them similar.

Actually, your description of the Islamic contract of Murabahah is perfect. This is the way Islamic bank does it and this is the way it should be done in accordance with Shari'ah. the bank buys the property cash for 80 and sells it to you installments for 100. and takes collaterals and guarantees to secure these installments (debts). Do you see the element of purchase and sale to help you only and to make money in this help that is to help you not out of personal love to you but to make money through buy and sell? Do you see any thing wrong in buy and sell?

Interest in prohibited and the unbelievers of Makkah noticed certain similarity, which is true as I and you see it too, between deferred-payment sale and interest loan, and the Qur'an, marvelously, did not deny the similarity! did not say: you guys are stupid! how come you say sale is just like Riba? Instead the Qur'an said but sale is permissible and Riba is prohibited. In Fact deferred sale can't be prohibited because there is a need for financing. But whence you accept Riba, you will have to accept discounting and rediscounting and pile up huge wealth of debts in the society, layer above layer until what probably they explode in a financial crisis! In sale you cannot pile up debts, you can take collaterals and guarantees to assure payment.

I am sure that Islam on line web is full of explanations of this idea; I did many answers to similar questions myself. Please read it carefully. It is clear, not confused!

For a question on house financing for Muslims in Australia, please either consult the web for answers which I made more than once or rephrase your question and send it again.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Monday, December 15, 2003 4:32 AM

To: monzer@kahf.net

Subject: Can I Buy a House with the Contribution of an Islamic Bank?

Name of Questioner Hassan

Gender Male

Age 31-45

Education Post Graduate

Date Submitted 12/8/2003

country of Origin Australia

User Ref. No. IPCF41

country of Res. Australia

I have 2 questions related to the system adopted by Islamic banks in Qatar to enable people to purchase homes. I will use an example to illustrate my understanding of the system. I want to buy a house worth \$100,000, and can afford paying \$20,000 cash. The Islamic bank will then make up the difference (\$80,000) to the seller. So, the seller of the house will get my \$20,000 in addition to \$80,000 from the bank. The Islamic bank will then ask me to pay \$10,000 per year for 10 years. Therefore, the bank will ask me to pay \$100,000 for the \$80,000 that was paid to the seller of the house. This is considered by Islamic scholars not to be same as paying interest, because no cash changed hands. Further, the bank will not charge any interest if I miss paying any installment, but the bank makes it impossible for me to miss a payment by taking a guarantor to the loan, which would be liable for any installment if, for any reason, I am unable to make it. My FIRST QUESTION is if my understanding is correct. If this is correct, it does not look like any different to another bank "not Islamic". In Australia for example, I can ask a bank to contribute \$80,000 as per the above example, and ask the bank to fix an installment for a set number of years, say 10 years. The Australian bank will then use some sort of a projection method to calculate a payment plan and arrive at an annual repayment. This annual repayment may end up being \$10,000 x 10 years, which is exactly the same as the payment of the Islamic bank. My SECOND QUESTION if this method with a non-Islamic bank is not Haram? Please note that: (1) There are no Islamic banks in Australia (2) The cost of borrowing money from the bank this way and repaying it will most likely be to my advantage InShaAllah due to the expected

increase in the land value that outweighs the cost of getting the bank involved (3)
I checked on your website and found conflicting opinions from scholars on this
issue Thank you and Gazak Allah Khair. Salam alaykum

From: Monzer Kahf
Sent: Monday, August 11, 2003 7:28 AM
To: Islam on line
Subject: RE: Islamic 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. Muhammadullah

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

In one word, Yes it is permissible for any entity, Muslim or non Muslim, natural
or legal, to provide Islamic banking services. Many of such providers establish
their own Shari'ah boards to study their contracts and transactions and if the
members of the Shari'ah boards are respected scholars you can trust that their
operations are within the limits of Shari'ah.

There are several researches in this Area please visit my website at www.kahf.net
and the website of IRTI, IDB, Islamic Economic Research Institute at the King
Abdulaziz U in Jeddah and the webs of any Islamic bank. You will find research
in your area of interest.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Sunday, August 10, 2003 12:49 AM

To: Monzer Kahf

Subject: Islamic Banking

Name of Questioner muhammadullah

Gender Male

Age

21-30

Education Post Graduate

Date Submitted 7/31/2003

country of Origin India

User Ref. No. GC32GB

country of Res. India

Respected Mufti (hafizakum Allah) Assalamu Alaikum In the present day a wave
of Islamic awareness has swept all across the world specially the Islamic

countries. Many international companies and overseas banks are coming forward with new Islamic banking and financing schemes. What are your valuable views regarding the matter and how far it is going to be in accordance with the Islamic Shari'ah. Please, provide us with a comprehensive reply on the issue. If you have already written any thing on the topic, please, forward it to us so that we also can benefit from your research and opinions. Ours is a research and education organization working all over India for the noble cause of spreading Islamic knowledge and awareness among Muslims Ummah and non-Muslims. We are receiving excessive questions pertaining to the Islamic banking and finance. Your answer will immensely help us to provide our people with satisfactory and authentic reply. Believe you will reply soon! Muhammadullah

From: Monzer Kahf
Sent: Thursday, July 17, 2003 7:27 AM
To: W. Shihab
Subject: RE: MURABAHAH

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. aadil

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Murabahah is a sale contract that is based on full disclosure of cost and profit on the part of a seller. It can be practiced on an order of a purchaser as is "buy this item and I will buy it from you at cost plus 10%." It is then Murabahah to the purchase orderer. This transaction is heavily used in Islamic banks as a financing contract. You know that Financing (for profit) in Shari'ah is permissible provided it runs through real commodities. the vehicles of financing are either sale or lease or equity partnership. Murabahah is a sale-based financing. The transaction consists of two consecutive sale contracts with a previously given order to buy and a promise to buy from the first purchaser. On order from the customer, the Islamic bank buys an item, say for 100 paid cash; after physical possession, the bank sells the item to the purchase orderer for deferred payment at cost plus an increment. If the promise takes the form of a contract executed before the item is purchased and possessed by the IB the Murabahah is invalid and become Riba. Similarity with interest (Riba) is that both produce fixed return known at in advance (in Murabahah since receiving the promise, but it may not materialize, it becomes contractually known when the second sale contract is signed).

Dissimilarity is that Murabahah is a sale that passes through a commodity, actual possession and ownership with all legal implications of ownership while interest lending is merely a loan contract that does not have necessarily a commodity. Murabahah cannot be used to reschedule previously existing debts nor for inter-

bank deals with already existing debts. There are legal, financial and economic implications of these differences that are more sophisticated and you find them in professional research. You may see my article in the Thunderbird International Management Journal, 1999 and others.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: W. Shihab

Sent: Thursday, July 17, 2003 4:22 AM

To: dr. Monzer

Subject: Murabahah

Name of Questioner aadil Gender Male Age

Education Date Submitted 7/7/2003

country of Origin Trinidad User Ref. No. D8N5B7 country of Res.

Dear Sheikh, Can you explain to me exactly what is described as Murabahah and under what conditions it can be used? I heard that it is something that resembles Riba but I don't quite understand it

From: Monzer Kahf

Sent: Thursday, July 17, 2003 7:27 AM

To: W. Shihab

Subject: RE: Financing from Islamic 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 Ashabihi Ajma'in

Dear Br. Elsadeg

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

If this bank you have that calls itself Islamic has a Shari'ah adviser(s) or board that consist of known names in the field of Financial Fiqh, it is no doubt Islamic because these scholars would see to it that banks follows the Shari'ah rules.

It is true however that there are similarities between Riba and permitted financing. Even the Qur'an did not deny such similarities that the Makkan disbelievers mentioned (2: 279) But the Qur'an added that 'God made sale permissible and Riba forbidden' inspite of these similarities because there are differences too that warrant the variation in the Shari'ah ruling. For instance Riba can be given for

undisclosed reasons whereas deferred-payment sale can only apply to a commodity (car, house, refrigerator, etc); one is a loan contract the other is a sale contract; etc.

Now, if the Islamic bank sells you the same service at a higher price than conventional banks it means it is exploiting your religiosity. This is certainly forbidden. Islamic banks must be competitive and must sell the financing service at competitive prices; otherwise the Fatwa of resorting to conventional mortgage applies because such an exploitative bank is treated as it never exists.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Wednesday, April 30, 2003 8:00 AM

To: Monzer Kahf

Subject:

Name of Questioner Elsadeg Gender Male Age 31-45

Education Post Graduate Date Submitted 4/23/2003

Country of Origin Libya User Ref. No. W186EC country of Res. U K

Assalamu alaykum brothers and sisters. I live in the UK, and work as a hospital doctor. I want to buy a house. I heard about the fatwa from Shaikh Al Qaradawi , who said its permitted to buy house with the mortgage (interest) Currently in the UK there is Islamic bank called AHLI BANK in London (Kuwaiti in origin) They buy the house and then they either sell it to you in a higher price (Murabahah) or they rented to you (Ijarah). They are much more expensive than the conventional banks. I would like to know is this Halal? People think that the Islamic banks are doing the same thing but they give it different name. I am really confused WHAT SHALL I DO?

Notes

Since the Fatwa is there, is it ok to take mortgage from a British bank or agency?

From: Monzer Kahf

Sent: Wednesday, April 30, 2003 6:07 AM

To: ibfnet@yahoogroups.com

Subject: Is Islamic Banking Different

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. Farrukh

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

You're right Farrukh. They live in a business environment that is overwhelmed by conventional banks and they have to be competitive, You may also notice certain monopolistic tendency when an IB is alone in its sub-market. They don't determine profit distribution according to the interest rate of the conventional competitors because distribution comes as a result of contractual rate of profit distribution but they determine the latter keeping an eye on the competitors. It is a survival game, is it not?

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: farrukh

Sent: Tuesday, April 29, 2003 3:10 AM

To: ibfnet@yahoogroups.com

Subject: Is Islamic Banking Different

Assalam Alaikum,

I have one question, why the interest rate of conventional bank is not significantly different from "profit sharing" rate of Islamic Bank? Profit.

Islamic banks need to provide at least the same return as conventional banks to remain competitive. They will not give a greater return than conventional banks so that they can keep a greater share of the profits. It is simply remaining competitively priced; I'd do the same. Exploitative, maybe, profitable, without doubt. Wa Salam, Farrukh

From: Monzer Kahf

Sent: Wednesday, April 02, 2003 5:47 AM

To: Islam on line

Subject: Getting the "Benefit" from Islamic 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

Ashabihi Ajma'in

Dear Br. Muhammad

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

If you mean by benefit having the opportunity to make financing transactions without committing the grave sin of Riba, certainly every Bangladeshi has this opportunity because your country is blessed with at least four Islamic banks.

What other benefits do you expect?

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Tuesday, April 01, 2003 11:59 PM

To: Monzer Kahf

Subject: Getting the "Benefit" from Islamic Banks

Name of Questioner Muhammad Gender Male Age 31-45

Education Graduate Date Submitted 3/29/2003

country of Origin Bangladesh User Ref. No. I5CR4I country of Res. Bangla

Financial Transaction: Do we take the benefit from Islami Bank in our country? such as Islami Bank, Bangladesh Al-arafah Islami Bank

Banking with Islamic Divisions of Conventional Banks

From: Monzer Kahf

Sent: Sunday, November 09, 2003 11:57 PM

To: Islam on line

Subject: RE: Transferring Money to HSBC Islamic Section

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.

There is a lengthy discussion in the classical Fiqh about whether a Muslim can enter in a partnership with non Muslims. the center point of this discussion is simply that if the non-Muslim partner is also the decision maker, she/he may

indulge in interest (Riba) transaction on behalf of the partnership and that means that the Muslim is also doing Riba transactions because she/he allowed the partner to be the decision maker knowing that Riba is not prohibited in her religion and she may indulge in it.

This discussion illustrates my answer to your question. It is not permitted in Shari'ah to take interest based loans or to deposit on interest. The ruling is the same whether you do it your self or your partner/manager does it because she/he acts on your behalf, like it or not!

It is permissible to deal with the Islamic Division of HSBC regardless of whether there are Full Islamic banks or not.

The solution is only to transfer all your transactions to the Islamic division or another Islamic bank, and if not get out of this partnership and avoid this partner that has no fear of God. God forbade interest and made it one of the worst sins, a sin that warrants declaring a war from God and His Messenger.

A partnership is one entity, so you cannot claim that you can divide it, without breaking it, into deals that belong to the partner and deals that belong to you.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line

Sent: Saturday, November 08, 2003 5:05 AM

To: monzer@kahf.net

Subject: Transferring Money to HSBC Islamic Section

Name of Questioner

Gender

Age

Education

Date Submitted 11/1/2003

country of Origin

User Ref. No. E8745X

country of Residence

salaam 3laikum wa Rahmatu Allah wa Barakatuh, I am a partner in a company (along with my mother and brothers, which we inherited some shares in after my father's death). I am the eldest of my brothers and I am the only male old enough to get involved in the business. Our partner is running the business, and I just learned that we (the company) pay interest on the loans. also those loans require that we deposit a fixed amount of money, and we earn interest on them. But the partner uses all that interest to pay some of the interest on the loans. The bank which we use is HSBC, which has an Islamic system also. My question is can we transfer to HSBC Islamic section, or do we have to transfer to an Islamic bank. Because my partner refuses to change the bank? And if he refuses to transfer to the Islamic section, (because as he says it is more expensive and will cost us a lot,

and also he do not believe that Islamic banks are really following Islam when giving out loans), can I ask him to divide our Loans and deposits between the two sections of the bank. So that we do not pay interest and he does if he still refuses to transfer? Lastly I want to know if our business is considered built on Haram (because we pay interest or Halal because we do not take interest), and if yes what should we do. wa Jazakum Allah Khairan 3ala your help.

Banking with Conventional Banks where there are no Islamic Banks

From: Monzer Kahf
Sent: Thursday, September 11, 2003 12:48 PM
To: Islam on line
Subject: RE: Muslim Student Depositing Money in 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 Ashabihi
Ajma'in

Dear Br. abdelgadir
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
In your situation, you deposit your money in the nearest bank to you and take the interest and pay it when you go back to your orphan cousins since they are poor as you mentioned. You must not take the interest money for yourself and when you give you do not need to tell the recipient about the source of this money.

It is not safe to keep money at home and very often it is not convenient too. And since there are no Islamic banks in your area it is then permissible to deposit in Riba-based bank. Please notice that there is an Islamic bank in India, it is called Amanath Islamic Investment bank; ask about it, it may not exist in your area.

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

Question:

From: Islam on line
Sent: Thursday, September 11, 2003 3:43 AM
To: monzer@kahf.net
Subject: Muslim Student Depositing Money in Banks

Name of Questioner abdelgadir Gender Male Age 31-45
Education Post Graduate Date Submitted 8/31/2003
country of Origin Eritrea User Ref. No. 56K9RC country of Res. Eritrea

Assalamu alaykum, I am a Muslim from Eritrea, I am studying now in India, my family used to send me money for my expenses, I deposited this money in a bank here in India, after three years I have found that my money has been increased by Rs.15,000 which is the interest as they told me. my question is that, how can I rid of this amount? secondly, can I rid of this amount of money (15,000) from my account by giving it to my uncle sons they are an orphans in Eritrea after I return back. or I have to give it to any one (needy persons) here in India. thank you.

Notes

all the banks here in India are Ribawia. that is use the interest policy, so in this situation how can I manage my money.

From: Monzer Kahf
Sent: Thursday, July 17, 2003 6:38 AM
To: Islam on line
Subject: accounts in conventional 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 Ashabihi
Ajma'in

Dear Br. Hamed

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

It is permissible for all/any Muslims individuals and groups to open accounts in interest-based banks whenever there are no Islamic banks or Islamic banks do not offer as convenient services as conventional banks. In all cases, In the UK or in Muslim countries if the account generates interest, any interest should be given away to Islamic charity.

Muslims and Islamic organizations who live in the UK and other Western countries are in much more need to open bank accounts than Muslims who live in remote areas in any Arab or Muslim country because of the different way of paying bills and managing/holding money. This account you ask about is permissible InShaAllah.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on line
Sent: Thursday, July 17, 2003 4:23 AM
To: dr. Monzer
Subject: bank accounts
Name of Questioner Hamed

Working in Conventional Banks

From: Monzer Kahf
Sent: Wednesday, May 28, 2003 6:05 AM
To: Islam on line
Subject: Questions on Working in 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 Ashabihi
Ajma'in

Dear Br. Zahid

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

The three most important functions of any central bank are: to be the bank of banks that includes supervision and control, to administer the monetary policy in the country and to be the bank of the government. If you analyze these functions you will find that most of the actual activities of a central bank are not interest based! This may be a surprise to many but I am sure it should not surprise you if you give a careful look at these activities. Besides, controlling the domestic banks is not interest related all the way because of the presence of Islamic banks that make certain percentage of the banking system and because of the non-interest activities of the conventional banks. Add to it the point that reviewing and supervising interest activities is not an integral part of interest based contracting and is not itself prohibited, especially when it is done by central banks because it is normally done from the point of view of protecting the national interest not from the point of view of assuring that the contract is interest based.

If you work in the Islamic banking department, you will do better no doubt about it because you will not be doing a thing that is permissible only but you will be doing a thing that is beneficial and useful for promoting Islamic banking in the country.

Wa Allahu A'lam

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

Question:

From: Islam on line
Sent: Wednesday, May 28, 2003 3:50 AM
To: Monzer Kahf
Subject: Questions on Working in Banks
Name of Questioner Zahid Gender Male Age 31-45
Education Post Graduate Date Submitted 5/22/2003
country of Origin Pakistan User Ref. No. IUC4BN country of Res. Pakistan

a) I am working in central bank of the country since four years (State Bank of Pakistan). My work includes inspection of various commercial banks. Although I am never a party to any kind of transaction involving interest, however, I have to check many transactions which involve interest. What is the status of my job according to Shari'ah?

b) Keeping in view the involvement of interest in my job (though indirect), I completed a diploma in Islamic Banking recently. I just thought that instead of leaving the space open for interest based banking; we must try to change it by becoming part of the system as system can't be changed from outside. I think I can also try to get myself transferred to recently established "Islamic Banking Department" of my bank which is responsible for policy making and preparation/sanction of new products for Islamic banks. In that department there would be absolutely no involvement of interest based transactions and where I can also contribute usefully with my experience and knowledge. What is your opinion if I make such a move keeping in view the overall nature of my bank which would still be working on interest based system?

From: Monzer Kahf
Sent: Monday, April 14, 2003 8:46 AM
To: Islam on line
Subject: RE: Dealing with Banks and Buying Shares and Stocks

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. Mona
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

First, please relax and have patience; it seems you are either new in Canada or new in dealing with banks! you have rushed too many things together and brushed them with one phrase: "dealing with banks." as alternative of putting your money at home and wait for a thief to come and grab them! That is why probably you got a vague answer from the Imam or you thought of it as vague at least. Please take the following few points and think about them and if you have any further question please send them without any hesitation. You can consult the Fatwa band at Islam on line or my website at www.kahf.net for further info on this matter:

1) - Interest is certainly forbidden in Shari'ah. The Qur'an (2: 279) used the strongest ever warning with regard to this prohibition by declaring a war from God and his Messenger on those who keep dealing with Riba. Riba is any increment stipulated in a loan contract. a loan is giving money with the condition of returning it in the future. This is exactly what is meant by the word Riba that is mentioned in the Qur'an. For this the word interest is used in our current language.

2) - Banks, in Canada as well as in Egypt, offer several services, some of them are interest-based and some are not. instead of keeping your money at home you can open a current account which is not interest-based, pay your bills, by checks or electronically, get your income deposited in this account either directly or by making a trip to the bank's nearest office. All these services are interest-free.

3) - Getting loans from banks in Canada and from banks in Egypt is forbidden (Haram) because they only give loans that are loaded with interest; certainly the only exception is the case of necessity.

4) - Having credit cards (i.e., signing their contract that include a clause that if you don't pay within the grace period you have to pay interest) and using them are both permissible provided you do not expose yourself to invoking the interest clause. This means you can use them to pay bills and pay within the grace period. withdrawing cash makes interest to begin accumulate from the day of withdrawal (i.e., it does not have a grace period) and delaying full payment until after the due date, both, trigger interest. This means that if you cannot guarantee to yourself complete fulfillment of these two conditions it become forbidden to use credit cards. You know by the way that credit cards charge you a very high interest rate!

5) - Buying a residence with interest-based financing may be permissible under the case of necessity. There are two conditions here too: the family must be in need for a house in consideration to its size, its need to build equity and get settled, close to good schools, etc. and there must be no other alternatives available for financing through Islamically permissible contracts such as a 'lease to own' contract.

6) - Saving accounts and other interest-based transactions with banks, in Canada and in Egypt, are certainly forbidden in our religion and one must not resort to them unless under the necessity rule. In application of the necessity rule one must

keep in mind she is the final judge in determining what is necessary and what is not but such a decision is going to be scrutinized by the Most Knowing Who cannot be cheated or fooled!

7) - Banks, in Canada and in Egypt, give you the umbrella when it is not rainy; they never give you an umbrella when you needed it most. Try to get any kind of loan (to start a business, for a car, for a house or to go gamble in Las Vegas) for a person who is not financially strong! It will never be given and such a person may end up with the homeless that fill the streets of all big cities in the USA, Canada and to a lesser extent in Egypt only because of the strength of family ties.

8) - Egypt has many social and economic maladies, no doubt about that but its illnesses are not caused by the lack of Canadian or at least Canadian-style banks there. It has plenty of them and only two Islamic banks! Both time and the subject of this Fatwa are not the best space to dwell on these maladies that both you and I know many of their causes anyway.

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

Question:

From: Islam on line
Sent: Monday, April 14, 2003 6:45 AM
To: Monzer Kahf
Subject: Dealing with Banks and Buying Shares and Stocks
Name of Questioner Mona Gender Female Age 31-45
Education Graduate Date Submitted 4/12/2003
country of Origin Egypt User Ref. No. IVWSXF country of Res. Canada

Assalamu alaykum, I'd like to know if dealing with the bank is Haram. In Canada, dealing with banks is in all aspects of life. Having a retirement saving plan, taking a loan to pay for a car or to start a business. Paying a mortgage to buy a house, using credit card to buy every day's needs. All these dealings are associated with interest. If dealing in interest is Haram, what's the option? I can't just put the money I earn at home and worry that it'll be stolen. No one carries money in his/her pocket or keeps it at home. I asked the Imam in the mosque & he gave me a vague answer. Please I need to have a practical solution for this matter. I believe that bank system here is much better than in my home country in Egypt. If a man wants to get married & buy a house he has to work all his life to manage to do that. Some people can't even do it. While here anyone who wants to do the same thing can go & do it tomorrow. Bank system facilitates life here in so many ways. You can start a business of course if you satisfy certain criteria as having a good

credit history among other things. Also I'd like to know if buying shares, bonds or stocks is Halal. Jazakoum Allah

Notes

I know that in Egypt there are so many people who can't find jobs, can't start business, can't get married & can't buy every day's needs. It doesn't really matter how educated they are. Obviously that leads to so many social problems as: adultery, zawag orfy (which is a major problem now in Egypt), stealing & killing. Now I'm not saying we don't have this in Canada but at least, if you don't have enough money, you're not doomed for the rest of your life to stay so. You can take a loan & start a business or take a loan and be a partner in a company or buy stocks or shares. I appreciate your prompt reply. Thank you
