

FATAWA RIBA AND INTEREST 2003

General Interest Questions

From: Monzer Kahf
Sent: Tuesday, February 10, 2004 8:58 AM
To: Fayaz
Subject: interest in buying cars, houses and saving account

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. Fayaz

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

- 1) It is permissible to buy a car on installment without interest.
- 2) Buying houses on interest is prohibited, like any other interest-based loan. However, India has at least one Islamic bank and you should try to get financing from Islamic banks in India and then you get the same tax benefit.
- 3) Interest credited to your account is forbidden for you to use for any of personal and family expenses. The only way to keep your own money clean from the evil of interest is to give it to Muslim charity or to poor persons that you personally know that they deserve Zakah. It is not considered Zakah or Sadaqah. But you will InShaAllah be rewarded for preserving your own money clean.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Fayaz
Sent: Monday, February 09, 2004 6:36 AM
To: monzer@kahf.com
Subject: Request for Fatwa

Respected Sir;

My name is Fayaz Ahmed, I live in India and I am an employee of a MNC. I have couple of questions if I can request you to answer them please.

1. We have 0% interest scheme for buying new cars, which means if I buy the car in cash for 'X' amount I can buy the same car in the same amount paid in

18 months.

Is this allowed according to ISLAM?

2. Can I take interest based loan to buy a house? (7-8%)

If I take this loan I can save tax which is huge and plus after couple of years I will have a house of my own.

3. I have a saving account in the bank and the bank keeps dropping interest in it periodically. Is this permissible to use according to ISLAM?

Anticipating an early reply.

Best of Regards

Fayaz

From: Monzer Kahf
Sent: Monday, June 16, 2003 8:51 AM
To: Islam on Line
Subject: RE: Investment and 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. Nezar

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

signing an interest-based loan (in your case entering into a contractual interest-based loan) is itself forbidden in Shari'ah. Therefore unless there is a necessity or a Hajah that applies to many people it must not be undertaken. I don't see any such necessity of a Hajah 'Ammah in this practice. By the Way it is similar to the preferred stocks about which the OIC Fiqh Academy resolved that it is forbidden.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line

Sent: Saturday, June 14, 2003 11:18 PM

To: Monzer Kahf

Subject: Investment and Interest

Name of Questioner Nezar Gender Male

Age 46-60

Education Post Graduate Date Submitted 6/10/2003

country of Origin Saudi Arabia User Ref. No. GQJTBY

Country of Res. S A

Question

As a member of a management team in a Saudi firm, I was offered to participate in an investment in an American biotechnology company with an arrangement of an incentive convertible loan. I will pay money to the American company as a loan for two years with a fixed interest rate, and after the two years I have the choice to get my money back plus the interest or convert it to shares in the company with a pre agreed discounted share price. If I get rid of the interest money by means of Sadaqah, would my investment be Halal. Or since my capital is secured after the two years, it will not be Halal? Thanks

From: Monzer Kahf
Sent: Tuesday, May 27, 2003 6:09 AM
To: Shaikh
Subject: INTEREST LOAN

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. Shaikh

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

How much is the interest rate and how much the prices of properties may go up or down are immaterial from the point of view of the prohibition of interest.

Interest is prohibited in the Qur'an (2: 279) and the Sunnah (in correct Sayings in al Bukhari and Muslim) with very strong wording that include declaring a war on those who commit this sin of dealing with interest, both giving it and taking it.

Of course every prohibition has exceptions that center around necessities. How much is such a loan necessary for you? And why commercial loan instead of residential loan? Do you intend to change your profession and become a land lord? Houses for residences for your new family and for your extended family (parents and siblings if any) is certainly a kind of necessity if you don't find other means to get a residence or to finance it through certain Islamically acceptable contractual arrangements with Islamic or conventional banks. I think you are the only person who is able to derive a Fatwa for yourself. Ask yourself: do you really need this property for residence? And did you exhaust other permissible means of getting finances? Then if you take you must make extra effort to get lowest possible rate and complete payment in the shortest possible period to get out of interest deals the fastest way.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Shaikh
Sent: Tuesday, May 27, 2003 3:09 AM
To: monzer@kahf.com

Assalamu Alaikum,

My Question is:

I am Shaikh, an Indian national at present working in Saudi Arabia as an Accountant. Last year I got married. I stayed with my wife for 03 months and came back here. After coming back we both realize that we could not live without each other. Now I am planning to go back to my country and live a life along with my family. As I have 7 members in my family and I would not get much salary even to sustain my family. Also I don't want to live a miserable life there. Now I am planning to take a commercial loan from the Bank with 12% interest on the Loan amount. I spoke to one mufti and I had been informed that it is correct to take a loan because if I am taking the loan for 4 years and 4 years the value of the property will be the same as what I will pay to the bank i.e. principal + loan.

As I am doing a sin by not providing the Hack of my parents and my wife and on the other side I am thinking if I am taking a loan on interest I will committing a another sin. Now I am totally confused what to do? I don't understand please help me out. Regards,
Shaikh

From: Monzer Kahf
Sent: Monday, May 26, 2003 6:34 AM
To: Fazal
Subject: RE: Loan in India

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. Fazal

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

You know that interest is prohibited in Islam because it is an increment in a loan. Interest (in Arabic Riba) is one of the worst sins a Muslim may commit as it invokes the Wrath of God (as indicated in a correct Saying of the Prophet, pbuh)and a war declared by God and His Messenger (the Qur'an 2: 279). Loans given in India and elsewhere for house purchase are not an exception.

Of course the rules of necessity apply to any thing prohibited matter including the prohibition of interest. These rules apply to acquiring a residence for persons and families who need them. The criteria of necessity focus on needs and do not include whether a person owns a real estate or not. If you live in Saudi Arabia why do you need a house in India? I am sure you may need it in the future if you have a family and decide to go back home. You will cross that bridge when you reach it. You know your personal and family conditions better than any body else and you are the only one who can determine your needs and when they become really needed. God will judge you and He knows the real thing inside your heart.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Fazal

Sent: Sunday, May 25, 2003 1:41 AM

To: monzer@kahf.com

Subject: Loan in India

Assalamu Alaikum

I am an Indian working with a leading IT co. in Riyadh, Saudi Arabia for the last 4 years. I wanted to know whether I can go in for Housing Loan being provided by some of the banks in India. I do not have any property in India, neither residential nor commercial. The banks are charging 8% for residential and 12% for commercial loan. Please provide with your advice on this issue. For your clear understanding on the terms & condition for loans, please visit www.icicibank.com & www.hdfcbank.com. Regards,

Fazal

Islamic Loan/Financing and Interest-Based Financing

From: Monzer Kahf

Sent: Sunday, February 08, 2004 6:56 AM

To: Islam on Line

Subject: RE: The Impacts of 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.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

almost every book on Islamic economics has something to do with this. Please look closely in the libraries, see the works of Muhammad Umar Chapra, Muhammad Nejatullah Siddiqi, Monzer Kahf (www.kahf.net), Muhammad Rafiq al Misri (Arabic only), Abd al Rahman Yusry (Arabic), etc.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line

Sent: Sunday, February 08, 2004 6:00 AM

To: monzer@kahf.net

Subject: The Impacts of Riba

Name of Questioner

Gender

Age

Education

Date Submitted 2/7/2004

country of Origin

User Ref. No. 7ECJEN

Question

Where can I find a detailed discussion on the non-psychological impacts of interest. What harm does it bring to a financial institution? What is the stance of secularist finance when it comes to the virtuosity of Interest or Riba?

From: Monzer Kahf

Sent: Tuesday, December 02, 2003 7:57 AM

To: Islam on Line

Subject: RE: Difference between Islamic Loan and Conventional Loan

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. Amr

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

In Shari'ah there is only the term Loan (Qard); the term Qard Hassan is used in the Qur'an to mean charity being a loan to God. A loan in Shari'ah applies to things that are standardized (whereby units are of the item are exactly the same) and at the same time that

can be exhausted by usage (in contrast to durable things such as a car or kitchen small electric appliances that can be lent as 'I'arah, i.e., to be returned themselves exactly), such as money or bushels of wheat of given specifications. In a loan, the borrower, after using the borrowed units must return equal number of units of the same item on the due date. A loan in Shari'ah is therefore defined as an act of goodness or kindness, it is a pure help from the lender to the borrower and it is rewarded by God as the Prophet, pbuh, told us. A loan does not carry any contractual increment since the Qur'an (2: 279) instructs that we should get back only the principal with no addition and no deduction. Therefore, any increment above the principal of a loan that is either conditioned in the contract or known in customs and traditions is considered Riba and Riba is a major sin according to the Qur'an and the Sunnah.

Accordingly Islamic banks do not provide loans because they aim at making profit from their businesses. Instead they provide financing in accordance with the Islamic principles that are sale-based, lease-based or venture capital-based (profit and loss sharing)

Loans of conventional banks are interest (Riba) based. They are forbidden in Shari'ah.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line

Sent: Tuesday, December 02, 2003 1:53 AM

To: monzer@kahf.net

Subject: difference Between Islamic Loan and Conventional Loan

Name of Questioner Amr Gender Male Age 15-20

Education High school Date Submitted 11/30/2003

country of Origin Djibouti User Ref. No. 1KPS4F Country of Res. Djibouti

Question

What is the difference between Islamic loan and conventional loan?

From: Monzer Kahf

Sent: Wednesday, November 26, 2003 8:18 AM

To: Siddiqi

Cc: use

Subject: RE: YOUR ADVICE IS NEEDED

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 and Eid Mubarak to you too. May I begin with the last note on profit sharing. You know it is not sufficient that a company distributes variable return to make it permissible. There are two more conditions: 1) the contract must be based on de facto ex post return that is the variability is not in a loan based- relation but rather is in an investment (Mudarabah) based relation that makes the distribution of profit as a percentage of realized profit and losses on capital (no guarantee of principal); and, 2) the use of funds must be Halal. This means that even if the contract is Halal between partners their investment must be in permissible activities. Do conventional insurance companies in India invest their money in government bonds and other interest-based assets or in permissible business and trades?

However, the previous point is, in my opinion, immaterial. I take the position of the late Shaikh Mustafa al Zarka that insurance is merely an exchange contract (therefore it doesn't matter to it what the companies does with its other relationships) that is new, useful (and sometimes necessary), does not violate any of the general tenets of Shari'ah and it has similarity in the past, contracts that are recognized in Fiqh although they are based on risk. Besides it is actually based on cooperation in reality although this cooperation is brought about by a business venture, the insurance company; it is for all these reasons is permissible.

I add that it is rather necessary in the case of India where the risk on life and property of Muslims is higher than many other areas. I believe that the Fatwa for India must be that taking insurance is an obligation with regard to community properties such as mosques and highly encouraged for individual Muslims. Consequently, working in selling property and life insurance to Muslims is not only Halal but also recommended and rewarded InShaAllah. Additionally, why aren't Muslims in India able to establish Mutual insurance companies and use the same facilities of reinsurance that is available to other companies? (you know there is a Fatwa about conventional reinsurance because of the natural need of the business). Mutual insurance is normally easy to establish and is a win/win case for the founders. The model is creating a company that manages a pool of insurance and charges the pool a price for its managerial services.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Siddiqi

Sent: Sunday, November 23, 2003 9:25 AM

To: monzer@kahf.com

Subject: Fwd: YOUR ADVICE IS NEEDED

Salam and Eid Mubarak

I forward this since you are an expert on insurance as well as on Fiqh al aqalliyat.

Siddiqi

From: usuf

To: siddiqi

Subject: YOUR ADVICE IS NEEDED

Date: Sun, 23 Nov 2003 07:51:00 +0000

dear sidiqul sahab

Assalamu Alaikum

dear sahab

is it permissible for a Muslim to work as development manager in a insurance company. keeping the condition of Indian Muslims the risk element attached to their lives and properties and no Takaful here. can I go and sell them financial security. Indian Muslims have lot of misconception about insurance and ulemas few of them add to it. your advice is needed and all the conventional insurance contracts in India are based on profit sharing model because the return on the investment is not guaranteed. your advice is awaited Allah hafiz. yusuf

From: Monzer Kahf

Sent: Sunday, November 23, 2003 7:26 AM

To: David

Subject: RE: Riba, inflation and the abstract nature of 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. David

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

The point you raise is important and well taken, but if leave the nuance of economic jargon, do you really think that interest is a compensation of inflation? is it not a policy tool? is it really determined by the difference valuation through time of goods and services? is the reality as simple as you abstract it in ten loaves of bread? is contracted interest a good approximation of what will happen in the future of inflation? And how about deflation, has it ever happened that the creditors pay interest to borrowers? also who is going to pay for those whose money value has been eroded while they still keep it in their vaults or in checking accounts that pay no interest?

Another thing, do you see a difference in the example you mentioned between Riba and value erosion? without denying the beauty of the abstraction of money "abstract representation of value of good" is it not something that people exchanges and actually treat like any other commodity. So as simple as: if you give me 10 units of money you get back 10 units and if you give me 10 unit of bread you also get back 10 unit of bread. Is it not rational that if you allow such a contractual increment in one you should also allow it in the other? and is abstraction of money dynamic or fixed? don't people also look at some commodities as quasi cash?

Besides, let us take a moment to go to law. any law must have certain line between the do and the do not. would you draw the line, even in your example, that any contractual increment in any thing is Riba or you would exclude one thing, money? so that people would use it to get gains, not really to compensate for value erosion, and avoid using other denominators for the pretext.

Also, Indexation is been discussed in Islamic economics. It is considered by many as the right compensation of inflation. Yet many others argue that it opens a back door for Riba that must be kept closed because through it many pure Riba practices may go too.

Finally I would like you to read the paragraph, I quoted below from a forthcoming article by Prof. Siddiqi that puts some of these points in perspective.

Please write again if you feel you like to continue this and any discussion on any of these subjects.

Wa Allahu A'lam (and God knows Best)

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

"INTEREST AS COMPENSATION FOR INFLATION

While some of the bad effects of interest mentioned above, e. g., interest causing instability, have come to light recently its unfairness as a social arrangement has been in focus for ages. What makes it tick, then, not only among those who stand to benefit by it but also by people in general? There seem to be two main reasons, one a product of the circumstances during the last half century and the other rather old. The older reason for general acceptance of interest is the perceived lack of an alternative. The recent reason is erosion in the value of money due to persistent inflation during much of the last half century. Bank depositors as well as creditors of all sorts stood to lose in terms of purchasing power unless compensated for the decreased value of the sums originally involved. Interest was looked upon as such compensation.

But is that true? And is the borrower/debtor the right party to be obliged to pay the compensation? Inflation is caused by wrong monetary policies in the first instance. Certain factors at the macroeconomic level, e.g., deficit financing..... may also be responsible. Neither has anything to do with the borrower/debtor. Insofar as the debt is the deferred price of goods or services purchased, the expected inflation can be taken care of by contracting for a higher than spot price. In cases of money loans it cannot be ascertained whether the benefits actually derived from the liquidity so obtained are sufficient to afford extra payment. Intermediation by a bank does not change the situation. All that can be asserted with a degree of plausibility is the entitlement of the lender to some compensation. But this applies even to the owner who keeps his/her money under the mattress, a case in which no other party is involved. In all fairness a compensation for the loss in purchasing power of money due to inflation should come either from the authority which manages the society's money or from the party which actually benefited from inflation.

Making interest take over the role of compensating for inflation has two distinct disadvantages. First, it hurts certain social classes which hardly deserved to be hurt; and second, it gives undeserved benefits to certain other classes. This became very evident in the United States and many other countries during the Reagan/Thatcher era in the nineteen-eighties when the authorities allowed double digit rates of interest causing huge sufferings to farmers and home owners whose cost of servicing their debts and mortgages skyrocketed but brought windfall gains to creditors". [Prof. Muhammad Nejatullah Siddiqi, upcoming article on economic effect of Riba, in the Encyclopedia of Islamic Economics, V 2].

Question:

From: David

Sent: Sunday, November 23, 2003 2:44 AM

To: monzer@kahf.com

Subject: Riba, inflation and the abstract nature of money

Dear Dr Kahf

Riba and Inflation

I have read widely on this in relation to Islam and your comments alongside that of other eminent Moslem scholars are that adjusting a debt for inflation is Riba and therefore wrong.

The reason I question whether it is really Riba is the fact that "money" is merely an abstract representation of the value of goods to avoid the inconvenience of a bartering system. If I borrow 10 loaves of bread from a friend, it is right that I pay back the same. If they demanded 12 it would be Riba. The point is if we converted into money and the abstract representation of the 10 loaves of bread was "100 units of currency" but I later paid back the loan when the cost of the loaves was "110 units" the extra units would not be Riba, it would be simply the same amount once converted to tangible goods. Surely there is no usury or Riba going on here? I would dearly like an explanation why adjusting for inflation is in fact Riba of this in logical terms. The only explanations I have received so far have been circular

arguments such as "the Qur'an forbids it so it is wrong, it is wrong because the Qur'an forbids it". The Qur'an does understandably forbid Riba but it is a question of the context it was written in Thanking you in advance for a logical answer in relation to the abstract nature of money.

From: Monzer Kahf
Sent: Monday, December 29, 2003 7:27 AM
To: Islam on Line
Subject: RE: Inflation and Getting Interest Rates

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. Rami

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

While it is true that inflation reduces the purchasing power of an amount of cash a person holds, interest is neither the cause nor the effect not the contractual compensation of inflation. Interest is a contracted increment in a loan and that is forbidden in Shari'ah.

Inflation reduces also the value of cash you keep in your pocket is the bank going to compensate you for it? it also reduces the value of contractual future salaries of salaried persons and of debts you may have on your brother or mother is the bank going to compensate you for that reduction?

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line
Sent: Sunday, December 28, 2003 2:40 AM
To: monzer@kahf.net
Subject: Inflation and Getting Interest Rates

Name of Questioner Rami Gender Male Age 31-45

Education Date Submitted 12/18/2003

country of Origin Spain User Ref. No. TFW49G

Question

Dear Brothers, Inflation rates actually diminishes the value of money we deposit in banks and therefore, I don't see nay valid reason why we shouldn't get a kind of compensation in the form f interest rates. What's your opinion? Jazakum Allahu Khairan!

From: Monzer Kahf
Sent: Monday, October 27, 2003 9:21 PM
To: Islam on Line
Subject: RE: Investing Money in Halal Business for a Fixed Profit

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. Shazuli

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Investment according to Shari'ah approved contract (such as Mudarabah) in permissible business is permissible. Investment has the potentiality to gain and the risk to loose. these two characteristics of investment go always together because you own your money and you own the merchandize that your agent purchased with your money. If the user (agent) of the money guarantees the principal there is a violation of one of the two characteristics of ownership, such a guarantee makes the money a loan to the agent rather than Mudarabah investment and a loan is not entitled to earn any return. Such a condition cannot be placed in an Islamic contract because it contradicts its nature and it transforms the contract into a loan whereby any increment becomes interest even if it is variable and its rate is not determined in advance.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line

Sent: Monday, October 27, 2003 1:42 AM

To: monzer@kahf.net

Subject: Investing Money in Halal Business for a Fixed Profit

Name of Questioner Shazuli

Gender

Age

Education

Date Submitted 10/19/2003

country of Origin Sri Lanka

User Ref. No. R7XBGQ

Country of Res.

Question

Is it permissible in Islam to invest our money in a Halal Business for a fixed profit ? The one who gets our money promises us if there is a loss he is responsible to return our capital without the profit. Please explain.

From: Monzer Kahf
Sent: Wednesday, October 15, 2003 7:44 AM
To: Islam on Line
Subject: RE: Meaning of 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. YASIN

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Riba is forbidden in Islam. It is one of the gravest sins as God threatens those who do not quit Riba dealings with a war from God and His Messenger, please read the Qur'an, 2: 275-279. The Prophet, pbuh, said: "The Wrath of God is on the taker, the giver, the writer and the two witnesses of Riba" This is a correct Hadith reported by Muslim.

There are two kinds of RIBA. the most common one is defined as "any contractual increment in a loan." This means that interest of banks is certainly and clearly Riba.

The second kind of Riba comes within certain sale contracts. It may appear especially in currency exchange contract. This Riba includes any time difference in the delivery of exchanged currencies and any differential in the amount when you change different bills of the same currency (like one hundred dollar bill for 99 bills of the one dollar, the difference of 1 is Riba). The Prohibition of this kind of Riba came in the correct Sayings of the Prophet, pbuh.

Working in a Riba based institution is certainly not one of the purest kinds of jobs because directly or indirectly you will serve the Riba, but strictly speaking the Wrath of God is on those who write it and be witness to it and there is no evidence for expanding this prohibition to those who work in the computer section of as teller who handle money or any other jobs that do not involve the worker in being a writer or witness of a Riba-based contract.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line
Sent: Wednesday, October 15, 2003 4:47 AM
To: monzer@kahf.net

Subject: Meaning of Riba
Name of Questioner YASIN Gender Male Age 31-45
Education Diploma Date Submitted 10/11/2003
country of Origin Kenya User Ref. No. 1GTWB3 Country of Res. Kenya
Question
Assalamu alaykum! What does Riba mean? Is the interest earned on money placed
in a Bank Riba? Is livelihood earned from employment in a Bank lawful? Kindly
enlighten me

From: Monzer Kahf
Sent: Monday, August 25, 2003 9:50 AM
To: Islam on Line
Subject: RE: Islamic Financial Transactions and Conventional Ones

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. Sakinah

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

In Islamic financial transactions, the essential point is the prohibition of Riba in both its kinds interest on loans that interferes in most of conventional financial transactions; and Riba of currencies that requires currency exchange to be only spot, no future because delivery of both currencies must be at the time of contract.

Yet there are several other important principles in Shari'ah that apply to what we call today "financial transactions."

Without being inclusive some of these principles are: realism that requires that transactions cannot be based on "presumed," "deemed," "fabricated" or an object that has no real existence such as trading indexes, options, giving a loan and assume that it is a price of your household furniture.

There is also the sale of what one does not own or does not have possession of, even it may be owned, like commodity futures, etc.

In brief, you cannot assume that if a contemporary organized market transaction does not have Riba, it is then permissible. Instead every transaction must be studied from Shari'ah point of view, the same way it is studied from law-of-the-land point of view before determining whether it is permissible or not.

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

Sincerely,
Dr. Monzer Kahf

Question:

From: Islam on Line
Sent: Saturday, August 23, 2003 12:03 AM
To: Monzer Kahf
Subject: Islamic Financial Transactions and Conventional Ones
Name of Questioner Sakinah Gender Female Age 21-30
Education Diploma Date Submitted 8/14/2003
country of Origin Malaysia User Ref. No. QN3HVS Country of Res. Malaysia
Question
can you give the element which make Islamic financial transaction differ from
conventional transaction beside the indolent of Riba'?

Notes
your answer is very important to me!!!!

From: Monzer Kahf
Sent: Monday, May 26, 2003 6:20 AM
To: Islam on Line
Subject: RE: Prohibition of 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. Aly

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Any contractual increment in a lending transaction is prohibited in Islam. It is considered one of the worst sins and disobediences to God. The name used in the Arabic language for such increments is "al Riba." 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, said that the wrath of God is on the person who takes Riba, one who gives it and the person who writes its contract. The Prophet also classified dealing with Riba as morally and religiously worse than adulatory. Bank's interest is plain Riba, no more, no less, because the transaction is a lending transaction and there is an increment. Although the matter is so clear from the definition of Riba, the Fiqh Academy of the Organization of Islamic Conference (the Highest internationally recognized intellectual body on matters of Islamic jurisprudence) discussed this issue in one of its meetings and resolved that: "banking interest is the same as the Riba that is made prohibited in the Qur'an." (Resolution No. 10 (10/2) dated December 28, 1985).

The prohibition of Riba does not mean that financing in Islam 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 the Islamic law are attached to it, deferred-payment sale or installment sale, and equity financing. Of course, the Shari'ah (Islamic Law) 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.

Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf
(See my Website for contacts: www.kahf.net)

Question:

From: Islam on Line
Sent: Friday, May 23, 2003 11:52 PM
To: Monzer Kahf
Subject: Prohibition of Interest
Name of Questioner Aly Gender Male Age 46-60
Education Post Graduate Date Submitted 5/18/2003
country of Origin Egypt User Ref. No. 13152U Country of Res. U S

Question

Al Salamu 3Alikoum we Ra7hmatu Allah, I need an official Fatwa with references to famous Islamic scholars to be presented to the Superior Court of the State of California, County of San Diego, North County Branch. This Fatwa is that interests on loans are prohibited in Islam. In your reply ,if possible refer to me and case # DN120862 JSB. I am going to use this fatwa to educate the court on the prohibition of interest on loans in Islam, in response to why I resorted to an Islamic loan from a Moslem rather than mortgaging my house. Please furnish me with such Fatwa as soon as possible. I have been trying to contact you for the past week but because of the time differences failed each time. Salamu 3Alikoum, Aly Maged Elsalawy

Notes

Please refer to my name Aly Maged Elsalawy, that this Fatwa will be presented to the Superior Court of the State of California as a general Fatwa and will serve case # DN120862 JSB.

From: Monzer Kahf
Sent: Wednesday, May 21, 2003 9:18 AM
To: Islam on Line
Subject: RE: Interest and Finance

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. Alicia

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

You know sister, Islam is a total way of life. In the Qur'an [5: 3] God said: " This day I have perfected your religion for you, completed My favor upon you and have chosen for you Islam as religion." The three Arabic words used in this verse:

Akmaltu [perfected], Atmamtu [completed] and din [religion] point all to Islam as a complete way of life at all levels personal, community, social and what else.

Consequently, Islam has its own set of formula for organizing business and the economies of individuals and societies. Yes, Interest is prohibited and is considered a very grave sin in Islam. God in the Qur'an [2: 279] puts this prohibition in very strong terms that even warn of a war from God and His Messenger to those who do not immediately quit making interest-based transactions. The prophet, pbuh, said that the Wrath of God is on the taker, giver, writer and the two witnesses of a Riba [interest] (contract).

On the other hand, the prohibition of Riba does not mean prohibition of finance. Financing activities are essential part of life that is needed for all kind of businesses. Even in a very simple economy of a small semi nomadic agriculture-based city state that was a time of the Prophet, pbuh, financing was needed. It was also needed when the Islamic state was expanded to cover an are that is more than double the size of the United States today, from Morocco and Spain in the West to Central India in the East and from Georgia and Chechnya on the North to Yemen and Central Africa in the South. From the time of the Prophet, pbuh, and throughout several century of prosperous trade, financing in these lands operated without interest. The main idea of Islamic financing is that, unless when it is charitable through interestless loans, it is always based on physical exchange of goods and services. That is you finance trade, production, and consumers purchases but you do not finance cash that the borrower can use any way he likes even to gamble in Las Vegas.

Islamic financing is based on three principles: Equity, Sale and leasing. I suggest that you consult Islam on line for some readings in this area, or take a look at my website at www.kahf.net for a few articles and books that give more info.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line
Sent: Tuesday, May 20, 2003 10:50 PM
To: Monzer Kahf
Subject: Interest and Finance
Name of Questioner Alicia Gender Female Age 15-20
Education Post Graduate Date Submitted 5/16/2003
country of Origin Afghanistan User Ref. No. 8179VK Country of Res. Australia
Question
Asalamu alykum, I have heard many times that interest and finance are big sins, is this true? and if so why?

From: Monzer Kahf
Sent: Wednesday, April 30, 2003 8:25 AM
To: Islam on Line
Subject: RE: Understanding of the Concept of 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. Obaid
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 the 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! A car rent/purchase contract gives return to the bank, but this return is a rent not interest because the bank owns the car (or at least the part of it that is not sold to the customer). This return is pre-fixed because the rent agreement allows prefixing the rent. With each rental payment, the customer pays an additional amount to buy a part of the car. Consequently, the amount of rent declines from month to month because the part of the car that is owned by the bank decreases and the customer can thus pay more and more from one month to the other towards the purchase of the car. There is nothing of Riba in this kind of agreement although it is similar to it, like the similarity between liquor and water!

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

Question:

From: Islam on Line
Sent: Tuesday, April 15, 2003 3:50 AM
To: Monzer Kahf
Subject: Understanding of the Concept of Riba
Name of Questioner Obaid Gender Male Age 21-30
Education Graduate Date Submitted 4/13/2003
country of Origin Pakistan User Ref. No. WY4VKV Country of Res. Pakistan
Question

I would like to have understanding of concept of Riba, furthermore, ALL the banks offering CAR leasing are making rental agreements, so how to identify the element of Riba in an contract.

What to Do with Earned Interest Money?

From: Monzer Kahf
Sent: Thursday, January 29, 2004 8:12 AM
To: Hafizal
Subject: RE: use of interest money in charitable work

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. Hafizal

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Any Haram money that is unreturnable to its true owner and any money that has no owner are permissible for the poor. Under an Islamic setting such money belongs to Bait al Mal to be used for the poor and needy. The Qur'an says in more than one place that there should be no "Haraj" (inconvenience) for the poor and the handicapped (as a form of poverty and it certainly does not include the rich handicapped; notice that the poor may eat flesh of dead animals, etc. and such interest money is not worse than it). When there is no Bait al Mal, such money may go directly to the poor by the person who has possession over it (though does own it because in Shari'ah one does not own interest money that one earns under other laws). It is still better to give it through Muslim charities. Such money becomes Halal for the poor recipient and she/he better not be informed about its source. Some Fuqaha argue that such dirty money may not be used for respected things such as buying copies of the Qur'an and distributing them free, or building the payer area in a mosque, but even in a mosque they say such money may also be used to build the toilets area! I shouldn't suggest using it for staff salaries, though it is permissible to do so; I prefer to have it used for basic needs of the poor, including education and health projects.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Hafizal

Sent: Thursday, January 29, 2004 6:40 AM

To: monzer@kahf.com

Subject: use of interest money in charitable work

Assalamu Alaikum

May Allah shower you and me, and the Ummah with His Mercy and Kindness.

I have a question regarding the above subject, i.e. the scope of which a charity can utilize interest money donated to it. Assume that the charity is a humanitarian aid based charity which deals with attending emergency situations and at the same time running developmental projects among poor society. Can the charity use this money freely to finance any of its projects, including paying its staff their wages? Can you provide Dalil to support your answer.

I would be grateful for your patience and time to reply. May Allah give lights to all of us in this matter.

Jazakallah Khairan
Wassalam

From: Monzer Kahf
Sent: Monday, October 13, 2003 8:28 AM
To: Islam on Line
Subject: RE: interest earned by an orphan

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. hesham
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
May Allah bless the soul of your father and give him mercy and forgiveness.

The reasons you mentioned do not justify interest. It was not your mistake, but that of the guardian who could have asked for placing the funds in an Islamic bank. In Egypt you have three Islamic banks that could have received the money on Mudarabah basis and invest it and give you your share of the profit that is Halal and permissible.

Interest cannot be justified by loss of opportunities because you don't know what would be the result of such opportunities, it could be a great loss! It cannot be justified by inflation (decline in the value of money) because such a decline affects you even if you keep the money in your pocket or under the mattress. Interest is an increment in a loan that has no real counterpart, it is taking money with no reason as the Qur'an puts it (bi al Batil). Remember the reason given by those who justify it is only the expectation of return from other opportunities and the sacrifice the lender makes, both are abstract and mere expectation, psychological and speculation about the future, they are not a real thing.

This interest is not yours, and you cannot return it to the bank because that helps it do more of the evil of interest, you **MUST GIVE IT AWAY** to Muslim charity or

the poor and needy. You will InShaAllah be rewarded for keeping your own money clean from the evil of interest (Riba) but it is not considered a Sadaqah on your part.

By the way if Zakah is not paid on your own money you are still required to pay Zakah for the past three years, since your father passed away, from your own money not from this interest.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line

Sent: Monday, October 13, 2003 2:48 AM

To: monzer@kahf.net

Subject: Can I benefit the interest, which I have no hand in?

Name of Questioner hesham Gender Male Age 21-30

Education Post Graduate Date Submitted 10/5/2003

country of Origin Egypt User Ref. No. CC1IIB Country of Res. Egypt

Question

MY FATHER WAS DEAD THREE YEARS AGO & I HAD FROM HIM ABOUT 23 THOUSAND LE BUT AS EGYPTIAN LAWS THE WHOLE MONEY PUT IN BANK & I WAS NOT ABLE TO DO ANY THING WITH MY MONEY UNTILL I REACH 21 YEARS OLD & WHEN I BE 21 YEARS OLD - FROM FEW WEEKS- I RECIEVE MY MONEY PLUS 7 THOUSAND LE AS BANK USURY AND THE QUESTION COULD I USE THIS MONEY FOR MY SELF KNOWNING THAT RECIEVING THE MONEY THREE YEARS LATE MAKE GREAT LOSSES BECAUSE THE FALL OF COST OF EGYPTIAN POUND & KNOWNING ALSO THAT I DIDN'T GO TO BANK ON PURPOSE TO PUT MY MONEY TO GET THE BANK USURY ? & IF THE 7 THOUSAND LE IS PROHIBITED TO USE HOW COULD I SPEND IT?

From: Monzer Kahf

Sent: Sunday, October 12, 2003 8:20 AM

To: Islam on Line

Subject: RE: Giving Interest as Charity

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. Earned interest is not yours and you may not use it as your money. It must be given to Muslim charity because it is considered "money that has no owner" .

Hence you may not use it for giving gifts to relatives. Only to the poor and needy directly or through Muslim charitable organizations.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line

Sent: Saturday, October 11, 2003 1:28 AM

To: monzer@kahf.net

Subject: Giving Interest as Charity

Name of Questioner Abdul Gender Male Age 31-45

Education Post Graduate Date Submitted 9/30/2003

country of Origin Syria User Ref. No. 4G6B47 Country of Res.

Question

Dear Sir Assalamu Alaikum I am living in the Uk and I am keeping my money in a current account from which I get interest. I always spend the interest in charity. The question is, Is it acceptable to give some of this money to relatives (for example, brothers and sisters) as a gift. Please take in consideration that they are not poor or needy. Jazakum Allah Khairan

From: Monzer Kahf

Sent: Saturday, September 20, 2003 7:12 AM

To: 'Islam on Line'

Subject: RE: Giving Interest to a Relative

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. Shakeel

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

If the person you gave interest to is poor, yes you did the right thing and you did not need to tell him the source of the money. Interest must not be returned to banks and must be given away to the poor and needy and similar purposes. If the poor is a relative that is much better as long as you are not financially responsible for her/his

(i. e., you may not give to a poor parent or grandparent). You are not financially responsible for maternal uncles.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line

Sent: Saturday, September 20, 2003 4:39 AM

To: monzer@kahf.net

Subject: Giving Interest to a Relative

Name of Questioner Shakeel Gender Male Age 31-45

Education Graduate Date Submitted 9/14/2003

country of Origin India User Ref. No. 6CVCIZ Country of Res. UAE

Question

Dear Scholar, Assalam Alaikum!! My question is that I got some amount as interest from my savings account which I do not want to use for myself and also cannot return to the bank. So, I gave to my maternal uncle who is suffering from lung cancer for his treatment/personal use. Is this Ok?

From: Monzer Kahf

Sent: Sunday, September 14, 2003 4:36 PM

To: 'Islam on Line'

Subject: RE: Helping Brother from Interest 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. chemnad

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

If the income your brother derives from his shop and any other sources is not sufficient to pay for his normal expenses on the family (including cost of housing) you may give him your Zakah and interest.

But if his income pays for his expenses (including the cost of present living quarters) and even gives him a little savings that he is putting in constructing a house, he may not be in a position to deserve Zakah payment. In such a case you may not pay him either your Zakah or the interest you got from the bank. Zakah has to be given away to the poor and needy, so is the acquired interest (that is from Shari'ah point of view not yours).

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

Question:

From: Islam on Line
Sent: Sunday, September 14, 2003 6:01 AM
To: monzer@kahf.net
Subject: Helping Brother from Interest Money
Name of Questioner chemnad Gender Male Age 31-45
Education Post Graduate Date Submitted 9/2/2003
country of Origin India User Ref. No. UH81I3 Country of Res. India

Question

ASSALAMU ALAIKUM, CAN I GIVE MY INTEREST MONEY FROM BANK TO HELP MY BROTHER TO BUILD A HOUSE FOR HIM.CAN I USE ZAKAH MONEY FOR THE SAME PURPOSE.MY BROTHER HAS GOT A SMALL SHOP SELLING COIR PRODUCTS.HIS TOTAL STOCK IN HIS SHOP MAY EXCEED THE ZAKAH NISAB.BUT HIS BUSINESS IS POOR.

From: Monzer Kahf
Sent: Wednesday, September 03, 2003 8:26 AM
To: Islam on Line
Subject: RE: Using Canadian Saving Bonds for 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. Khokhar

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

You know that owning buying and saving bonds is not permissible in the Shari'ah because they are interest -based. whatever you happen to have of such bonds must be sold and you take only the amount of your principal (= the cost you paid when you purchased the bonds) and you must give the rest to any Muslim Charity. This is Riba money that is Haram (forbidden) in the Shari'ah, remember you do not own this money according to Shari'ah . The Prophet, pbuh, said that any flesh that arises out of a Haram deserves the Fire of Hell more than any other place.

Once you give the Haram part to Muslim charities, your principal is InShaAllah pure for you and you can use it for Hajj, Zakah payment and other things.

Wa Allahu A'lam

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

Question:

From: Islam on Line
Sent: Tuesday, September 02, 2003 6:51 AM
To: Monzer Kahf
Subject: Using Canadian Saving Bonds for Hajj
Name of Questioner Khokhar Ref No BMQD8 Age Above 60
Education Post Graduate Date Submitted 8/23/2003
Country of Origin Pakistan Gender Male Country of Res. Canada
Question

Can I use money from cashing Canada Savings Bonds for performing Hajj. I would appreciate a response on this matter. Please note that this is the only money I have other than my RRSP. What do you suggest I do? Would it be OK to use money from the bonds to cover Hajj expenses.

From: Monzer Kahf
Sent: Wednesday, August 27, 2003 8:15 AM
To: Islam on Line
Subject: RE: Interest 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. SIRAJUDDIN

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

earned interest money is not owner by the recipient from the Shari'ah point of view. Interest contracts are invalid completely and they do not produce any effect, i. e., no transfer of fund is acceptable for interest from one person to another. In other word an interest earner does not own this money.

The Principle in Shari'ah is: things must be returned to the way they were before the invalid contract. This means returning interest money to its payer. BUT SINCE THE PAYER IS A BANK WHOSE BUSINESS IS GIVING LOANS ON INTEREST, it is wrong to allow it this privilege that will only add to its ability to make more of its evil interest-based transactions. Hence, we treat this money the same way we treat money that has no owner! Give it to Muslim charity, the poor, Muslim orphanage, etc. You will be InShaAllah rewarded for preserving your own

money clean off interest but this is not considered Sadaqah because a Sadaqah has to be from your own money.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line

Sent: Tuesday, August 26, 2003 11:47 PM

To: Monzer Kahf

Subject: Interest Money

Name of Questioner SIRAJUDDIN Gender Male Age 31-45

Education Graduate Date Submitted 8/20/2003

country of Origin India User Ref. No. 2WR895 Country of Res. India

Question

"ASSALAAMU ALAIKUM DEAR SCHOLARS, A PERSON KEEPS MONEY IN THE BANK. IN SAVING BANK A/C ON WHICH HE GETS INTEREST ON IT. SO CAN HE TAKE THAT INTEREST MONEY & GIVE TO YATEEMKHANA OR FOR THE POOR OR TO THE ORPHANAGE OR CAN HE GIVE ZAKAAT. 2) CAN THAT PERSON USE THAT MONEY FOR HIS BUSINESS OR FOR HIMSELF? WHAT IS THE ISLAMIC RULING ON THE ABOVE SUBJECT.....? JAZAKALLAH KHAIRAN....."

From: Monzer Kahf

Sent: Tuesday, August 26, 2003 1:08 PM

To: Islam on Line

Subject: RE: Paying Tax with 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 Sr. mahtaab

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I argue that since interest obtained on a saving account or any other deposit accrued to you is not yours from the Shari'ah point of view, you cannot use it for disposing of your legal obligations toward the government or toward any other entity you may have obligation to. You cannot even use it to pay the interest that accrues on an interest-based loan you may have borrowed.

The Shari'ah position is that earned interest is not earned but it is still owned by the payer. But since the payer is a bank whose business is to give loans on interest we must not return it to the payer as such an action increases the evil of interest and empowers the evil doers. Thus you need to dispose of this interest money by giving it to Muslim charity not as a Sadaqah but for the purpose of keeping your own money clean.

Taxes are civil obligations that are essentially the result of living together in a society/community and needing governmental services. Taxes are thus personal obligation that must be paid out from your own money not from money you do not own.

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

Question:

From: Islam on Line
Sent: Monday, August 25, 2003 5:25 AM
To: Monzer Kahf
Subject: Paying Tax with Interest
Name of Questioner mahtaab Gender Female Age 21-30
Education Post Graduate Date Submitted 8/17/2003
country of Origin Mauritius User Ref. No. HMKM1B Country of Res.
Question

Respected Scholars, Assalamu 'alaykum, I would like to know whether I can pay my annual Income Tax with the Interest I get on my saving account.

From: Monzer Kahf
Sent: Sunday, July 27, 2003 6:42 AM
To: Islam on Line
Subject: RE: Giving out Interest as Charity

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. Haniffa
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
To the best of my knowledge there is an Islamic bank called "Amanah Islamic Investment Bank" in Sri Lanka in which you can deposit in Mudarabah investment accounts instead of saving accounts in conventional banks.

However, suppose there is no branch of this Islamic bank in your area, it is permissible then to deposit in interest generating accounts in conventional banks provided, as you said, you give the accrued interest to Muslim Charities. You will be rewarded, God Willing, for keeping your own money clean of the wrath of Riba but this is not considered charity in the Islamic sense because charity is giving from money you own and accrued interest is not owned in accordance with the Shari'ah because the Riba contract, although valid in common laws in many non-Muslim and Muslim countries, is not valid from Shari'ah point of view and consequently you do not own this interest.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line

Sent: Saturday, July 26, 2003 12:34 AM

To: Monzer Kahf

Subject: Giving out Interest as Charity

Name of Questioner Haniffa Gender Male

Age 31-45

Education Graduate

Date Submitted 7/19/2003

country of Origin Sri Lanka User Ref. No. Q5RQM1 Country of Res. Sri Lanka

Question

Dear Scholar, Assalamu Alaikum, There is no Islamic Banking system available in our country. Can we operate accounts (Current and Saving) in Banks which do operate under the present RIBA(unashamed) system? What should we do to the amounts being credited as interests to our savings accounts - we just leave it as it is or can we give away those amounts as charity (but without expecting any merits)? Please enlighten. Jazakallah

Notes

I always have a feeling that we are also helping a system which Islam has prohibited by dealing with unislamic banks. But here we do not have alternatives.

From: Monzer Kahf

Sent: Tuesday, July 15, 2003 11:55 AM

To: Islam on Line

Subject: RE: Making a Profit of a Deal based on Interest 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. Khalid

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I think it is inappropriate for you to offer your father a contract because that raises a matter of conflict of interest since you are an officer of the organization. Issues of conflict of interest are considered in the Shari'ah because they affect the confidence in your action and decision that you take on behalf of the organization.

If this contract was not managed by you and someone else who manages it, following the proper procedure of assigning contract, giving a commission to a facilitator, your father in this case may be permissible although many non-profit organization require that immediate relatives of their staff must be disqualified for contracting with the organization.

and once it is established that it is permissible to give a commission to a facilitator, the accounting source of the money, being from interest or from Halal sources doesn't affect its permissibility for the giver as well as for the recipient and the facilitator needs not be informed about the source of the money.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line

Sent: Monday, July 14, 2003 11:59 PM

To: Monzer Kahf

Subject: Making a Profit of a Deal based on Interest Money

Name of Questioner Khalid Gender Age 21-30

Education Date Submitted 7/2/2003

country of Origin User Ref. No. L88UQC Country of Res.

Question

AsSalaamu Alaikum warahmatullaahi wabarakaatuh. Praise is to Allah alone and blessing and salutations unto His final Messenger (S.A.W.) Dear Sheikh, I have had a troubling of my conscience and InShaAllah you will be able to clarify something for me. I work for a Muslim charitable organization. Over time the organization has built up some interest money with the bank. They are using some of this accrued interest money to clothe some non Muslim school children as a once off project aimed at helping non Muslim kids. Being entrusted with the project, I had to source out the best clothing at the best prices. I remembered that my father knows of businesses that may be able to help. I offered the contract to him of finding the best combination between prices and quality which he did. He got us the cheapest price available. My question is whether it is possible for him to act as

the go between on this deal and make a profit out of this? I have not told my father that there is interest money involved. My father is not in desperate need of money but some cash off this deal would help his situation. Jazakallah Khairan for your efforts and May Allah (S) always keep you on the path of Islam.

From: Monzer Kahf
Sent: Monday, July 07, 2003 7:02 AM
To: Islam on Line
Subject: RE: Giving Interest Money for the Marriage of My Brother's Daughter

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 money is not owned by you, it cannot be used to fulfill your own obligations or satisfy your desires. you cannot spend it on any of the normal expenses you may have. In principle it is still owned by the bank that credits it to your new account. But we do not give it back to the bank because it is a Riba practitioner who gave it to you according to the law of the land. instead we give it to the poor and needy. Can you use the bank own money for your niece's marriage?. In one word, you cannot use interest money the way you use your own money such as giving gifts, spending it on things you like, etc.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line

Sent: Sunday, July 06, 2003 11:22 PM

To: Monzer Kahf

Subject: Giving Interest Money for the Marriage of My Brother's Daughter

Name of Questioner Mohammed Gender Male Age 31-45

Education Graduate Date Submitted 7/1/2003

country of Origin India User Ref. No. 85BCCU Country of Res. India

Question

ASSALAMU ALAIKUM MAY AL MIGHTY ALLAH REWARDS YOU FOR YOUR VALUABLE WORK. I HAVE SOME INTEREST MONEY IN MY NRE

ACCOUNT WHICH I AM NOT USING. SO KINDLY ADVISE CAN I GIVE THIS MONEY FOR MY BROTHER'S DAUGHTER MARRIAGE.

From: Monzer Kahf
Sent: Saturday, July 05, 2003 9:30 AM
To: Omer Abdi
Subject: RE: Interest on provident fund

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. Omer

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

The idea is that you do not have to ask and you do not need to know how the company uses the money accumulated in the Provident Fund. If they pay you monthly pension, the pension is normally based on other factors that are mainly your life expectancy and number of years of your contributions and similar factors, the return to Fund is also a considered factor.

If you receive pension, you do not ask about details because they are accounting details that do not relate to you and Your pension is Halal InShaAllah. If you receive a lump sum and you are told, in a letter or by knowing the system of retirement of the company, that it only consists of your contribution, the company's contribution and accumulated interest on these two types of contributions, this interest is not yours and you have to give it up to Muslim charity or directly to the poor and needy. This is more emphasized if the system of the company is such that it specifies the placement of accumulated money in the Fund to your account and to be on interest.

If you are given a lump sum and the company does not tell you that there is an interest ingredient in it or the system does not specify placement on interest in banks, it is then none of your business to investigate, it is a lump sum given at the end of service and that is it. It is InShaAllah Halal.

Since there are no Islamic banks in your country and you need the convenience of depositing your cash in the bank this depositing in saving accounts as you explained is permissible InShaAllah and you have to give away the interest as mentioned above in order to keep your own money clean of the sin of interest. This earned interest is not owned by you from Shari'ah point of view and you cannot make on it transactions that are only the right of owners including lending it. Give it to the person who needs it not as a loan but donation and ask him that instead of paying you back he should give it to Muslim charity when he gets money. The

Shari'ah permits such conditions even in Sadaqah and you know this is not Sadaqah because Sadaqah has to come from things you own but InShaAllah you will be rewarded for keeping your money clean a lot more than Sadaqah because the Prophet, pbuh, said that God loves avoiding what He prohibited even more than doing what he ordered.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Omer

Sent: Friday, July 04, 2003 12:58 AM

To: Monzer Kahf

Subject: RE: Interest on provident fund

Dear Dr. Monzer Kahf

Wassalam Alaykum wa Rahmatullahi wa Barakatuh.

I am very grateful for your prompt reply for my questions, may Allah reward you for the service your are giving.

To clarify more for my question, I am leaving in Ethiopia where we don't have any Islamic bank and more over one has to have a trade license in order to keep his money in a current account which doesn't have interest other wise we all keep our money in a saving account with inters, yet I never used the interest part on my saving for my personal expenses I usually give it away for charity, as for the provident fund I've found out from the company that it was kept in the bank with interest the problem is that I don't have any personal ID as they put all the employee's provident fund in one account actually I asked them to give me the net contribution made from both my side and the company's side so that the rest of the amount I received I can consider as interest.

Actually I based my question on the Fatwa that I read on a web site which said it doesn't concern the beneficial from the provident fund whether it has interest or not it only concerns the company and what ever amount is given to the employee is his, yet I need your opinion on this issue.

wejezakumulah Khairan

Omer

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. Omer

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Please identify yourself, where do you live and how do you know it was kept on interest, is it in the system of the Fund and give as much detail as you can except

the amount and your personal ID number and the like. you know the Fatwa differs according to your situation.

For the second question, interest money is not yours and you cannot use as if it were yours, it must be given to Muslim charity, Besides if you live in a Muslim country, especially one that has Islamic banks, it is not permissible to put your money in saving accounts with conventional banks.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Omer

Sent: Thursday, July 03, 2003 6:29 AM

To: Monzer@Kahf.net

Subject: Interest on provident fund

Dear Dr. Monzer Assalamu alaykum Wa RahmtuAllah

I had provident fund benefit from my ex-employer in which I made some contribution from my monthly salary and the company also made some, the company kept this money in a conventional bank account with interest now I have resigned and given the provident fund with the bank interest actually I don't know for sure how much is the interest money my question is am I allowed to use the interest money or not.

My second question is I usually give the interest part form my saving account to the poor and needy now I have some with me can I lend this money to a friend who is in immediate need of money but can repay it after some time.

Jazakum Allah Khairan

Omer

From: Monzer Kahf

Sent: Wednesday, July 02, 2003 9:05 AM

To: Islam on Line

Subject: RE: Giving Sadaqah out of Earned 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. Mohammad

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

No, it is not Halal. Interest earned is not a compensation for inflation. In fact, although there are certain linkages between interest and inflation, there is no scientific establishment that there is a causative relation between them. The compensation of inflation is indexation which is also not permitted on bank deposits in the Shari'ah scholarly circles because it hides interest (Riba).

Every body holds cash on hand and many people have bank deposits too. Who compensates you for the loss of purchasing power of the cash on hand and the loan you may have given to your brother? Inflation, especially high inflation is wrong and the governments should tame it, but interest is no solution. a individual remedy may be in putting your money in Islamic banks as investment deposits, they will normally earn a few percentage points depending on the market, this earning is Halal and you may keep.

Earned interest is Riba, it is Haram, you must not allow it to mingle with your own Halal earned money, even with the fact that a conventional bank gives it to you (credited to your account) you do not own it from Shari'ah point of view and you should give it away to Muslim charity not as a Sadaqah but as money that must not be returned to its owner (the interest-based bank) because it will use it to capitalize the evil of interest (Riba).

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line

Sent: Monday, June 30, 2003 12:13 AM

To: Monzer Kahf

Subject: Giving Sadaqah out of Earned Interest

Name of Questioner Mohammad Gender Age

Education Date Submitted 6/15/2003

country of Origin User Ref. No. YVDS49 Country of Res.

Question

If a Muslim lives in a country where rate of inflation is 3% per year. Is it Halal to earn interest equal to 3% and gives anything extra to Sadaqah. Please reply and thank you very much

From: Monzer Kahf

Sent: Thursday, May 15, 2003 6:22 AM

To: Islam on Line

Subject: RE: Taking Interest and Giving It as Charity

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. Ehsan

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

1 - taking interest from a bank: You should remember dear brother that entering an interest-based contract and signing it is itself a sin, This means unless there is a very good reason to enter such a contract Muslims must not do it. If you live in Pakistan, there are several Islamic banks that operate on Shari'ah compatible contracts. Then it is prohibited for a Muslim to enter into a deposit contract with a bank that gives interest. You may deposit your money in an Islamic bank in a current account without interest and without any return or in a saving account that gives you reasonable accessibility to your money and some return that is permissible because it is a form Mudarabah contract or you may deposit in a timed investment account with return too. The latter is also based on Mudarabah. Besides Islamic banks provide financing to business and consumers on the basis of contracts that are in line with Shari'ah too. If you live in a Western country you have serious need to deposit in banks because of safety and convenience. In this case you must minimize your deposit and any interest that may accrue must be given away to Muslim charity or poor and needy.

What you need to remember is that according to Shari'ah an interest contract is not valid therefore it does not transfer ownership of the interest from the bank to you. This means that interest credited to your account is not yours at all and you cannot add it to your money. In principle it belongs to the giver, the bank, and must be returned to it. But because the bank is a Riba based institution giving it back means helping it undertake more of these bad contracts. then you treat this interest money as if the owner was not known. This is why it must be given to charity rather than be allowed to mingle with your own proper money. This also why you cannot use as your own money and you cannot discharge of your obligations by disposing of the accrued interest to your account.

2 - It is prohibited to take interest as much as it is prohibited to give it. The Qur'an mentions dealing with interest. It covers both taking and giving. And the Prophet, pbuh, said that the "Wrath of God in on the taker, the giver, the writer of Riba and its two witnesses. It is true that there are circumstances of necessity with regard to any prohibition that may render it permissible. This applies to interest as much as it applies to any other thing that is prohibited except murder. If a Muslim needs to give interest under necessities you must give it from your own money , you cannot discharge of your obligations with money that you do not own.

3 -I do not agree with you that student loan is a necessity because of three reasons. a- higher education is not a personal necessity, any one can live without it; b- studying in the US is not a necessity you can study anywhere else, including

Pakistan and continental Europe at much lesser cost or at virtually no cost; and c- there are many scholarships, programs, and part time works that can finance studying in America, especially for American Muslims.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line

Sent: Wednesday, May 14, 2003 6:37 AM

To: Monzer Kahf

Subject: Taking Interest and Giving It as Charity

Name of Questioner Ehsan Gender Male Age 15-20

Education High School Date Submitted 5/10/2003

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

Question

Assalam-o-Alaikum, I have 2 questions relating to interest: 1) Let's say if a person has like \$10,000 and he just wants to keep it in his bank without investing. Can he take interest on that money and give it as charity? 2) Under some cases paying interest becomes necessary and is unavoidable. For example, a student loan. There is actually no way to study in the United States without some loan unless the child's parents are extremely rich. So it is necessary to pay interest. My question is that if a person has some money and he has it in his savings account, can he take interest on that money and give that same amount back as interest for his student loan?

Jazakallah! Ehsan

From: Monzer Kahf

Sent: Wednesday, April 23, 2003 7:02 AM

To: Islam on Line

Subject: RE: Using Interest Money to Pay off Interest-based 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 Br. Aamir

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

1) You cannot use earned (according to Shari'ah it is never earned) interest to pay you interest obligations to others because in this way you are treating it as yours; it is not yours.

2)are you sure of the two Fatawa you issued to yourself regarding "I earn interest from my savings, checking, CDs, money market accounts to give to the poor" and "student loans, mortgage loans, and car loans. These are the loans that I had to take due to need." In fact. I don't agree with you on both. To my knowledge you must not "earn interest . . . to give to poor." Rather you must avoid putting money in interest earning accounts as much as possible and when you have to do so you give earned interest to the poor! Also. there are no sufficient reasons to justify student loans or car loans. House mortgage for residence is justified under conditions one of them to try to minimize both period and amount of interest paid instead of putting money in CDs, saving accounts and money market accounts.

3) I understand the difficulties we Muslims, especially women, face in employment in this discriminatory business environment, more so after 9/11. But still a work has to be within the Shari'ah permissible arena. It is permissible to work in a bank provided you are not part of interest-based transaction. You still may go as far as advising which a lesser evil (lower rate) is but you cannot "persuade persons to get into interest contracts.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line

Sent: Tuesday, April 22, 2003 11:25 PM

To: Monzer Kahf

Subject: Using Interest Money to Pay off Interest-based Loans

Name of Questioner Aamir Gender Male Age 21-30

Education Graduate Date Submitted 4/16/2003

country of Origin US User Ref. No. H1SKV1 Country of Res. US

Question

Salaam U Alaikum. 1) I am perfectly aware of the forbiddance of Interest in Islam. Therefore according to a lot of Fatawa I earn interest from my savings, checking, CDs, money market accounts to give to the poor and needy Muslims, and NOT for my personal use. My question was: can I also use this money to pay off interest based loans ?? i.e. student loans, mortgage loans, and car loans. These are the loans that I had to take due to need. Can I pay these interest charging loans off with Interest (dirty) money ? Or will this be wrong ? 2) My wife had been job searching for 2 years, and she even got an MBA. Both the bad economy and a Muslim name did not help her situation. However she finally got a job at a bank as a personal banker. According to a lot of Fatawa it is ok to work in a bank. But then according to a lot of them it is wrong. I have seen many Muslim brothers and sisters in banks. My wife has to maintain, advise, and even persuade customers on Interest accounts, CDs, money market accounts, credit cards, loans and etc. Is it wrong ? Jazak-Allah Khair.

Riba-Based Student Loans

From: Monzer Kahf
Sent: Monday, December 29, 2003 7:38 AM
To: Islam on Line
Subject: RE: Student Loans with some 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. Waqas

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Interest is prohibited in the Qur'an [2: 279] in clear terms regardless of the purpose of the loan and its recipient. It is considered one of the worst sins that invoke a notice of war from God and His Messenger [the Qur'an] and the wrath (which is defined as expulsion from Heaven) of God not only on the taker of interest but also on its payer, writer and two witnesses as in the correct Saying that is reported by Muslim.

This prohibition applies to student loans like any other loans. But, you should know that in the USA there are several forms of financial aids that are not loan-based.

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

Question:

From: Islam on Line
Sent: Sunday, December 28, 2003 2:45 AM
To: monzer@kahf.net
Subject: Student Loans with some Riba
Name of Questioner Waqas Gender Male Age 15-20
Education High School Date Submitted 12/21/2003
country of Origin Pakistan User Ref. No. I6GWXG
Question

I am a university applicant. While applying to universities, I have to consider the prospect of financial aid. Financial aid, as per my understanding is a student loan with a small mark up(Riba).Should I accept the aid or not? I can not afford the education otherwise. Q-2 Is insurance Halal? If not then Why?

Notes

Your answers shall be even easier to accept if you could explain them in the light of Ahadith and Ayah from the Qur'an.

From: Monzer Kahf
Sent: Monday, October 27, 2003 9:03 PM
To: Islam on Line
Subject: RE: Student Loan for Landed Immigrants

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 Hamid

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I don't know what OSAP is. therefore my answer will be based on your explanation and it may not be on the OSAP. I find no need for student loans in Canada and the USA because there are other means to finance study at the University level. there are many scholarships you need to dig a little harder and search on the internet those organizations that give scholarships, there are study/work programs, there is always the possibility to work part time and study and there are student loans that do not charge interest if you pay the loan back within 18 month after graduation, which is a sufficient period to pay the loan if you work hard and spend wisely. Instead of the loan you need to work harder, be a little thrifty and you don't need your father to send you money from Egypt.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line

Sent: Saturday, October 25, 2003 7:36 AM

To: monzer@kahf.net

Subject: Student Loan for Landed Immigrants

Name of Questioner Gender Male Age 21-30

Education Graduate Date Submitted 10/18/2003

country of Origin Egypt User Ref. No. MU1LEJ Country of Res. Egypt

Question

As Salam Alaikum, Dear Scholars, I have read answers about OSAP and I understood that it is permissible if the person is in need. The word need can vary so much. So hopefully you can answer my question. I am a new Landed Immigrant to Canada and I have a Degree in Engineering from Egypt. Unfortunately here in Canada a degree from Egypt is not recognized. So I guess I have to study again. I don't know how long it will be it may be 2 or 3 more years. Of course I cannot afford the money to pay for my education and living. I currently work at Tim Horton with 7\$ per hour. I talked with my father and he said to me he will send me the tuition fees and send me some money that will help in my living expenses (such as food, rent, clothing, etc.). But from my knowledge it will not be that easy on him. We are not poor but we are not that rich we are a normal family. And this money will be so hard on him besides I am afraid he will not be able to afford all that money because it may take 3 years beside my life expenses books, equipment money.. etc. because of the continuous raise of the Canadian dollar rate in front of the Egyptian pound. Something else that my father really needs me to continue my education and I am sure he is ready to do anything for me. So, Am I eligible to take OSAP or not. I read that from your answers to other questions that since it is in need we can do it. But need means we don't have money, or needs us might be able to afford. Thanks allot for your help and I apologize for my long question.

From: Monzer Kahf
Sent: Monday, July 21, 2003 6:45 AM
To: Islam on Line
Subject: RE: When the Student Loan Is Necessary for Study

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. Rania

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

If the contract gives him this grace period without interest and he is confident he can pay it within this period, the loan contract he signed becomes permissible because the interest (not profit) in it is optional not mandatory and he selects the option of not paying interest by paying the amount of the loan within the grace period.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line
Sent: Monday, July 21, 2003 12:39 AM
To: Monzer Kahf
Subject: When the Student Loan Is Necessary for Study
Name of Questioner rania Gender Female Age 21-30
Education Graduate Date Submitted 7/12/2003
country of Origin Jordan User Ref. No. 9TZHKM Country of Res. Jordan

Question
Assalamu alaykum... My husband is studying master in business administration in Canada(for two years),he finished one year, in the second year now he took a loan, from a bank; it's called student loan; in order to continue his study, there is no other choices, but that loan must be paid back within 6 months after his graduation, if he is late more than 6 months there will be increase on the amount of money that must be paid back to them, but he is sure InShaAllah that he can pay it within the 6 months, so that he will not pay more any profit for them, he is sure from that, is that allowed (Halal)?

From: Monzer Kahf
Sent: Sunday, July 06, 2003 6:11 AM
To: Islam on Line
Subject: RE: Student Loan

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. Kamal

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

A student loan is not a necessity because there are always other means to finance education including part time work and education itself is not an immediate personal necessity that can relax the Prohibition. The prohibition of Riba (interest) is extremely strong in the Qur'an and the Sunnah. It is the only sin the Qur'an threatens persons who commit with a war from God and His Messenger (2: 279) and it is classified in the Hadith as one of the seven major sins that stain a person.

You did not mention anything about the interest on the loan! If interest begins to accrue to this loan from the day of receiving it, it is certainly covered by the prohibition. There are student loans that are subsidized, they do not accrue any interest until 6-18 month after the graduation. This kind of loan may become permissible provided the recipient is sure that she/he can pay it all within the grace period. Some people argue that signing the contract of such a loan is itself

prohibited because of the interest clause in it. I differ with them because the presence of a grace period makes the interest clause kind of optional in such a way that give you two options either pay within the grace period without interest or delay and pay interest. Signing such a contract by a person who knows that she/he can pay within the grace period and is keen to do so render the interest clause irrelevant and ineffective.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line

Sent: Sunday, July 06, 2003 1:32 AM

To: Monzer Kahf

Subject: Student Loan

Name of Questioner Kamal Gender Male Age 21-30

Education Diploma Date Submitted 7/1/2003

country of Origin U K User Ref. No. B91FNK Country of Res. Sudan

Question

As-Salamu `alaykum Student Loan. I am student in Higher Education. As higher education student I have to pay for the course and if I don't have the amount requested I can apply for a Student Loan. By law if you finish you education started working and earned over £10000 you should pay the loan back. However if I didn't find a job or earned less than £10000 , then it's ok I don't have to pay the loan back. I was wondering what the Qur'an say about Loan. Gazak Allah Khair!

Cash Loan Tied to the Value of Gold

From: Monzer Kahf

Sent: Monday, December 15, 2003 9:50 PM

To: Islam on Line

Subject: RE: cash loan at the value of gold

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. Hussam

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

This is the Exact Riba ['ain al Riba" as described by a Hadith of Ibn Umar. The reason is that Shari'ah does not found transactions on mere assumptions. If you give Dollar you get back dollars, and if you give grain you get back grain. However, if you give gold, you may agree, on the day of repayment, to repay in silver, dollar of Rial at the market price of the day of repayment provided that you make complete settlement without leaving any part in terms of other units. Example: a loan paid as 1000 US Dollars. On the day of repayment, you may pay in Euros the equivalent of US\$ 1000 at the price of the day of repayment (say 900), But if you decide to pay only the equivalent of \$700 (=630 Euros) the remaining balance can be only \$300 not its equivalent on that day (not 270 Euros). When this balance is paid you will have to use its equivalent at the market price of the new date of payment.

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 4:28 AM

To: monzer@kahf.net

Subject: 2-Money Taken as an Equivalent to a non-perishable Product

Name of Questioner Hussam Gender Male Age 31-45

Education Post Graduate Date Submitted 12/6/2003

country of Origin Yemen User Ref. No.

Question

Can a bank or a financial institution lend money as equivalent of a non-perishable product like gold or gems at the market value at the time of lending and then the borrower returns the money as the cash price value of the same product at the time of repayment provided that both parties agree that in the loan contract. Bearing in mind that the value of the product may be less at the time of repayment and hence the borrower will get a discount on his loan.

Taking an Interest-Based Loan to Start Business

From: Monzer Kahf

Sent: Wednesday, November 19, 2003 5:55 AM

To: Islam on Line

Subject: RE: Taking an Interest-based Loan to Start 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. Samir

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I'm not aware of any Fatwa about interest based loans for starting a business. The prohibition of Riba is much stronger than being relaxed for any action that is speculative in nature. Starting a business is speculative in nature because while it does not fulfill a basic need, its viability depends on many future factors and circumstances. I believe that the questioner should try harder to find either a rewarding job or non-interest financing for his new business.

I suppose that the questioner is in an area that has no Islamic banks because an Islamic bank may take ventures with clients who have promising ideas (speculative as it was).

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line

Sent: Tuesday, November 18, 2003 11:39 PM

To: monzer@kahf.com

Subject: Forced to Take an Interest-based Loan to Start Business

Name of Questioner Samir

Gender

Age

Education Graduate

Date Submitted 11/17/2003

country of Origin

User Ref. No. N76LIN

Country of Res.

Question

Assalamu alaykum, I have been unemployed for 4 years and have been looking very hard for a job. Now I have the opportunity of starting a business with the help of the government. The government will fund a very small portion of the business and the rest will be funded by a bank loan (interest based). I have looked for all possible means to fund my business but with no success. I don't have any savings left since I have spent them during the years I was unemployed and I have even got myself into debts. Please tell me if taking the loan is permissible in my case. Jazakum Allah Khair.

Are Prize Bonds and Investment Certificates Halal?

From: Monzer Kahf
Sent: Tuesday, October 21, 2003 7:10 AM
To: Islam on Line
Subject: RE: Are Prize Bonds 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. Muhammad

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Prize bonds are forbidden in our Shari'ah, they are interest-based and the prize is interest; they also have resemblance to gambling. This is the essence of the Fatwa of the International Fiqh Academy of the Organization of Islamic Conference (the OIC). In prize bond you give the loan for the purpose of winning a prize, this is interest not even in disguise. The gambling element comes from the fact that you are giving a price for the chance to win a prize.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line

Sent: Tuesday, October 21, 2003 3:47 AM

To: monzer@kahf.net

Subject: Are Prize Bonds Halal?

Name of Questioner Muhammad Gender Male Age 21-30

Education Graduate Date Submitted 10/15/2003

country of Origin Pakistan User Ref. No. B56536 Country of Res. Pakistan

Question

Assalam-o -Alaikum I want to ask that are prize bonds Halal? if we win prize on a prize bond ,is that Halal?

From: Monzer Kahf
Sent: Tuesday, August 26, 2003 1:12 PM
To: Islam on Line
Subject: RE: Investment Certificates

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.

Prize bonds are forbidden in our Shari'ah. The OIC Fiqh Academy studied this issue and published its resolution in 1412H to the effect that not only the prize is interest but it is a sort of gambling too.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line

Sent: Tuesday, August 26, 2003 1:01 AM

To: Monzer Kahf

Subject: On Investment Certificates

Name of Questioner Arshad Gender Male Age 31-45

Education Post Graduate Date Submitted 8/18/2003

country of Origin Qatar User Ref. No. YGEZW7 Country of Res. India

Question

Assalamu Alaikum, I would like to know regarding investment of money in Banks like this- Certain Banks take deposit and issue certificates that value to the amount of investment. These certificates are put in monthly draws and the winner of draw gets sometimes higher amounts like 1 million or sometimes small amounts. But the bank does not give interests to the amount deposited. From the Islamic point of view is it allowed to deposit money in such banks intending to win the draws to get higher amount ?.Example : Mashreq Millionaire. Please advise.

From: Monzer Kahf

Sent: Monday, August 18, 2003 7:27 AM

To: Islam on Line

Subject: RE: Premium Bonds

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. Shahzad

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

On this kind of bonds as you described it the OIC Fiqh Academy issued its Resolution No. 60 (11/6) that states that these bonds are prohibited to issue and to buy because the prize (even if it is given to the winners only) is Riba, also the process of paying the price of the bond for the hope of winning a large prize may involve a sort of gambling. I am not aware of any opinion that permits such bonds if they are issued by non Muslim government! And I don't think such a differentiation matters.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line

Sent: Sunday, August 17, 2003 6:40 AM

To: Monzer Kahf

Subject: Premium Bonds

Name of Questioner Shahzad

Gender Male

Age 31-45

Education Post Graduate

Date Submitted 8/9/2003

country of Origin Pakistan

User Ref. No. A5RDJ4

Country of Res. U K

Question

Dear Brother in Islam. Assalamu Alaikum My question concerns premium bonds. These are bond issued by governments. If one purchases these bonds each month the bond holder is entered into a prize draw. The chances of winning a prize are dependent upon the number of bonds one has purchased. The prize fund is determined by the government and currently equates to about 4.5% of the total amount number of bonds bought, though this fund can vary with the prevailing interest rates. One can sell the bond back to the government at any time for the original value. My questions are i) is it permissible for Muslims to buy premium bonds and ii) can Muslims buy premium bonds in a non Muslim country (I currently live in the United kingdom). Jazakum Allahu Khairan!

From: Monzer Kahf

Sent: Wednesday, July 30, 2003 10:22 AM

To: Islam on Line

Subject: RE: Is This Interest Halal or Haram?

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. Hanaa

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

This is plainly Haram in spite of some unfounded Fatwa that is heard in Egypt. A bond is a loan and any return on it is interest. There are in Egypt Islamic alternatives. Please check with the Islamic banks in Egypt.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line

Sent: Tuesday, July 29, 2003 1:08 AM

To: Monzer Kahf

Subject: Is This Interest Halal or Haram?

Name of Questioner Hanaa Gender Female Age 31-45

Education Post Graduate Date Submitted 7/22/2003

country of Origin Egypt User Ref. No. W46YAP Country of Res. Egypt

Question

I have 10,000 pounds in the bank in bonds with 10.5% interest for 3 years. is this Halal or Haram? I'm working, but I'm trying to save for my child, for his future.

From: Monzer Kahf

Sent: Tuesday, July 22, 2003 9:14 AM

To: Islam on Line

Subject: RE: Prize Bonds

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. Atif

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Prize bonds are interest based and their prizes are interest. Both are forbidden in Shari'ah because they are increments in a loan, it doesn't matter whether this increment is given in the form of a prize or a predetermined amount. The OIC Fiqh Academy discussed this issue in 1412 H and resolved that prize bonds are forbidden like regular bonds.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line
Sent: Tuesday, July 22, 2003 12:36 AM
To: Monzer Kahf
Subject: Prize Bonds
Name of Questioner Atif Gender Male Age 31-45
Education Post Graduate Date Submitted 7/14/2003
country of Origin Pakistan User Ref. No. IHYN53 Country of Res. Pakistan

Question
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

From: Monzer Kahf
Sent: Saturday, July 19, 2003 6:54 AM
To: Islam on Line
Subject: RE: Installment Payment & Prize Bonds

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. usman

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

1) Installment sale between a seller and a buyer directly is permissible even if the price of the item is higher than its advertised price as cash. However, even between them (without intervention of a third party, a sale contract must not make the price in an option manner, i. e., the price must not be like this "either 100 cash or 120 on 12 monthly payments. In this regard, the Prophet, pbuh, said: the lowest price applies or it is Riba.

When you by using a credit card, there are actually two contracts: a sale contract between the seller and the buyer that is cash sale and buyer gets its money either electronically immediately or by depositing the credit slip in the sellers bank account like a check (of course there is a deduction of a small commission and we will not deal with it to avoid any confusion). And a transfer (Hawalah) contract in which the buyer ask the seller to collect money from the buyer's agent (the credit card issuer) on the basis a prior arrangement between the buyer and his agent. after these two contracts are executed what is left is the prearranged relation between the credit card issuer and the buyer. this is regulated buy their consensual agreement that gives the buyer a choice of either pay within a given period of time or

considers the amount of purchase a loan and pay later on installment or at a future date. Notice that the second choice is a pure Riba (interest) transaction. This is covered by the prohibition of Riba that is very clear in the Qur'an and the Sunnah, being one of the gravest sins.

2) Prize bonds are forbidden, they are Riba bonds because you enter into a lending contract with the bond issuer on the basis of getting a chance to win a prize. Riba is forbidden in all its forms, variable or fixed, with predetermined amount or with an amount that will be known later. Any material benefit in a loan is Riba.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line

Sent: Saturday, July 19, 2003 2:34 AM

To: Monzer Kahf

Subject: Installment Payment & Prize Bonds

Name of Questioner usman Gender Age

Education Date Submitted 7/8/2003

country of Origin Pakistan User Ref. No. D2IPSP Country of Res. Pakistan

Question

Assalam Alaikum 1)is installment payments on credit cards purchase when u know what will be the credit value in total & in installment before purchase. 2)prize bonds earning in shape of draw without losing the original saving amount is allowed or not. it will be kind of you that answer is given in detail so that I will be able to do the right act.

Getting a Loan to Have Tax Exemption

From: Monzer Kahf

Sent: Wednesday, October 15, 2003 7:54 AM

To: Islam on Line

Subject: RE: Getting a Loan to have tax exemption

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. Hussam

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I thought carefully of your question. it is the kind that makes me silent! I do not dare to say that it is permissible to take this loan under the circumstance, at the same time I argue that you have a strong case to make all you can to save on the taxes. protecting your property against substantial taxes is a very legitimate excuse that justifies limited relaxation of prohibitions.

So I cannot give you a Fatwa but I can tell you if you take this loan and ask me after that I would say you are, InShaAllah, not sinful in what you've done. This seems to me the kind of "the dust of Riba" that the Prophet, pbuh, told us it may be unavoidable sometimes. Please remember the Verse that assures that good deeds verily wipe out bad ones "Inna al Hasanata Udhhibna al Sayyi'at."

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line

Sent: Tuesday, October 14, 2003 2:08 AM

To: monzer@kahf.net

Subject: Getting a Loan to have tax exemption

Name of Questioner Hussam

Gender Male

Age 31-45

Education Graduate

Date Submitted 10/4/2003

country of Origin Syria

User Ref. No. MB1BPN

Country of Res. Canada

Question

We are developing a new project in a Muslim country which is financed by us, we had no intention to get any loan from any bank, the estimated investment is between 300,000 to 400,000 US\$. Now, in order to get TAX exemption for 10-years, we need to get small loan 10,000 US\$ from a government investment funding organization, the TAX money that we are trying to avoid is very big amount over 10-years and it will affect our ability to compete with others...we are asking if we can borrow this money from this investment funding organization to get TAX exemption. it is expected that it will take 30-45 days to get the TAX exemption papers completed and then we will return the money to the bank with some interest The question is it HALAL ???

Wages from Bank Interest

From: Monzer Kahf

Sent: Wednesday, September 24, 2003 7:05 AM

To: Islam on Line
Subject: RE: Wages from 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. Salah
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
If you live in Ireland, that is then your place of residence!

If the work you do is permissible in Shari'ah, your wages are permissible
InShaAllah regardless of what your boss does and earns.

Also remember that if his business is permissible, dealing with banks does not
make all his income and resources from interest, in fact he most likely is paying
interest instead of earning it!

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

Question:

From: Islam on Line
Sent: Tuesday, September 23, 2003 1:35 AM
To: monzer@kahf.net
Subject: Wages from Bank Interest
Name of Questioner salah Gender Male Age 31-45
Education Post Graduate Date Submitted 9/15/2003
country of Origin Algeria User Ref. No. CANPBB Country of Res. Algeria
Question

SALLAMOU ALAYKOUM I LIVE IN IRELAND AND I WORK BY AN
ALGERIAN MOSLEM , THE ALGERIAN MOSLEM HAS A BUISNESS BUT
ALL HIS BUSINESS WITH THE INERTS BANK (RIBA), AND HE KNOWS
THAT (RIBA) IS HARRAM. MY QUESTION WHAT ABOUT MY WAGES
(MONEY)????? THANK YOU SALAMOUALAYKOUM

Buying Things Through Interest-Based Financing

From: Monzer Kahf
Sent: Thursday, August 28, 2003 9:45 AM
To: Islam on Line
Subject: RE: Buying a Van through 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. Mian

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

lease does not have interest, you are wrong. In lease contracts in Canada, you just pay a down payment (sometimes not) and a monthly rent and at the end of the period you have three choices: return the car and walk out; negotiate a lease renewal for a new period; or buy the car at a given amount. Where is the interest? It is true that the seller will finance this lease through interest but that is the seller's business not yours! Besides, this is the first time I hear that leases costs more than buy, usually they are comparable and competitive, otherwise no body will lease and every body goes for buy!

Do you se a difference between marriage and adultery? in both cases the couple sleeps together!

Buying a car on interest in Haram but you can perhaps make a contract that is not interest based: buying a car on installments, even if the total price is higher and the seller makes his calculation of the basis of interest. That is a sale which is different from buying cash and borrowing money on interest to pay that cash.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line

Sent: Tuesday, August 26, 2003 11:20 PM

To: Monzer Kahf

Subject: Buying a Van through Interest?

Name of Questioner mian Gender Male Age 31-45

Education Graduate Date Submitted 8/19/2003

country of Origin Canada User Ref. No. XB8S68 Country of Res. Canada

Question

I am sending this e-mail to you from Canada (Belleville, Ontario). The problem is that I want to buy a new Toyota Van (for my daily day to day and for my family

life purpose). I don't have any cash money in hand. The other option for me is to purchase it by making 5 year contract with the dealer. I am supposed to pay the total amount in 5 year (on monthly installment basis) with almost 7% interest. The interest rate would be fixed throughout this entire 5 year contract period, the total amount due to will be fixed as well as the monthly installment will be fixed for the whole period...there would be no fluctuation in terms of monthly payment or interest rate...now the question is that is it "Halal" according to our religion Islam or "Haram" ? The second option that I have to "Lease" the same vehicle for a specified period of time (either 4 or 5 years) but there is also interest (about 8%) on the actual amount of vehicle. Same terms and conditions apply in case of lease also that interest rate, the total amount and the monthly installment would remain fixed throughout this entire leasing period. What I heard according to one School of thought that "Lease with interest" is "Halal" in Islam but "Purchase with interest" is "Haram"(according to the same terms and conditions that I have described above)...the justification that I heard from that school of thought is that when you lease something, you are renting it in other words while in other case when you purchase it, you are the owner of it. The point of concern for me that in both cases, at the end you are paying interest to someone (either you rent something or you buy something)...which is "Haram" in my opinion (according to my little knowledge)...would you please help me to reach to some conclusion...what options do I have ????????????

Notes

I have submitted this question many Islamic scholars but still no reply ,I am waiting for reply ,please reply soon ,I did "istikhara" but not succeeded ,I am so confused

From: Monzer Kahf
Sent: Monday, August 11, 2003 7:10 AM
To: Islam on Line
Subject: RE: buying cars on installment

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 doesn't know where you live because certainly the Fatwa differs depending on where you live. You know circumstances affect the fatwa and circumstances differ from one country to another and even from one town to another. So is availability of alternatives and the form of contracts that are available for car customers.

Let me clarify a couple of side points that you mentioned: 1) if you buy on installment and the seller turns around and sells the debt she/he has on you to a

bank, the seller's action and behavior does not interfere with your contract with it and it is not of your business what the creditor does with other entities she/he deals with, be they banks or otherwise. The permissibility of a contract is determined on its own conditions between its two parties, it is not determined by what each of them may have of relations with other parties. And 2) buying on installment from a seller is permissible even if the price is higher than the price that is offered if the sale were to be cash. The difference in price for deferred payment is recognizable in the Shari'ah. What is not permissible is buying on cash and getting a loan to finance the purchase, i. e., having a cash sale and a loan contracts. It doesn't matter whether the loan is from the seller or from another party like a bank.

I come now to your basic question: Although there may be very few exceptions as will be explained later, the rule is that buying a car on interest basis is not permissible. 1) buying an expensive car is not a necessity and there are always used cars that can serve as satisfactory transportation and can be purchased for small amounts that are bearable by most car buyers. The only exception may be the need of a highly dependable car for people whose jobs require them to be on wheels for a long time like house repair persons in some countries. 2) there are other alternative to finance cars such as leasing. For instance there are car lease contracts in the USA that are acceptable from a Shari'ah point of view. And 3) very often there are other means of transportation is most cities to the extent that renders a private car only a luxury.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line

Sent: Saturday, August 09, 2003 7:16 AM

To: Monzer Kahf

Subject: car loans

Name of Questioner hope

Gender

Age

Education

Date Submitted 7/31/2003

country of Origin

User Ref. No. VCIVKE

Country of Res.

Question

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ My question is regarding banks and interest. I know that bank interest for loans and keeping savings accounts is Haram. My question is regarding car loans, and buying a car by installment. For example; I need to buy a car and can afford to pay installments yet can't afford to buy it on one payment. So there is the option of buying the car on installment base yet the car owner will put an interest over it. (or in another meaning will increase the price of the car if paid by installments by say around 10% and reflect it over the monthly installments. I don't mind doing this since my budget can afford and at same time I am in need for a car. So do I have to wait until I collect a lump sum of money to buy a car or can I buy it

by installments. And sometimes car dealers use banks to facilitate this service for them... they for example sells the contracts to banks which make the buyer in debt for the bank and not for the car dealer anymore. waiting for your answer Jazakum Allah 7'eiran.

From: Monzer Kahf
Sent: Tuesday, July 22, 2003 6:10 AM
To: Islam on Line
Subject: RE: Buying a 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 Br. Oussama

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Financing car purchase by means of a loan contract is Riba-based regardless of whether it is done with a dealer, through a dealer with a bank or directly with a bank. What is forbidden is the interest-based loan contract. If the contract is done is done with a dealer on the basis of installment sale (i. e., the price of the car equals the total amounts of all installments instead of being a cash price and then interest is added for a loan) and then the dealer discounted the future installment at a bank, the sale contract is permissible and the discounting (that is forbidden in Shari'ah) is the problem of the car dealer not yours. In other words, once the contract is made as installment sale (clearly at a higher price to include whatever compensation the dealer charges for delayed payment) it become permissible regardless of what the seller does with the debt you owe him and for you it does not matter if the dealer assign the contract to a bank and the latter deducts from your account directly.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line

Sent: Tuesday, July 22, 2003 12:21 AM

To: Monzer Kahf

Subject: Buying a Car

Name of Questioner Oussama

Gender

Age

Education

Date Submitted 7/14/2003

country of Origin

User Ref. No. FBR62S

Country of Res.

Question

Salam alaykum I recently went to a car's dealer who advertised its own financing. I inquired about that aspect and he told me that I don't sign anything with a bank and that he's the one doing financing through the bank...Needless to say that I was lost. He said that even if he's the one offering the financing, the bank is going to take the money directly from my account each month. Is this permissible in Islam?

From: Monzer Kahf
Sent: Tuesday, June 10, 2003 7:36 AM
To: Islam on Line
Subject: RE: Financing from Honda at a Fixed Interest Rate

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 Guest

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

buying a car from a dealer at a cash price then financing it at interest (fix or variable) is Riba. Buying it from a dealer on installment at a higher price (even if it is equal to the cash price plus the amount of interest the dealer or Honda finance Corp charges and even if the dealer, on her own part after the contract, assigns it to the Honda F. Corp.) is permissible. The difference may not seem very convincing when you take as an individual incidence. But when the law is created (by God, Ta'ala) it has to draw lines between the permissible and the forbidden and points on the two sides of the line may have similarities, But the objective of a law can be seen clearly when you compare other points. Still this does not mean that nearby points on the two sides of the line should be treated equally. If you look closely you will find substantial differences between the legalities of the two transactions.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line

Sent: Tuesday, June 10, 2003 12:25 AM

To: Monzer Kahf

Subject: Financing from Honda at a Fixed Interest Rate

Name of Questioner Guest Gender Age

Education Date Submitted 6/4/2003

country of Origin User Ref. No. YL7RGI Country of Res.

Question

Salam alaykum I read the fatwa from Dr Monzer Kahf about financing. I still need a clarification. I recently went to a Honda dealer in Canada. He proposed a financing from Honda (not the dealer himself) at a fixed interest rate. Can you please clarify if it's permissible to do that in Islam or if it is considered Riba. An example like the one Dr Monzer gave about Murabahah would help a lot to clarify. Jazakoum Allah Khairan

Islamic Alternatives to Interest-Based Financing

From: Monzer Kahf
Sent: Thursday, July 17, 2003 7:27 AM
To: Islam on Line
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 the Islamic bank buys an item says for 100 paid cash, after physical possession, the bank sells the item to the purchase orderer for deferred payment at cost plus 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 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: Islam on Line [mailto:islamonline@hotmail.com]

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

To: dr. Monzer

Subject: Islam online financial 2

Name of Questioner aadil

Gender Male

Age

Education

Date Submitted 7/7/2003

country of Origin Trinidad

User Ref. No. D8N5B7

Country of Res.

Question

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

Interest-Based Line of Credit

From: Monzer Kahf

Sent: Tuesday, February 10, 2004 8:50 AM

To: Abdi

Subject: RE: line of credit

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 The Abdi's

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

No, a line of credit on interest basis is not permissible in Shari'ah.

I mentioned a line of credit with Istisna' with subcontractors. The line of credit itself has no interest is on what you withdraw and if what you withdraw is Istisna'-based it becomes permissible even if it is calculated like interest.

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

Question:

From: Abdi
Sent: Tuesday, February 10, 2004 8:22 AM
To: monzer@kahf.com
Subject: Re: line of credit

Salam Alaikum,

A line of credit even though it has interest on it, is okay? There are lines of credit for 3 years and possible longer period. Would that be a better total for refinancing?

Jazak Allah Khair,
Abdi's

Is There an Islamic Alternative for Construction Loan in America?

From: Monzer Kahf
Sent: Tuesday, February 10, 2004 8:02 AM
To: Abdi
Subject: RE: construction loan

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 Abdi's

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I don't know any contract that is compatible with Shari'ah and it gives cash and gets it back with any increment. I do not know that there is a way, compatible with Shari'ah that allows you to take cash from the bank for construction because any financing contract in Shari'ah has to pass through a commodity (sale or lease).

Of course, you can buy all building materials through Islamic financing, the contract will then be Murabahah (the bank buys them cash and sells them to you on differed payment).

You can also have a line of credit (like construction loan) and use it to pay sub-contractors, so you have several Istisna' contracts (for each sub-contractor you

make a contract with the bank that it buys his job cash and sells it to you at increment of say 6% annually for 10, 15 or any number of years. The contract has to determine the number of years so that the price (paid on installments) become known from the contract itself once the bank pays each sub- contractor. You synchronize all these several Istisna' contract so that their payment is done together as one installment.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Abdi

Sent: Sunday, February 08, 2004 2:38 PM

To: monzer@kahf.com

Subject: Re: construction loan

Salam Alaikum,

We are actual the builders in this project. Usually, the banks will do an interim construction loan and then a permanent loan.

Our understanding from the emails is that the bank has to buy the loan/construction and then sells it back to you. I recall during your lecture you had mentioned in that car sells in Canada they show the bulk price which includes the Original principal and the interest as one form. For example the loan amount is \$35,000 during 5 years includes both principal and interest and that was okay.

Our idea is to convince the bank is from a Tax issue point. In commercial/residential property if we agree on the rate to show the loan amount as say \$500,000 which includes both principal and interest to file the lien for that amount. My benefit is when I sell anything above the \$500,000 I would pay income tax. It would be more difficult to have to explain Islamic Shari'ah to them. What are you thought on this idea?

Do we still need to have two contracts of buy and sell agreement?

Jazak Allah Khair,

Abdi

From: Monzer Kahf

Sent: Sunday, February 08, 2004 8:04 AM

To: Abdi

Subject: RE: commercial loan

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 Abdi

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

1- Essentially, there is no difference between a commercial and residential financing contract from the Shari'ah point of view. The only way to refinance is to use either the Murabahah format (the banks buys from you a part of the property that is valued at the amount of new financing, so you take the cash to pay the previous loan, and sells it to you at deferred price at a new rate and payment schedule) or the lease/purchase format (the banks buy that same part and leases/sells it to you at a given rental rate and given new schedule of payment. But if the financing was already of lease/purchase basis, you have to either buy from previous lessor its share in the property or that lessor will have to transfer its interests in the property to new owner/lessor).

The name of the Bank is Fifth Third Bank in Ohio. The name of the person who then contacted me is Chris Aldridge and his email is Chris.Aldridge@53.com (Aldridge, Chris) and phone (513) 744-6975. I think it is useful to contact him. Please inform me if you get any lock in renewing the contact with this bank.

2- If we establish a credit union, we may use the term finance charge to give the split details to the IRS and to comply with legal requirement, although using the term profit is better but until someone fights it in the supreme court it is permissible to call it finance charge (not interest that has become equal to Riba in its linguistic use although the word itself is innocent or rather has a good meaning. By the same token, it is a profit of financing in the Islamic Shari'ah and there is no problem in giving a special name to the profit in financing transactions that differs from profit in other transactions, the word finance charge is not a bad word for this purpose). In other words, if the substance of a contract between the two parties is acceptable in Shari'ah, how do you report it to people outside the contract does not affect it, it is an action outside the contract itself.

3- The loan as described is Riba-based essentially because it is a loan. In Islamic financing the word loan is never used, we use instead the word financing, and financing can be structured on lease/purchase or on buy and resell. The same financing you mentioned can be structured on lease purchase: the bank owns the property and it leases it for ten years, with open option to buy it given to lessee, at any time at cost price, the buyer can exercise this option at any time during the ten years or after them.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Abdi

Sent: Thursday, February 05, 2004 8:53 PM
To: monzer@kahf.com
Subject: re: commercial loan

Salam Alaikum,
Thank you for the lecture you gave in Austin at the Islamic Center. I have some questions to ask?

1- Do you have a copy of a commercial Islamic loan form that can be presented to the bank? If not, what is the procedure to use if I wish to refinance my loan which is a commercial loan? You had also mentioned a bank in Ohio which may have been willing to do an Islamic Commercial loan, do you have the name or contact which I may try to pursue?

2- You had mentioned that the law requires for residential property to separate the principal from the interest which means that even if we create a Credit Union as you had mentioned and we used Fannie Mae as an investor, will the contract still be Haram since we cannot combine that principal together with the interest as one lump sum as the loan amount?

3- If a loan is taken out where in the first ten years it is interest (tied to prime rate) only and if the borrower wishes to pay the principal during the ten years he may do so or can start on the 11th year. I would assume this is Riba and Haram?

Jazak Allah Khair,
Abdi

From: Monzer Kahf
Sent: Sunday, February 08, 2004 7:22 AM
To: Abdi
Subject: RE: construction loan

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 Abdi

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

According to Shari'ah this is structured as two Istisna' sale contracts one between the bank and contractor to make construction on your land and the other between the bank and you to sell you the same at a higher price and future payments. The two contracts can be put together in one contract structured as follows:

- 1) three parties' contract: contractor, owner of the land (you) and a bank
- 2) the specification of construction, price, schedule of payment, etc. are already negotiated between contractor and owner, they are presented to the bank

3) the bank buys construction from contractor according to details in (2) and will capitalize each payment until final delivery, each stage is accepted (received) by owner on behalf of the bank and you (being an authorized agent of the bank) give the bank order to release each of the payments, once building is completed, bank transfers ownership of construction (sells) to you at a price that consists of the future payments as you agree between you and the bank (10, 15, 20 years). In the contract you agree on the capitalization rate for the payments the bank made (it becomes exactly like cost plus).

4) Upon completion you receive the construction from the bank and release the bank from other (physical construction) liabilities, and start making the periodical payments.

Of course these are the main points and there are many added regarding warranties, representations, specifications, early payments, defaults, etc. that lawyers add. I have a sample of such contract that is used by the Islamic Development Bank in Jeddah, it is in English but you know these are copyrighted and I cannot release it to anyone.

The contract does not really add any thing that the bank may fear (compared with regular construction financing) but it may not like to deviate from the standard printed forms it has.

If your banker agrees to work with you on these changes (from the banker's point of view they may be trivial) I will be glad to review it for you from Shari'ah point of view (certainly at no charge).

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Abdi

Sent: Thursday, February 05, 2004 10:20 PM

To: monzer@kahf.com

Subject: re: construction loan

Salam Alaikum,

I own a commercial property and paid for in cash. If I took out a construction loan which later will become a permanent loan from the bank to develop the property is that loan considered Riba?

The interest rate is tied to prime and is not fixed it will move up or down. The loan period is 15 years. The loan document I assume will state the principal plus interest tied to prime rate.

Can you help us in providing the actual language format to make this loan Halal? I believe if the bank is getting the rate they want, the format papers shouldn't be an obstacle. I should at least try.

Jazak Allah, Abdi

Interest-Loans to Help Family Members and Others

From: Monzer Kahf
Sent: Monday, February 02, 2004 10:54 AM
To: mimi
Subject: RE: taking a loan to give to son for trading

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. Mimi

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

No, You are not required, according to Shari'ah to give him any more, and he should depend on himself even since long time ago. You've certainly done a lot and went overboard to help him as you mentioned.

Taking an interest loan to give him this suggested 35,000 dollar is Haram and not permitted in Shari'ah. Interest loans are not permitted and if some Muslim does it must be only out of necessity. There is no necessity to give him such money.

Besides, the chance that he may loose it all and not pay you back is very high in commodity trading and in stock trading because they are very risky. I don't recommend that you give such money for this business even if you were not to borrow it.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: mimi
Sent: Monday, February 02, 2004 10:36 AM
To: monzer@kahf.net
Subject:

Assalamu Alaikum Dr. Kahf:

Eid Said, May God bless you and yours.

I have a son how is graduated from UBC in Vancouver, Canada(Finance) he specialized in trading , was up and down for him for the last 2 years . to make the

long story short , now he is telling me that the market picking up and he asking me to lend him \$35,000.00 to invest in trading. which I know it is very risky business, and I know nothing about it. He promising me to pay it , and he knows that he will make money , so on so on.

I do not have the money , but I can borrow the money against my apartment . I am divorced women in my late 50's making enough money to live on my own , and cover my monthly 300.00 medications , pushing my self every day to go to a job not secured at all, I can lose it tomorrow

Please help me by tilling me what is the right way according the Islamic Shari'ah , am I obligated to help him financially, I have been supporting him financially , for the last four months in London England, which it cost me approximately 1500.00 a month, and almost one year in my home free room and board while he was looking for a job , then paid him\$3000. to go London to look for work. and \$1000.00 before that to go for interview in Montreal ,Canada.

I am obligated Sir to give him???????

Gazak Allah Khirn.

From: Monzer Kahf
Sent: Monday, August 11, 2003 7:19 AM
To: Islam on Line
Subject: RE: Taking a Loan

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. Usman

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I can't tell about the circumstances of you and your friend. Certainly taking interest-based loans is forbidden, sinful and a great offence to Allah' command that are stated in the Qur'an. Any excuse for such a grave violation, that by the way calls for a war from God and His Messenger as mentioned in the Qur'an, 2: 279, must be extremely strong to stand the specific and thorough securitization of the Most Knowledgeable on the Day of Judgment!

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 12:50 AM

To: Monzer Kahf

Subject: Taking a Loan

Name of Questioner usman Gender Age

Education Date Submitted 8/4/2003

country of Origin User Ref. No. 4HQFBJ Country of Res.

Question

dear sir. I have taken a loan from bank on interest for helping my friend who was in need of amount for his family includes wife and children and who was jobless at that time. he is still struggling for better times so on his behalf I have to pay the installment of loan .may be later on this amount recovered from my friend. whether I be regarded as guilty for Riba transaction. my intention was to help him only.

From: Monzer Kahf

Sent: Wednesday, April 26, 2003

To: Islam on Line

Subject: RE: Transferring an Interest-Based Contract to Another Person

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. Fathma

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

The answer to both your queries in yes. by accepting an interest-based loan, you brother in law would be making a big mistake from Shari'ah point of view, and by transferring such a loan your husband is also committing a great mistake. The only way to reduce the Shari'ah violation is to get rid of the interest-based loan all together. This can be done by renegotiating its terms, immediate payment of principal balance or if you are in a country that has Islamic banks, refinancing the car through an Islamic bank.

Further, it is unfortunate that your husband made the transaction before looking into its Shari'ah permissibility; he did not follow Umar bin al Khattab advice "whoever does not know the rules of Shari'ah must not sit in our market [to sell and buy]"

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line

Sent: Saturday, April 26, 2003 11:59 PM

To: Monzer Kahf

Subject: Transferring an Interest-Based Contract to Another Person

Name of Questioner Fathma

Gender

Age

Education

Date Submitted 4/19/2003

country of Origin

User Ref. No. K2RS98

Country of Res.

Question

Assalamu Alaikum, My husband out of ignorance had bought a car with car loan taken from bank. He is paying back the money in installments every month. My husband's brother owes my husband a huge sum which he is not able to pay as a lump sum. So he has suggested my husband that the car loan be transferred to his name and he would clear the debt on behalf of my husband. My question is, by transferring the loan account to my husband's brother, would he be accountable for the interest. would he be sinning by agreeing to pay the interest. Jazak Allah Khair
