

RIBA AND INTEREST 2004

Transactions/relations with Persons who Deal with Interest

Subject: Buying a land from who bought it on interest

From: Abdullah

Sent: Sunday, August 29, 2004 9:00 PM

Question

Dear DR kahf

al-salam al-ykom

i want to buy a land for investoment,but Islamic banks such as guidance finance group, do not finance it, however, friend of mine, told me, he would buy both land lots using conventional traditional bank. the total value for both land lots is \$50,000 ,and by using my downpayment,6250\$ for 1 lot, because he has enough down payment for 1 lot , then i would write contract between me and him, that i own 25% of 1 lot and he could finance the rest for me in such number of years. is this considered riba, and if i want to buy anything through payment, does the owner has to own it without debt, or he could be still paying to the original seller otr financing ban.

what do you suggest?

Best regards,

abdullah

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. Abdullah

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

If your friend is willing to take the 6350 from you as a loan, buy the 2 lots in interest and sell you one for 25000 plus the amount of interest he is paying the bank, considering the amount of the loan as a first payment and the rest installed on a number of years (same amounts and due dates as in his loan with the bank), this sale contract is correct from Shari'ah point of view, although the transaction becomes a formal ""go-around""! Once you buy the land from him, it becomes yours (you become the owner) and you may sell it any any time after the purchase contract with your friend. It is permissible to agree with the buyer that she/he may assume the debt you owe your friend as part of the sale price and the rest may be installed to you or given cash. It is also permissible to sell the land before you complete all payments of the debt to your friend.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Reconciling with Son Who Bought a House Through a Bank

From: A Questioner through Islam on Line
Sent: Thursday, September 30, 2004 8:02 AM
Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
My son bought a house with his money. Then, he rent this house and bought another house through a bank dealing in interest. Even if i told him it was Haram, he took out the bank loan that entails interest. So, i disavowed him, and i don't speak with him any more. Should I reconcile myself with him ? May Allah Almighty reward you
Wassalaamou `alaykum wa rahmatu-Llaahi wa barakaatuhu
Jazakum Allahu Khairan for your constant help

My Answer

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

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

I think you should reconcile in the sense of talking, meeting and other family associations.

Riba, giving as well as taking, is a grave sin according to Shari'ah but it is a sin of transaction not of moral shame as Abu Hanifah argued. It is not like adultery from this angle although it's more than adultery from the point of view of the degree of violation of the Islamic tenets as we are told by an authentic Saying of the beloved Prophet, Muhammad, pbuh.

Additionally, negative attitudes rarely bring any change in the other party, although it may be the only means sometimes that is available to a parent... I suggest that you take a positive approach that consists of getting in association with your son and keep reminding and advising him, every time it is possible to do that, of the importance of obeying God and His Messenger...

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Going for Hajj while under Interest-Loan

Subject: Hajj and Student Loan

From: Islam on line

Sent: Thursday, September 02, 2004 1:19 AM

Name of Questioner Malikah

Gender Female Age 21-30

country of Origin United Kingdom

country of Residence U K

Question

Alhamdulillah, Insha Allah I have the opportunity to go on hajj next year. I am a new muslim and I've been told that I can not go on hajj if i have debts. My debts are due to educational expenses from the student loans company (i have already sort fatwa about riba on this and it was deemed ok for me to take the loan due to my circumstances). Will it be halal for me to do hajj with the debts i have.

Jazakum Allahu Khairan for your constant help
Yours,

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin wa al Salatu wa al Salamu 'ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. Malikah

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Although it is permissible to spend on the Hajj trip while you have an outstanding debt, I suggest that you should not go to Hajj while you are under a Riba-based loan. Besides the point that I argue that unless under very special circumstances, student loans are not necessary to the extent that warrants relaxation of the prohibition of Riba, spending the money to rid oneself from a Riba-based loan has a priority over spending it for going to Hajj since while under debt you are not under an obligation to go for Hajj. However, if you are sure of your decision on taking a Riba-based loan for education and your ability to pay it in the future and that your trip for the Hajj does not reduce or hinder this ability, it is still permissible, though not preferable, to use your present savings for going to Hajj.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Hajj while parents are still under debts

From: A Questioner through Islam on line

Sent: Wednesday, July 28, 2004 1:26 AM

Assalamualaykum... May Allah bless this site always for being a good help to many Muslims.

At present i am working in the middle east and have plans of going for hajj.... I am a single lady on where i also help in supporting my parents back home. Originally the reason i went abroad to work is to help my parents, cos during those times money was very difficult and we had a lot of debts. Alhamdulillah i would say in my own little way, i have helped my parents together with my 3 elder sisters. But u see, still at present our debts are not over. At present i have the ability to go for hajj financially. I really would like to go for hajj, but then the question is, "WHICH SHOULD I DO FIRST FINISH PAYING OUR DEBT OR GO FOR HAJJ.?" AM I OBLIGATED AS A SINGLE LADY WHO IS EARNING MORE THAN ENOUGH TO GO FOR HAJJ OR AM I MORE OBLIGATED TO HELPING MY FAMILY PAY OUR DEBTS? i really would like to go for hajj but then i also would like to make my hajj correct and all.... My sister had said that they would shoulder the payments for our debt while i prepare for my hajj. But then i feel it does not seem right. Thank You.

Jazakum Allahu Khairan for your constant help

My answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabbi al 'Alamin Was al Salatu wa Al Salam 'ala Sayyidina Muhammad wa

'Ala 'Alihi wa Ashabihi 'Ama'in

Dear Sr.,

Assalamu 'Alaikum wa Rahmatullahi wa Barakatuh,

Let us first talk about the principle and then come to a suggestion. The principle is that the debts that are on your father, mother or on them both are theirs and you are, from a technical Shari'ah point of view, not responsible for these debts as long as you are not a part of borrowing or a signatory on their documents, if any. This means that once you have the financial ability to pay for the Hajj cost and a companion as acceptable in the known schools of Fiqh, you are then required to make Hajj and delaying it without a reasonably good reason is sinful, But you need to look at my second paragraph! Your strong desire to pay these debts on behalf of your parents, and the offered help by your older sisters are all indications of good family ties and excellent feeling to please your parents and to relieve their burdens (remember that debts are a burden even in the life-after) This is greatly rewardable by God, as you very well know that pleasing parents pleases God too. If you decide to pay your parents' debts you may end up with no sufficient savings to make the Hajj and in this case IT IS NOT OBLIGATORY ON YOU NOR EVEN RECOMMENDED.

My suggestion is the following: if the debts are not pressing so that a delay does not hurt your parents including their feelings, you go for Hajj and let the repayment of these debts take a little longer. But if they are pressing or your parents are embarrassed by their inability to pay them or if these debts carry interest, removing the embarrassment or the sin from your parents may deserve probably more reward from God and once you use your savings for the debts I assume that you will not have sufficient funds to make Hajj, it is then not obligatory on you.

Wa Allahu A'alam

Wa al Hamdu li Allah Rabbi al 'Alamin,

Wa Assalam,

Dr. Monzer Kahf

Subject: Having a Soft Loan, Can I Go for Hajj?

From: Sr. Saida through Islam on Line

Sent: Wednesday, December 29, 2004 3:36 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh, I am about to go for hijja this year (7/1/1005). I am working and I have soft loan which is general for our office to take a loan. Either for buying a fridge or for buying a plot. Am I allowed for such a prayer?

Jazakum Allahu Khairan for your constant help

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. Saida

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

If these are interest-based loans they have priority for payment over going to Hajj. If the available money is not sufficient for both they should be paid and hajj maybe delayed because The Prophet of God, pbuh, informed us that quitting what is Haram has priority over doing what is required and Riba is one of the most grave sins. However, Hajj is permissible while the loan is still outstanding.

Wa Allahu A'lam

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

Subject: Hajj and Pending Financing Credit

From: A Sister through Islam on Line
Sent: Monday, May 31, 2004 11:48 PM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I thank you for such a wonderful site which allows interaction from all over the globe. May the blessing of Allah be with all of us always. First let me tell you that, At present i am working abroad and is living with my sister, i have been working for less than a year, and with this i have intentions of going for ""HAJJ"" with my sister. At present i am having problem at work regarding transportation, my office is far from my home. And there is no way i can ask to be transfered. I am presently taking the bus to and from work, on which most of the people in the bus are men. My company has offered to give me car financing. My question is, is it okay for one to go for Hajj with a pending financing credit(like car financing) left behind. It is my intention to have a very meaningful and correct hajj. Thank you very much.
Jazakum Allahu Khairan for your constant help

My Answer,

Bismi Allahi al Rahmani al Rahim,
Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Sr.

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

InShaAllah you will have a perfect Hajj that will be accepted by God and rewarded no less than al Jannah. getting interest-free financing to buy a car is permissible; does the company offer you a financing without interest, if so it is permissible to accept it. If financing is on interest you should not accept it and keep going in the bus or in taxis until you will be able to save sufficient amount to buy a car, at all times you can use loans from family and friends as long as they are not interest-based.

If the loan is not based on interest and the company offers you a schedule of payment (for instance, monthly payments for a given number of month) you may go for Hajj while you are still under debt because this debt is in fact against your future income; it is not required to be paid from the amount you are saving for the cost of Hajj.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

Taking Interest-Loans to Pursue Education

Subject: student loan

From: Faduma

Sent: Monday, September 06, 2004 9:55 AM

Question

Assalaam alaikum,

Inshallah, I hope you may be able to assist me in resolving this problem. I am a university student in Canada. However, I was able to come to university on the basis of a government student loan program. The composition of the loan program is so that a portion of my loans are bursaries (which I do not have to repay) and loan. Additionally, the federal government has a loan forgiveness program, in which a portion of the student's debt is forgiven after the duration of their studies are complete. But what is most significant is that during the duration of the student's studies, interest is not accrued, but only comes into effect 6 months after the completion of their studies.

As I am entering into my final year of undergraduate studies, I am very concerned with the interest component of my loan. I admit that I was aware of the structure of this loan when I agreed to its conditions, but I was not very observant of my religion at that time either.

A friend has suggested that I seek out another loan, but one that is compliant to Islam, with which I can repay my government loan and not incur any interest. But I lack the necessary resources to set out finding such a thing.

Also, I am not yet certain, but inshallah I would really like to continue my studies on to the graduate level, but I am wary of continuing to accept student loans.

I would appreciate your help on this matter, jazakallahu khairan.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin wa al Salatu wa al Salamu 'ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br./Sr. Faduma

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Here are the principles that apply to student loans:

- 1) Interest-based student loans are prohibited unless in very rare situations (such as when work-required certificates are withheld against payment of a balance of school fees and the student need them for getting a job). The reason is that there is no necessity for such loans especially in North America where there are other opportunities to have financial aid and part time jobs.
- 2) Student loan programs in the US and Canada vary in the concessions they give. Programs that offer no interest during study period and an option to pay the loan principal within a given period after graduation may be permissible provided the borrower knows for sure that she/he will certainly be able to pay back the loan within the grace period.
- 3) Student loans taken before becoming a Muslim or before knowing the Shari'ah rules must be paid, as soon and as quickly as possible, within a their grace period, if any, or after that, of course with whatever generated interest, in such a way as to minimize the involvement in interest to the lowest level.
- 4) If continuing your graduate study extends the grace period of no interest until completing it, thus giving you more time to manage your money flow and to better prepare for full payment during the grace period, it may be advisable, from the point of view of this angle, to do so.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Student Loans and Zakah

From: Sr. M through Islam on Line
Sent: Wednesday, December 08, 2004 9:10 AM
Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I am starting to pay my student loan money back monthly with money i purposely saved for a year to pay some of it off. So am i liable to pay zakat on this money i saved? Also since i am starting to pay my student loan money off will i be exempt from paying zakat the next time it is due, because the total money i am likely to have (including value of gold) by then will not exceed what i owe the student loan company. I'm planning inshallah to carry on paying the student loan company until i have paid everything back. But i am worried about zakat, because if your answer is yes that i do not have to pay, then that means i do not have to pay zakat for a few years. Please shed some light on this. Jazakum Allahu Khairan for your constant help

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 Sister M.,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1. From what you said 'a few years', it seems that this student loan is a long term loan. If it is interest-based, you're required to pay it in full as soon as you can and use all your savings toward it in order to reduce the evil of Rib you are under. It is sinful, according to Shari'ah, to be under an interest-loan if you can rid yourself from it all or from whatever part of it you can. This means that if it is interest-based, you should have used these savings as payments and if you did not do that in the past you should do it now.
2. If the loan is not interest-based and the lender allows its payment over a few years and if you make the monthly payment out of your monthly income, you are required to pay Zakah on your savings on the 254th day after the day you acquired Nisab for the first time. In calculating the Zakatable amount and the Nisab (which is approximately equal to USD 1000) you add all savings, gold and silver jewelry, debts on other [unless you have no hope of getting them back] and if you are in business your inventory. Zakah is due after a lunar year, called Hawl (= 354 days), passes on the day when you got Nisab for the first time and every lunar year (354 days) then after. The rate is 2.5%
3. If you need savings of several months to make each payment of the loan, you deduct from the Nisab and from the Zakatable amount each time you make calculation the amount that is needed to complete the following payment only and determine the first day you acquired Nisab and the amount after 354 days accordingly and pay the due Zakah following the same rule as above.

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

Sincerely,
Dr. Monzer Kahf

Subject: Student Bank Accounts

From: Munir through Islam on Line
Sent: Tuesday, October 26, 2004 3:23 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh, Ramadan Kareem, I would like to ask about Student Bank Accounts. Is it haram to have an account with Student Overdraft which is payable after graduation? When I asked the bank, they said, it is interest free provided that I use the amount up to the limit given by the bank. Otherwise, the bank incurs interest charges for over limit used amounts. I was wondering if this is permissible? Jazakum Allahu Khairan for your constant help

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. Munir,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

If the contractual relation between you and the bank does not contain any interest for overdraft up to certain limit and you only use it within that limit, your use of the banking facility is permissible inspite of the fact that the bank is conventional and deals with other people on interest basis. What matters is your relation with the bank.

On the other hand, please be sure of what you say about this relationship because it seems to me there are other conditions that you may not be aware of. It doesn't seem the banks habit to give such a deal, please check other conditions.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Taking a Student Loan

From: Shahid through Islam on Line
Sent: Thursday, June 03, 2004 3:43 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh, I'm studying in England. I'm from Pakistan. I have been accepted by the university of for M. Sc. software engineering. I haven't money to pay university fee that is why I'm going to apply for student loan offered by the British government. The loan which I'll have to repay within 10 years with fixed interest. I want to know: can I apply for such a loan? I haven't any resource for funding. Is there any organization which offers student loan without interest? Please guide me. Jazakum Allahu Khairan for your constant help

My Answer,

Bismi Allahi al Rahmani al Rahim,
Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina
Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Shahid

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

Student loans do not make a necessity that justifies relaxing such a strong prohibition like that of Riba. Student can work, get scholarships and find other means of financing, even if their study is delayed for some time.

I think you must find some non interest way to finance your study.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

Subject: Taking a Student Loan

From: Sr. N. through Islam on Line

Sent: Thursday, April 29, 2004 1:56 AM

Question

Assalam-o-alikum,

I have been accepted to one of the Ivy League schools. The problem is that I have to get student loans (that will also incur interest). In the light of Islam, is it permissible (not fully indorsed but permissible under certain circumstances) to get such loans? The way I see it is that in this world where Muslims are left behind due to their lack of knowledge (especially west-certified knowledge), this is a good chance for a Muslim to acquire competence in the western academia, so one is well equipped to take on the challenges pitched by the west. Moreover, I also think that like the Islamic banking programs that HSBC and such bank are running to provide Muslims with the capital to buy property in the west, which in my opinions are not fully doubt-free and Islamic either, student loans with very low interest rates may also be looked in the same was- a necessity not luxury. Plus, doesn't it matter what ""intentions"" you have; in this case, serve my people better for which a good education is an imperative. May Allah bless us all.

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. N.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Even with the argument you put forward, student loans do not make a necessity because there are normally other means to acquire advanced study and to finance such stdies too. Student loans are not the only option for financing study and there are may excellent schools that cost much less than you thought. Work hard on finding such other means to be in a very good school. Besides, Islamic banks provide Islamically permissible financing and it is incorrect to accuse them of ""not being so Islamic."" Financing human improvement mas its means that are compatible with Shari'ah but since Islamic banks are still new they did not reach this area of financing yet.

Wa Allahu A'lam

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

Subject: Interest-Free Education Loan and Investment

From: Kasem through Islam on Line
Sent: Tuesday, April 13, 2004 12:08 AM

Question

As salam Alaykum

My nephew had taken education loan (no interest) from International Islamic University, Malaysia and I promise to pay back the loan. I've invested SGD 50,000 in HSBC Indian Growth Fund (HSBCIGF) for his education in March 2000. I bought with 10 SGD per unit, the price went down to about 5.2 SGD but the price is coming up to 15 to 16 SGD now. If I sell all my HSBCIGF now, I'll get profit about SGD 30,000. 1. Is it Halal to invest in HSBC Indian Growth Fund ? 2. Can I take the profit money, for my own use, after selling HSBCIGF? 3. If I cannot take that profit money, can I use that profit money to pay back for my nephew's education loan? 4. If I cannot take that profit money, can I give that profit money to my another nephew for his medical treatment, who has cancer colon? 5. I understand that we are not allowed to take Bank Interest. Can I give that bank interest money to my nephew ,to pay back his education loan or for medical treatment? Now I learn about Islamic Shariah Compliant fund, HSBC Amanah Dynamic Shield Allocation Fund and I want to switch over to HSBC Amanah Fund. 6. Is it Halal to invest in HSBC Amanah Dynamic Shield Allocation Fund ? Best regards and Wassalam YUSOOF

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. Kasem

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

You've asked several questions together that I'm afraid confused me. I will answer what I can and please come back again for any unanswered question. They are not in sequence.

1. The Amanah department of HSBC is run in accordance with Shari'ah and it has a Shari'ah advisory Board. You may invest in it comfortably and its return is InShaAllah Halal, just follow their instruction for any purification factor that they may tell you about from time to time.
2. The Indian growth fund is not known to me. Its name gives the shade that it is an investment in growth Indian stocks. Of course, if it is not within the Amanah department, these stocks are not scrutinized for their Shari'ah permissibility. But this does not mean that they are all not Halal, some of them may be Halal and some may have Halal portions in them. You need to do your homework to determine the Halal portion in their return. Start from the semi annual report and study the case of each stock the fund holds to reach an overall percentage. You take your principal (the 50000) and the Halal percentage of the capital gain. If there is any tax you divide it between the Halal and the not halal at the same proportion.

3. The non-Halal should be given to the poor and needy or to Muslim charitable organizations. You must not use it for yourself. If your nephew is poor, either of them, you may give it to them whether for study or for medical treatment. If they are not poor (including their parents) you may not give it to them.
4. Non Halal money of this kind and the bank interest should not be used for your personal expenses including taxes on your Halal income. When you give it away it is not considered Sadaqah or Zakah, but you will get InShaAllah the reward of preserving your own Halal money from being tinted by the evil of this Haram money.
5. You certainly can give from your own money (the principal of the IGF and the Halal portion of its return) to your nephew or for any other purpose and you will InShaAllah be rewarded for this deed.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Question on Student Loans

From: Siddiqi

Sent: Tuesday, March 30, 2004 12:30 PM

Dear brothers, Dr. Anas and Dr. Monzer, salam alaikum

Your guidance requested

M.N. Siddiqi

Forwarded From: Anees

Assalaam Alaikum wa Rahmatullah,

My name is Anees, I am a 4th year medical student at UT Southwestern in Dallas, and a Member of the Islamic Medical Association of North America (IMANA). Recently IMANA has commissioned a task force on exploring the possibilities of Islamic Financing of Medical Education. It is in this capacity that I am writing you.

In our brief research, we have encountered difficulty in identifying an Islamic model of financing non-tangible goods, such as education.

As such, I have two questions. Firstly, is there such an entity in Islamic Economic theory? In other words, do we have a chance in finding an alternative for the countless Muslim students who now find themselves in debt with riba.

Secondly, we are trying to identify a list of advisors who would be willing to act as advisors to our commission. Would you be willing to aid us in this capacity?

Thank you for your consideration, please remember us in your dua.

Anees

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 Most beloved and most respected Br. Dr. Siddiqi

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Sorry for coming back to you late, I was very busy traveling overseas and putting a few things together in response to certain important commitments. I only read the question today!

My answer is: yes on both questions of Brother Anees. There is away, if we think originally and innovatively and are willing to take a lead in creating a new thing; and I will be glad to help in the process.

The way I suggest is: IMANA acts as an intermediary in issuing medical education bonds (or units) with future maturity designed for parents who will need these units for their children medical education in the future. These units or bonds represent courses units (no money). They are issued on behalf of students who need the immediate money to pay for their tuition now. In return these students will have to pay for these units they owe in kind on maturity. Collaterals and other personal and material guarantees may apply. The units do not have to be personal and they can be sold in a small market created by IMANA. Of course legalities to conform with the US laws can be worked out.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Getting an Interest-based Student Loan

From: John through Islam on Line

Sent: Thursday, February 26, 2004 1:07 AM

Question

Salam alaykum Dr Monzer

First, thank you for taking the time to take my question and those of others, may Allah reward you well and guide you on the straight way in your efforts. I am emailing about a loan I agreed to take which has some interest in it. Most of it does not have any interest growth starting until about 1 year after I graduate from University inshallah, while some of the loan does have interest I have to pay now. I do not like it and hate it and want to get out of it. I have roughly 15,000 in loan money. I at first told my parent I was not going to take a loan, which would have meant quitting University about 2 years ago unless I got a loan from an Islamic bank. My parent, however, convinced my that it would be the same as taking a loan from an Islamic bank if I took this loan from the school, money-wise. My parent does not know much about Islam knowledge wise, a lot of times. My parent explained that the Islamic loans cost so much, one muslim couple took interest loans and saved money instead of taking the loan from Islamic organizations since it cost much less to do that. So in that way I accepted, because of the strong insistence of my parent. It was treated as the same kind of thing, just saving some money was a benefit. I do not agree with usury, and want to somehow compensate for what I can do. Maybe I don't understand interest, or maybe I don't understand my times. I have to pay this loan money back, mostly inshallah without interest, 15,000, and inshallah I will. What do I do. I have to pay it back, someone does. I can work it off. I can ask some rich muslim I know or some Islamic organization to pay it off and I pay it later? I really don't know the best choice of what to do. I also want to go study Islam either here in the states or in Suadi Arabia, or Malaysia, or some other country with such resources. And I want this loan out of the way, somehow or some way, or can I study Islam and see if I can get this loan deferred till a later date. They do that here in the US, if you study still after you graduate, they do not demand the loan and set the time table till after your studies. However I don't know if that rule applies to

out of the country study or Islamic studies anywhere in the world. Thank you again for your time, and may Allah guide us all, ameen. Assalamu alaykum wa rahmattallah, John

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. John

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

Students loans are permissible to take provided you know you have means to pay all the balance before the interest clause is triggered, i.e., during the grace period for payment after graduation. If you know that you cannot pay it, from you, your parents or your friends, during the grace period then taking the loan become forbidden. It is OK if you can get the school to delay its payment and extend it as long as you pursue your graduate studies.

It is very important if you decide to pursue higher studies abroad, you should be careful to chose a good, balanced and respected university wherever it may be.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

Subject: Question on Interest on Student loan and Murabahah

From: a Questioner through Islam on Line

Sent: Monday, February 16, 2004 6:51 AM

Question

Salam Alaykum. Dr Monzer

I have two questions: I am a Pakistani citizen applying to different universities. I have two options to choose from. A brief account of my financial situation will help you conceive a complete picture. I can apply to two sort of universities. One of them are universities which are good and economically feasible for me. The other sort of universities are very very good and economically unfeasible enough to make me, if required to opt for financial aid as well. Financial aid as I understand might require interest upon being returned. I can not go for work/study and other options because for international applicants that is not an option in the beginning when they initiate their studies nor do am high flying enough to gain a 100% scholarship in such universities. Which option should i go for. Are they both when opted for within the boundaries of legitamacy? Q-2-Morabaha can work for other deals but can it work for acadamic purposes. If so how? I am greatful for your services.

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.

- 1- Interest-based student loans are prohibited in Shari'ah, there is no necessity to be an excuse for taking such loans. Go to the other type of universities that are good and within your financial means.
- 2- In Murabahah there must be a physical commodity that is purchased by the financier and after being possessed by the purchaser it is sold for a deferred price or on installments. That is why it does not work for students financing.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Increments in Loans to Compensate for Decline in Value of Money, Are they Riba?

Subject: interest on loans to compensate for inflation

From: hussam

Sent: Monday, September 06, 2004 1:46 PM

Dear brother:

If we lend a sum of money to a person or organization, can we condition that the money be returned at the due date with its value not its quantity, indexed to gold or a foreign currency or the price of certain goods or other indicators.

I have read that this the opinion of (abi yousef) in hanefa mazhab

Alsalam alekum

housam

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.

No. And this is not the opinion of Abu Yusuf or any other!

In loans, you get what you gave; you can lend bushels of corn and then get back bushels of corn. You can lend a thousand ounce of gold and then get back the same quantity/number of ounces of gold, one thousand.

At the time of repayment, you may pay back your debt in a different currency/good but at the price of the day of repayment (there is an explicit authentic Hadith about it as Ibn asked the Prophet, pbuh, that I sell deferred-payment for dinars/dirhams and on the due pay day the debtor pays me in dirham/dinar; the Prophet told him, it is permissible provided it is done at the [exchange] rate of its day [of payment]).

The idea of 'assuming as if I gave the loan in gold/wheat' is not tolerated in Shari'ah because our Shari'ah counts on the actual facts on the ground, no 'it is deemed that'. Otherwise, even in plain interest 'assume that my money gave you a profit of ... and assume I share it with you'.

Abu Yusuf opinion relates to the case of "the currency of the loan does not exist anymore" like a loan in Majidi [the silver currency of the late Ottomans] or a loan in French francs after converting to Euros. In dealing with change of value, he and others

are explicit that you give what you took in quantity. By the way this issue was debated in the OIC Fiqh Academy and you may like to refer to its Majallah of the years 1998-2000, the resolution to this effect was adopted in 2000, in the full plenary meeting in Riyadh.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: hussam

Sent: Tuesday, September 07, 2004 12:09 PM

Subject: Subject: loan

Dear brother:

I would like to review the answers that were posted on Islam online web from Dr. qaradawi and shik ateh saker regarding indexing loan and returning the value of a loan not the quantity to compensate for eroding of the value of money because of inflation or other factors. also from fiqh academy meeting

Please review this below, I am interested in your opinion.

Walsalam alekum

Housam

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.

These are in cases of hyper decline, not normal inflation. Notice that it said about other currencies that they are subject to changes but relatively stable. Yet The OIC Fiqh Academy took a different direction. of not accepting any assumption. but at the time of repayment we look at what happened if the currency really went that down, you look at the value at the time of the loan giving. if it is normal (expected decline) you disregard any change and look at quantity for quantity.

why it is impractical? look at the case of Lebanon. Suppose the borrower is a government employee and the lender a real estate owner. The currency collapsed from 1.5 to the dollar to 850 to the dollar. several thousands percent. the salary of the borrower increased only ten times/ he will need forever to be able to pay his loan if you take its the differential in the currency value. At a time when the assets and return of the lender not only did not decline but went up more than the differential in the currency value (as usually happens with real estates) can you fairly charge the borrower the value? the Issue of hyper decline must be treated with consideration of each case alone. Ibn Abidin suggested for such cases what he called an obligatory arbitration to be imposed by the judicial system.

The answers given by such general Fatawa are incomplete!

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Is an increment in a loan to cover inflation Riba?

From: Islam on line

Sent: Wednesday, September 08, 2004 9:03 AM

Name of Questioner rizwan Gender Male Age 21-30

Education Post Graduate

country of Origin Pakistan country of Residence Pakistan

Question

my question is regarding riba. the issue is that i owe 30,000 (pakistani rs) from a person which he has requested to pay me in 12 monthly installments. now is it permissible for me to take in the 12 installments of a little extra amount to cover my inflation cost for example 33,000 / 12 which is 3000 more than the loan but the fact is that i am getting my money in 12 months

Jazakum Allahu Khairan for your constant help

Yours,

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin wa al Salatu wa al Salamu 'ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Rizwan

Assalamu Alaikum Wa Rahmatullahi wa Barakatuh

Yes, such an extra is Riba and it is forbidden. If you keep your money with you it will lose the same value; and who knows if you invest it in any stock or in any business you may lose too! You have the choice of not lending him at all and you have the choice of lending him gold, dollars or Saudi Rials, but in all cases you only get back the amount you lent in the same currency, no extra, and no less. any increment above the number of rupees lent is Riba.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Investment and Inflation

From: Shazly through Islam on Line

Sent: Sunday, August 01, 2004 11:44 PM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

In 1997 a person took a certain amount of money to invest in Egypt and then ran away to the US. Recently we were able to locate him and under pressure agreed to give back the money in installments. As the value of the Egyptian pound has devaluated dramatically since then and we could have invested the money ourselves, so are we allowed to get an increase on the original amount or would that be "Reba". Please take into consideration that we did not lend him the money but was for investment .

Jazakum Allahu Khairan for your constant help

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Shazly

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

If the money is taken for investment, we first need to know what happened to that investment before he ran away to US. If it was lost with no fraud or betrayal of contract, or gross neglect, then the owner of the money is the loser and that person should not be charged any amount and needs not to repay anything, let alone any increment over the principal amount.

Once we determine what is the actual result of investment, if there is any money left to the owner and the investment term expires, that person must return the remainder to the owner. If he did not, he was then making a mistake of aggression on the funds held in his hands, and he can be charged for any damage that happened to the owner as a result of this delay but this can only be done within a settlement that must take into consideration the abilities of both parties and their use of funds, the amount of damage including the effect of inflation on the domestic and external price of the Egyptian pound but not to include a presumed potential lost profit or return (for instance rate of interest or rate of distribution of profit in Islamic banks) .

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

Subject: deducting inflation rate from interest

From: Rami through Islam on Line

Sent: Tuesday, May 11, 2004 3:01 AM

Question

Salam ALaykum

I am working in a usury bank as a cash teller. I must have an account in the bank as per bank procedures, to transfer my salary. I cannot open an account in an Islamic bank because I am working at the same time the Islamic banks are open and I cannot leave my work. I am planning to withdraw the interest and give it to needy people. My question is: May I deduct the inflation rate from the rate of interest the bank is giving me. In this way I will be giving to needy people less than before, so that the value of my money remain the same, because the inflation rate is too high and if I don't accept the interest my money value will decrease by time. To clarify: Instead of giving to needy people each year 10% of my saving balance which is the rate of interest, I will give them 10% less 2% (the rate of inflation) = 8% of my saving balance

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 working in a conventional bank in jobs that do not require you to write a Riba contract (your job is one of the permissible jobs) is not forbidden, working in Islamic bank is certainly much better.

The answer to your question is: NO. You may not deduct the inflation rate from earned interest because this interest is not yours and you have no authority over it from Shari'ah point of view. It is treated as money that has no owner (actually it is still owned by the interest-based bank but was given to you and we do not return it to the bank in order to avoid helping it to make more evil transactions); money that has no owner belongs to Muslim charity (poor and needy, etc.) as the only way to dispose of it. If you keep the money at home would any body compensate you for inflation? Besides, why are you making it appears as if there are no other solutions? You may open a checking account in your bank and an investment Mudarabah in an Islamic bank and each month transfer the amount of your salary that you do not need for expenses to the Islamic bank. This way you get Halal income that compensate you for inflation, that is normally caused by government actions or lack of actions.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

What Do you Do with Earned Interest?

Subject: earning Interest on interest money

From: Kroes through Islam on Line

Sent: Saturday, July 10, 2004 12:45 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

Even though I am not a muslim I frequently participate in discussions on muslim sites on the internet. The other day I joined a discussion on receiving interest on a bank-account. In my country, where muslims are a minority, it is not possible not to receive interest on an account. The common opinion among the muslim participants seemed to be that, since it is unavoidable, it was OK to receive interest, but it should be given away to some charity. Others added that this sum of charity money does not count towards your zakat, so from the point of view of an outsider the interest given away is just extra help on top of the zakat that's given anyway. This prompted a line of thought with me. You can give interest away, but then it's gone. If you'd put it together for a longer time it would generate more interest (and interest on interest as well) and a lot of interest money, which would have been payed anyway, could be redirected to better causes. So basically, given the fact that the interest money is unavoidable and going to be given away anyhow, giving it away at once amounts to choosing not to help as much as you could. I'd presume those helped wouldn't care if the money counted as zakat or not, help is help, period. Sticking to the rules creates a situation where an upright person is forced to refrain from doing good. Not sticking to the rules is, well... not sticking to the rules! The other participants were unable to answer this dilemma (and a dilemma it is), so I wondered how those well versed in fiqh would deal with these thoughts, especially since the underlying question is of much more importance: which is preminent: one's own (eternal) salvation or (temporal) help for others? Yours, Kroes

Jazakum Allahu Khairan for your constant help

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 Mr. Kroes and peace to you too,

Do you know that your argument is called in Logic a round argument. You can always go back to the first point! In Islam, interest is prohibited. It is prohibited to contract, prohibited to take and prohibited to give.

The exception is when interest is due to you by a law of land and it is "unavoidable to take" (It seems that unavoidable to take is unrealistic as you may realize; I would rather put it as not-taking is not to the best interest of transactions and objectives of Shari'ah under the circumstances). Under rules of exception you may take it but that does not give you an authorization to violate the rule of "no contracting." You cannot contract on interest to earn more interest, Another violation (that is avoidable) is done.

Besides, let us suppose we continue your rationale, its end is not to give it to the poor at all and let it accumulate more and more interest. . . at each point of time there is always some Richard who would say if you contract this accumulated amount of interest you can make it even bigger! It will never be given away!

The rule, in both logical rationalism and in Shari'ah is that an exception may not be extended beyond its own circumstances. This is one of the general axioms of Fiqh too. earned interest must be given away to charity and contracting it for more interest is another voluntarily committed sin!

Why it is not counted as Zakah, nor rewarded as giving Sadaqah (religious charity)?

Because from Shari'ah point of view you did not earn it, it is not yours and both Zakah and Sadaqah must be given from what you own. Furthermore, Earned interest should be given away to charity because it is not yours and although you know its true owner (the bank who paid it to you) you should not return it to it because it gave it to you by the law of the land and if you return it you will be helping it making more of the evil (interest-based transactions). You then treat it like money that happened to be in your hand but you do not know its real owner. Giving it to charity is the only thing that can be done with such money.

Was Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Giving Charity from What He Earns From the Bank

From: Aminu through Islam on Line

Sent: Thursday, September 09, 2004 1:56 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

May Allah reward you for the time you take in answering our questions, amen. My

question for today is that, if a person is working in a bank, that is his salary and allowances are been paid from proceeds of riba, does he get reward for doing good, or giving charity from what he earns from the bank. Thank you.

Jazakum Allahu Khairan for your constant help

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. Aminu

First, the income of banks is not only from interest; it is only partially from interest especially in countries like Nigeria and other Muslim countries because banks charge other prices and rates for their services other than lending and these normally make a large portion of their net income.

Second, persons who work in conventional banks put in labor service and get their salaries in compensation. While working in signing or writing interest-based contracts is forbidden (Haram) the work and the income of the workers in all other functions are permissible.

Consequently, it is permissible to make Sadaqah and other donations from this income. Income derived from signing/writing interest-based contracts should be given away to Muslim charities for distribution to the poor and needy.

Wa Allahu A'lam

Wa al Hamdu li Allah Rabbi al 'Alamin

Wa Assalam

Sincerely,

Dr. Monzer Kahf

Subject: Question on use of Bank Interest

From: Abdullah through Islam on Line

Sent: Thursday, September 23, 2004 12:23 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh

What is the ruling on taking interest from banks, i.e, interest paid into my bank account by the bank. Am I allowed to take it out and give to charity or am I not allowed to touch it at all? Because I am under the impression that the minute one has withdrawn the interest from the bank then they have committed haram by the act of taking interest, regardless of intention to give to charity or not. Please give your view and correct me if I am wrong. Jazakum Allahu Khairan for your constant help

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. Abdullah,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

It is forbidden for any Muslim to make an interest-based contract but this does not mean that we Muslims have to close our eyes and play stupid. If we have to deal with interest-based banks we have to play it smart as much as we can. The rules are as follows:

- 1) We should deal only with Islamic banks as much as possible and avoid dealing in any form with interest based banks because the least about it is that we would be helping and encouraging them to continue doing the Haram transactions.

- 2) If we have to deal with conventional banks we must first make our relation on no interest-basis unless that make the bank profiteer from us in such a way that makes it fooling us and make benefits on our shoulders. In this case the rule No. 3 applies.
- 3) If we happen to deal for any reason with a conventional bank on the basis of interest, or if interest accrues to a Muslim from any entity for which interest is the normal practice, WE MUST TAKE THE INTEREST AND GIVE IT TO MUSLIM CHARITY. DO NOT ALLOW IT TO MINGLE WITH OUR OWN HALAL MONEY. We cannot use it for any thing that is our responsibility, no payment of tax or bills, and no other uses. IF IT IS HALAL TO THE MUSLIM POOR AND NEEDY it is also Halal to similar services to the Muslim community.
- 4) In applying this opinion: No. There is no difference between conventional banks in the Muslim countries and conventional banks in the non-Muslim countries.

This was the essence of the collective Fatwa of the First International conference on Islamic banking held in Kuwait in the early 1980's.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Paying Extra Charges in Tuition from Interest Money

From: Umm Najeeb through Islam on Line

Sent: Wednesday, December 29, 2004 3:35 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

My question may be lengthy, because it is in regards to a specific case and I want to make sure the scholar has the full picture. I am an undergraduate student and transferred from one school in one state to another school in another state at the time of my marriage. My new school is charging me out-of-state tuition, which is about three times as much as the regular in-state tuition rates, for this upcoming semester, even though my husband is a resident of the state and that is because of a rule that says I will not be a resident till I have lived in the state for 12 full months. I turned in a petition and still they did not agree; I even went and presented my case in front of a committee, but still the ruling is that I am to pay out-of-state for this semester. The committee makes its decision by a majority vote and has the authority to make an exception to the rule, but they didn't. We believe this is unfair, especially since I have friends who have very similar situations in other states and all of their schools charged them with in-state tuition rates, even though some of them had been living in the state for a shorter time than me (and their husbands had been in the state shorter for mine)! Many of them even received grants from the government. Even though my husband is in the same financial situation as theirs, we only received a loan. It is a subsidized loan, so no interest will be charged while I am a student, but if we do not pay it right after I graduate, interest will start adding up, so we are still considering whether or not to take the loan because we will have to be very anxious to pay it back quickly. My question is: a family member has some interest money from a bank put to the side (he is waiting for the opportunity to give it in a halal way-such as to charities and poor people); can we use that money to pay some of my tuition? We would only use the interest money to pay portion of the extra charges (i.e.-the difference between in-state and out-of-state)

and would surely pay the original fair amount (in-state rate) from our pocket. I appreciate your help and await your response. Jazakum Allahu Khairan for your constant help

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. Umm Najeeb,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

The issue of fairness of the tuition is outside our discussion because, it is a matter of the law. If you feel you are treated unfairly, there are mean (although some may be difficult and costly) to appeal such treatment. Even if you are charged a clearly unjust tax, it cannot be paid from ""earned"" interest. Interest is in fact unearned according to Shari'ah. This means it has to go back to its payer because the contract that generates it is invalid. But we do not return it to banks because it will help them make more of the evil of interest. One cannot pay with interest any personal obligation, even unjust ones, because it makes it used as personal property while it is not. If you and your husband are poor that you deserve charity, it may be given to you by your relative, and you can then use it for any purpose. but if you are not poor, just this extra amount I think you have to fight your case with your own resources, even if it may mean delaying going to school for a year or so. I am sure you are aware that different states have different regulations in this regard and you can make a strong case if you can find some cases in the same state you are in, especially recent ones. If you feel being a Muslim has any thing to do with this unfair treatment, seek help from CAIR an other equal opportunity defense organizations.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Interest as a Result of Transferring Money

From: Mohamed through Islam on Line

Sent: Thursday, August 26, 2004 1:19 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

Few years ago I transferred Us \$ to Egypt where I have a bank account in Egyptian pounds, because I needed the money in Egypt. The transfer was not for business or trade, but for personal needs. The money was transferred at a rate of 1 \$ = 3.42 pounds and the bank was paying me interest during these years but I did not take the interest for myself because I was told its not halal and I was giving it to moslem charity. Now I needed the money to be transferred back to the USA to US \$ but the rate is now about 7.00 ponds for each \$ which means my original capital is reduced almost to half. Since I did not transfer the money originally for trade or business, can I take the interest from the bank to restore some of my capital?? Allah says (lakom rawoos amwalekom), but I can't even get my original capital because of the fluctuating exchange rate and I did not do any business or trade, is it not logic that the interest in this case to restore some of my capital is halal, to balance this situation because I have no control over the

exchange rate and I should not loose my capital without doing any business or trade because of the banking systems in a moslem country like Egypt. I would appreciate it very much if you can study this unique situation and advise me with the right fatwa. Thank you very much for your help. ,jazakom allah kol khyer
Jazakum Allahu Khairan for your constant help

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. Mohamed

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

NO. Please notice that your capital is Egyptian pounds, it is not Dollars, and your principal is still intact, in Egyptian pounds, you still have it. It is simply the bad lock that every body has when a currency plunges down. suppose that money was not in a bank but hidden under the mattress of your mother back home, won't you get the same principal in Egyptian currency and transferring back to US\$ make you loose the same. Please notice that interest is not a compensation for currency devaluation, or loss of value! Besides, why did you make the irreparable mistake of putting the money on interest in Egypt? Not only that interest should be given to Muslim charity but also the deposit contract itself is sinful and you fell in the trap of Riba by your own choice in making that deposit. You could have placed the money on investment with an Islamic bank in Egypt and gotten permissible profit on it that you could keep.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Giving Interest Money to Poor Brother

From: Abdul Majeed through Islam on Line

Sent: Monday, August 09, 2004 12:11 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
ASSALAMU ALAIKUM MAY AL MIGHTY ALLAH GIVE YOU GOOD REWARD FOR YOUR GUIDANCE. I HAVE SOME INTEREST MONEY IN MY NRE ACCOUNT WHICH I AM NOT USING. SO KINDLY ADVISE CAN I GIVE THIS MONEY TO MY POOR BROTHER FOR HIS DAUGHTER'S MARRIAGE. BEST REGARDS ABO RIZWAN. Jazakum Allahu Khairan for your constant help

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Syyidina

Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Abdul Majeed

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

Interest money is Haram money for the person who gets it from an interest-based institution. Giving it to the poor and needy makes it Halal for the recipient. If your

brother is really poor, technically, you may give it to him and he will be free to use it for any purpose he chooses.

But on moral ground, do you feel comfortable giving this dirt to your brother for the marriage of your niece? You are an uncle and uncles are like fathers in the Islamic culture and heritage. If you are able to help don't you feel a moral responsibility to help as much as you can your brother in the marriage of your niece who is like your own daughter? Remember, if her father happens to be absent or not there you are the one who stands in his place!

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

Subject: Inheritance and paying taxes out of interest

From: Halima through Islam on Line

Sent: Wednesday, July 21, 2004 11:40 PM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

My father passed away a month ago and left me, my brother and my stepmum a house and a financial inheritance. We cannot sell the house because my stepmum still wants to live in it. The problem is that me and my brother, as co-owners, will have to pay yearly taxes over the house even though we do not live in it and get no return. Now, the financial inheritance is quite high but we will need this to pay the yearly taxes (of around 300-500 euros). If my stepmum stays in the house for another thirty years even the inheritance will not be enough to pay the taxes, and obviously, living in Egypt, my income is not high enough to pay for them. My brother proposed to put our financial inheritance into a bank account that returns a lot of interest. This would allow us to pay the yearly taxes from the yearly interest and to keep the actual inheritance to use for ourselves. If I don't do this I will lose practically the whole inheritance just paying taxes (and possibly getting into debt in the end). My question is whether it is halal to use interest to pay taxes over a house. I will need to know within one and a half week because then I will need to sign papers confirming whether I will open such a bank account or not. Jazak Allah khairan How much mail storage do you get for free?

Halima!

Jazakum Allahu Khairan for your constant help

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. Halima

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

First Let us pray to God to shower the soul of your deceased father with mercy and forgiveness.

I want to make a few points about inheritance clear before we discuss the interest and taxes. And I will assume that there are no other survivors, specifically you do not have parental grand parents. Of course all our discussion is from Shari'ah point of view:

- 1- If you are a female as it may appear from your name, and your stepmother is Muslimah and your father did not leave any last will, the distribution of all the assets, together, left by your father (net after paying all debts including already due taxes) is: $\frac{3}{24}$ to your stem mother, $\frac{7}{24}$ to you and $\frac{14}{24}$ to your brother.
- 2- If you are a male, the same will be: $\frac{2}{16}$ to your stepmother, $\frac{7}{16}$ to each of you and your brother.
- 3- If your stepmother is not a Muslimah, she is not given any share from the inheritance and all goes to you and your brother either equally if two males or at 2 to 1 ration if you area female.
- 4- If your father left a last will that mentions distribution outside the three of you, such a distribution is valid only up to one third of the net estate as defined above. If the last will distribute to the three of you only in any manner that is different from what is mentioned above, it is not valid at all and only the above distribution is the one that is a must from Shari'ah point of view. Any one who is assigned more than what is mentioned above, even if the law of country where the property is located allows is, must give back to the one who got less in order to go back to the distribution as mentioned above. It is forbidden to take the extra.
- 5- If your step mother is not Muslimah and your father left a last will in which he assigned her some property or some portion, it is only valid up to one third of the net estate and the remainder must be distributed to you and your brother as mentioned above regardless of what is mentioned in the last will. Any thing differently is not valid from Shari'ah point of view and sinful for the taker (of more than the Shari'ah assigned share) and for the person who made the last will.

Now let us come to the taxes:

- a- Of course future taxes will be the liability of the persons who own the taxable property. It is not necessarily the responsibility of you and your brother alone and your share of this liability is proportional to your share in the property.
- b- If your stepmother is going to be an owner of part of the estate (whether by inheritance as a Muslimah or by a last will as a non-Muslimah) and she wants the house, the three of you can agree on the distribution so that her share will be in the house, all or part, this way she is going to be responsible for all or part of the property tax, If she is not going to be getting any thing, you can assign a rent on her to pay the taxes and other expenses and may be get some income.
- c- Although technically you are not responsible for your stepmother, but morally and out of kindness to your deceased father you should take care of his surviving wife after his death if you can do it especially if she has no income and she doesn't have sufficient resources to pay for her needs including residence.
- d- Another issue is also at stake, whether she is Muslimah or not. That is the law of the land. Many European countries have laws to the effect that the spouse (in this case the wife) inherits the residence the couple live in. If you stepmother invokes these laws she is going to win, though not permitted in Shari'ah. But if she wins she will take the house along with the tax liability so that you are not responsible for its taxes.

Putting money on interest to pay the taxes from the interest:

- I- It is forbidden to place money on interest regardless of the purpose, even if it were to give the interest to charity! From Shari'ah point of view the contract itself is not even valid.
- II- If an interest happens to accrue to you for certain reason, you can't use it to pay your liability, even to the bank that pays it to you. You cannot use it for anything that benefits you by giving you an advantage or relieving you from liability; simply

because according to Shari'ah this money is not yours and the only thing to do with it is to return it to the payer but we do not do that because the payer (the bank) takes it as a business to earn for interest differential between lending and getting deposits, therefore we treat it as money that has no owner. It must be given to Muslim charity.

- III- In other words, placing funds on interest is sinful, and using the interest for taxes is another sin; both are prohibited.
- IV- There is another alternative; Europe today has several banks that have department abiding by the rules of Shari'ah. such as the newly established Islamic bank of Britain and the Islamic division of the HSBC in UK and may be some other European countries. You can deposit funds in these banks and get Halal return instead of the Riba-based banks.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: What to Do with the Interest

From: A Questioner through Islam on Line

Sent: Thursday, June 03, 2004 2:25 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

I opened a bank account 2 years ago when I was ignorant of the concept of interest in Islam. However, 3 weeks ago I informed the bank that I wanted to stop the interest continuing in my account and they have accepted because I was now aware of the danger of interest. Despite this, what am I supposed to do with the interest that has accumulated in the past 2 years? Do I simply withdraw the total interest that has been built up, e.g. £8.12, and give it to charity or is the whole of my account now haram to touch? Please, I need your guidance on this matter. Jazak Allah Khayran for your thoughts and time.

Jazakum Allahu Khairan for your constant help

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br.

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

Your own money that your earned/acquired through legitimate means remains yours. only the interest is considered not your according to Shari'ah. The Qur'an (2: 279) reads ""but if you repent, you get your principal, no injustice is done by you and no injustice is done against you.""

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

Subject: Giving out Haram Money as Charity

From: A Questioner through Islam on Line

Sent: Sunday, May 23, 2004 11:43 PM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I would need know whether, when one has to give fayyed because of having earned haram money, the very bank notes and coins earned through the haram commerce must be give as fayyed or one can give other coins and bank notes as fayyed (for ex. because one has bought something using that money or because that money has been mixed etc.). Hoping that you can help me I thank you with all my heart. Jazakumu Llah khayran. Allah ma`akum

Jazakum Allahu Khairan for your constant help

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br.

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

Money is a kind of thing whose units are equal to each other or complete substitutes to each other. Therefore, you do not need to worry about the exactly same physical units earned as interest when you clean your own money from it. You may pay the amount of interest for charity without any worry about the exact physical units of money.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

Subject: Getting out of Interest on various Activities

From: Kizhar through Islam on Line

Sent: Wednesday, May 19, 2004 12:08 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I would like to know whether money getting out of interest may be spent in following ways; 1. for purpose of organisation which is spreading islam among non muslims and organisation which teaches islam to muslims 2. to one of my relatives who is not dependant who was most affected by giving allhis money in interest now in needy situation 3. to pay income tax and other tax. please note that i am living in a country where islam is suppressed maximum by government indirectly and promoting all sort of sirq activities.. i pay my tax to country out of compulsion not with full whole hearted, in this situation shall i give income tax and other tax from interest money from bank saving account 4, as donation which is sought by all religious people..note i am living in so called secular country... especially donation asked by school management for my spouse apart from fees; 5. for compulsory collection of money by local dhadhas i.e. local brave and strong people who si collecting money in compulsory manner 6 for giving something or corruption to government official..please note here for certain

purpose to be done, we had to give corruption to finish the task otherwise our work will not get completed....kindly enlighten me salam
Jazakum Allahu Khairan for your constant help

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. Kizhar

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

According to Shari'ah, interest money is not yours and must not be kept mingled with your own money because simply you did not earn it as the interest generating contract is invalid and null.

The best way to dispose of it is to give it to Muslim charities. Hence, options 1 and 2 in your questions, add to them Islamic organizations that provide help to the Muslim poor and needy.

It must not be given in a way that give you any economic benefit. This rules out options 3, 4 and 6 regardless of whether the burden imposed on you is just or not, as long as paying it for that option benefits you. It is permissible to give it to benevolent secular non-profit organizations such as those that promote health and education while it is not permissible to give it to religious organizations that promote false believes and dogmas although Islamic charitable organizations are preferred over such organizations because of dire need for their services among Muslims in India (and in all other countries!).

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Using Interest Money to buy a house for a poor

From: Fatuma

Sent: Friday, April 30, 2004 7:30 AM

Dear Respected Dr. Monzer Kahf

Aselamualyikum

May Allah reward you for the service you're giving to the Muslim Ummah.

I live in Ethiopia and am planning to form a charitable institute for Muslim orphans I already have 6 kids who are under 5 years presently with group of friends we have rented a house for them and got them a nanny to take care of them by making monthly contributions.

While raising fund to build for them a house I came across some Muslims who have interest money from their saving account, I was wandering if I can use this money for the house building and other expenses for the kids.

Thanks for your time and weselamualeykum

Fatuma

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. Fatuma

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

May Allah bless your effort to help orphan children and be with you and support you to achieve this goal.

Yes, you can use the interest money for the orphans, for their housing as well as for their food and clothing.

But I like you to consider placing them with Muslim families, on fostering basis, it may be many folds better for the kids than putting them together in a house even with a good nanny.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Using Interest for University Education

From: Moez through Islam on Line

Sent: Sunday, June 13, 2004 5:34 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

My parents do not practice Islam and since I was young they have been investing in RESP's that have been accumulating interest for several years. Now this money is being used to finance my university education. I recently converted to Islam and demanded my parents discontinue collecting interest under my name. However, my first year at university was almost entirely financed by interest. My mother (who is Iranian) is very hostile to Islam, and if I leave school until I can afford to pay for it myself she will think I've been indoctrinated and this will exacerbate her already tenuous belief in and adherence to Islam. Furthermore, I fully intend to pay every cent of interest in charity to expiate myself of this crime, and I intend to obtain a degree and use it to benefit humanity, as the 'ulama in Canada encourage us to do. Lastly, due to my academic circumstances, if I leave school and return once I can afford to pay the tuition myself, I think it will be very difficult, and, perhaps I will not be admitted. Is this education haram, and, if so, is there anything I can do so that Allah will not be displeased and simultaneously continue attending school? I know that success is based on obedience to Allah, not on degrees. However, due to my personal circumstances (the basics of which have been described above), I'm uncertain about what to do. I am not prepared to leave school due to the consequences, but I don't want to obtain a degree that will not be accepted by Allah. Finally, I would like to ask: if I obtain a Master's degree after obtaining an undergraduate degree financed partly by interest, will the Master's degree be haram? What about a career based on this degree? What if I apply to law school and am accepted due to this degree? Thank you for your time.

Jazaak Allaahu khairaan Wassalamu 'alaikum wa rahmatullaahi wa barakaatuhu!

Jazakum Allahu Khairan for your constant help

Yours

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. Moez e Deen

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

If the RESP fund is under the authority of your parents, not yours, it is their business to manage it. You certainly have the right to advise politely them but it is not your business to take decisions about its use. You should remember that the Islamic Housing Cooperative of Canada (In Mississauga) is authorized to accept RESP and the other Retirement account and it gives Halal return at a reasonable rate.

If your parents provide for your education, it is their problem where do they get their money from, not yours. (Besides, taking interest, being forbidden in Shari'ah is a religious/moral violation and you should not use the word ""crime"" for it, The Islamic law itself dictates that its cure is to return the interest to whoever it is taken from and get only your principal (the Qur'an 2: 279). According to Shari'ah, provision of education is the responsibility of parents, especially father. Hence, you did not deal in Riba (they did) and you are authorized, according to Shari'ah, to accept what they provide you for your needs unless you know that the very same thing they give you is stolen or taken without consent of its true owner.

Your study is InShaAllah permissible in Shari'ah for both bachelor's and master's, even with the financing from your parents, and you should pursue your education the best you can and try to excel in it so that you may get a scholarship that will save them their money and save you the worry. Keep providing Da'wa to your parents in a nice and gentle manner and keep showing them that Islam is the real and true solution for the salvation of their own selves and for other people too.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Prohibition of Interest, its Signing and Writing

Subject: Writing or signing a Riba contract

From: haneef

Sent: Wednesday, September 15, 2004 5:40 AM

Question

Assalam O Alikum,

I am in need of urgent advice. Can you please answer my following questions?

Is it Halal or not, to work as a part time Customer Sales Advisor in a bank such as, Barclays? I have read you article on Islam Online. In this you say it is haram to sign or make contracts that involve Riba. Would, this include opening an account for a member of the public? Jazzak Allah. Kind Regards,
Haneef

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. Haneef

Yes, if it requires you to write it or sign it as a witness or on behalf of the bank. Please notice that we are dealing on exactly a thin edge as working in a bank itself is controversial and I take the line of those who do not consider it Haram,

; it is certainly not the best job to take in the world.
Finally, sorry for the delay in my answer that is caused by traveling and interruptions in internet access

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Bank Interests: Haram?

From: Faisal through Islam on Line

Sent: Tuesday, June 29, 2004 5:46 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
Could please tell is the interest of bank Haram, because the bank uses our money and invest it in some business and from the profit of that business it gives some percentage of money so could u please tell me is the interest money of bank haram or is it legal Jazakum Allahu Khairan for your constant help

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. Faisal

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Interest is Haram. It is the most common kind of Riba in today's world as well as in the past. The bank interest in an increment in a loan, The legal definition of the money you deposit in the bank is ""loan"" it is guaranteed and this is the most important characteristic of a loan. The bank does not invest the money it has; it rather gives loans to businesses on interest basis. this is what the bankers call investment it is giving loans on interest.. This means that the way the bank uses your money is also Haram and you must not allow it to use your money this way. This is why the Fatwa is that in any area where there are Islamic banks it is Haram to deposit your money in conventional banks because you are helping the bank to make forbidden activities. Interest banks earn from businesses is a forbidden Riba because it is earned on loans and interest given to depositors is also Haram Riba because it is given on a loan.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Interest-based transactions

From: Adel through Islam on Line

Sent: Saturday, May 15, 2004 12:24 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
In India, certain religious institutions have given a fatwa, that taking interest from Banks is halal, since India is ruled by non-muslims. Q1: Do you agree with this. Q2: Is it ok to rent a building, which I own, to financial Institutions like banks.
Jazakum Allahu Khairan for your constant help

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. Adel

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

It is permissible to rent to a conventional financial institution but making interest-based transactions remains Haram whether the country is ruled by Muslims or non-Muslims, such a distinction has no foundation in the Qur'an and Sunnah and you cannot apply the terms of Dar al Harb on Muslim communities who live as minorities in a country with a non-Muslim majority. The Muslim community is not in a state of war with the majority, it is the country of both and those Muslims have no other country that they call home.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Earning Interest from Bank Account

From: Ali through Islam on Line

Sent: Tuesday, April 27, 2004 2:18 AM

Question

Salam Alaykum

What is the religious consequences of me earning interest from my bank account. Please notice that i am a bit confused, and don't assume me to know anything about the definition and laws of interest in islam. I have asked two muslim leaders (sheikh), one of them advised me that interest is totally unacceptable in islam and it is completely haram. The other leader has advised me that interest is acceptable in islam as long as I don't use it to buy food, in another way it is acceptable if I buy anything that will remain on this earth and will never enter to my body by any how. I am completely messed up now and confused because also other leaders they asked me about my (mazhab) as they told me interest consequences differs from (mazhab to mazhab). So i am writing you this email in order to hopefully clarify this point for me. I hope you will supply me with the general consequences and laws of interest in islam. Lastly after supplying me with general overview of interest in islam, regardless to whatever your answer is, i would appreciate if you provide me with the right information regarding a case i have. Basically i had a loan from my bank in order to complete my studies. After finishing my studies i have been required to pay interest by and for the bank. Is that acceptable in islam as i would have no other choice. I must pay the money and the interest. The bank suggested me to open another bank account with a high interest, where the interest i will earn from bank account (A) will be directed and paid to the interest that i have to pay to bank account (B). so is it acceptable to use the interest of a bank account to pay

the interest of another bank account? looking forward to get your reply as soon as possible, thank you,
It would be great if you supply me with the name of scholar that will answer my question. Also i wish to receive the answer straight from sheikh Yusuf al Qaradawi, just because i am confused from the previous two (sheikhs). Therefore somebody that is well known and knowledged will assure me. Thanks.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. Ali

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I am not Shaikh al Qaradawi but I know his opinion very well and it is exactly what I am going to advise you.

Allah in the Qur'an (2: 275-279) prohibited Riba with most strong words; it is one of the worst evils according to our religion. The most common form of Riba is the Riba of debts/loans that is defined as any increment in the amount of loan. Accordingly, any contract that provides for interest to be paid on a loan or extension of a debt is void according to Shari'ah and you know that a void contract does not produce any effect. This means that all related matters remain as they were before the contract. The implication of this is: the interest earned by such a contract is not earned from Shari'ah point of view, it is not yours and it must be return to the payer. If the payer happens to be a person or institution that promotes Riba and its main business is to make Riba-based contracts one must not return this interest to it because one would be helping it to make more evil. And, since you do not own it you cannot use it for any thing that is part of your own matters, not for food and not for any other obligation that is yours. You must dispose of it in such a way that makes it permissible for the recipient; the only recipient who may be given such an un-owned property is the poor and needy. That is why the Fatwa is to give it to any Muslim charity that makes it reach the poor and needy. This is not considered Sadaqah because a Sadaqah must be from a property you own, but you give it away only to keep your own money pure and clean, not mingled with the evil of interest.

The Prophet, pbuh, said that the Wrath of Allah is on the taker, giver, writer and the two witnesses of Riba (reported by Muslim in his Sahih book). It is obvious that taking it is worse than giving it, but no one would take it if there is none to give it! And helping doing it is also forbidden.

Accordingly, contracting a loan with a bank on interest basis is not permitted unless under cases of necessities that are well defined in Shari'ah. But if one happens to have made that mistake of taking an interest-based loan, what does one have to do? There is no doubt that one has to fulfill one's legal commitment unless one can reconcile with the other party otherwise. You made the mistake of taking a bank loan, then pay it with its interest as soon as you can in order to reduce the amount and time of involvement with the evil of Riba. It is not advisable at all to get involved with another Riba contract (opening an interest-earning account); instead pay those amount towards the loan itself and reduce its accruing interest. Kindly notice that a Muslim does not earn interest because its contract is void from Shari'ah point of view and any earned interest must be given to Muslim charities, i.e., you cannot use it to pay the interest due on you or for any thing that benefits you. The matter of not using it for food is only because it is the

worst thing to have your own flesh grow on interest, but that does not make using it for other things that benefit you permissible!

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Interest in saving and loans cooperatives

From: Khalifa through Islam on Line

Sent: Tuesday, April 13, 2004 12:21 AM

Question

AS Salam alaykum

We have a loan and deposit community comprising moslems and non moslems. A member has to deposit money for 3 months then can ask a loan 3 times the share deposited. On return he pays back with 1.5 percent interest. This interest is used to pay salary of those people employed by our community and stationary. the remaining amount is distributed to all the members at the end of the year, or can be used to build a house for rent. The money obtained in the asset started is combined with money from another year's interest as a profit which is either distributed or invested in another asset according to the members' decision. I want to know is this kind of interest which seems to return to be at the end of the year forbidden? Is it halal (permitted) for a moslem to join this community. How is this related or differ from riba? Thanks.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. Khalifa

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

There are several points in this cooperative scheme:

- 1) It is certainly permissible to establish cooperatives of Muslims and non-Muslims together provided no Riba and other prohibited activities are conducted by the cooperative.
- 2) Any charge on a loan is Riba except the cost of its administration. It does not matter, with regard to the prohibition whether the rate of interest is small or large, fixed or variable, determined and/or paid at the beginning or at the end.
- 3) The cost of administering a loan is payable by the borrower, not the lender. The lender is making an act of help and a form of charity, she must not be charged with any cost as the Qur'an says: "there can be no blame (charge, cost, etc.) on the good doers ما على المحسنين من سبيل". Consequently, there must be no mixing between a charge for the cost and interest, interest is a charge for money and the charge for cost is recovering actual expenses related to giving the loan, keeping records and taking it back, etc.
- 4) There must be actual calculation of the cost, the idea of collection a percentage and then returning the surplus is acceptable. But you cannot include in the cost of loans amounts paid to the community servants or for charity or for building a house for rent as an income to the community/ cooperative. Only the actual cost of the loans services can be included.

- 5) In addition to the cost of loans, the community may agree that members should also donate additional money for the purpose of providing community services, hiring employees to do them, helping the poor, building houses for rental income, etc. These are donations that must not be linked to the charge of the cost of loans.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Charges on loans in Muslim Welfare Society

From: Hoosein through Islam on Line

Sent: Saturday, April 03, 2004 9:53 PM

Question

Salam alaykum Dr Monzer

We have formed and presently functioning a Muslim Welfare Society with about 100 Muslim members, who should save about one thousand kyats (local currency) everyday. Every saving member is entitled to draw two to three times of his saving amount with donations dully paid. The Managing Committee has to fix the donation rate to two thousand kyats or more for every one lakh drawn as loan. The Managing Committee is in a predicament to fix the rate of donation, just because of some stingy members who donate only a meager amount of one hundred or more kyats against the huge amount they draw as loan. This donated amount is kept separately and not shared among the saving members. Donators have donated this amount with the intention to be donated further. Accordingly, the Managing Committee donates these donations to the poor destitute Muslim ladies and gentlemen and uses in other welfare activities of the Muslim Ummah. Moreover this donation is used for some defaulted saving members who could not pay back their loans. If the defaulted member is found to be really in trouble in repayments he is helped further with considerable amount of capital money to re-establish his business. Some Members argue that the fixed amount of donation is not within the bounds of Sharia. The Managing Committee argues that if they do not fix up the donating amount then the Society will collapse if some saving members play mischief. Ultimately the Managing Committee will be in trouble in repaying the saved amount to the honest Members. Please advice and guide us the proper way of functioning of the Society with the bounds of Sharia.

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Hoosein

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

I like first to mention that such a welfare organization is very important and useful to the Muslim community.

Yes, the amount charged on loans in Riba (interest) whether it is fixed or variable. This is when you charge for the loan. It is prohibited even if you use it for helping the poor and needy. Calling it donation does not change its prohibited nature.

On the other hand, the cost of providing loans should be carried by the borrowers. You can apply the equation that is approved by the OIC Fiqh Academy in the late 1980s for the interest-free loans.

You should calculate the administrative cost of providing these loans for the past five years. This cost includes provisions for unpaid loans and for doubtful debts. the rate of the cost to amount of loans can be used to ask all present and past borrowers to contribute (you multiply this rate by the balance of the loan) for the present year.

In future years: at the end of each year calculate the rate of actual cost for the year to the average balance of loans in the year and add this average to the previous four years (i.e., delete the oldest of the five years) and calculate the new five years average that will be applied for the new year. Any surplus you may find in any year in the funds collected for the expenses must be given away to the poor and needy; and any shortage can be covered by adjusting next year rate. The idea is that we want to charge them only the cost of administering the loans.

If the financed money is actually used for buying goods or houses, another alternative may be used; Murabahah for buying goods and Purchase /lease for houses.

You can still ask for voluntary donations from borrowers and savers to help the poor and needy and you should put such donations in an autonomous account.

If you need any further details/explanation, please do not hesitate to contact me.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

Subject: Opening a Bank Account in a Non-Islamic Bank

From: Tamer through Islam on Line

Sent: Sunday, March 14, 2004 5:46 AM

Question

Salam Alaykum

I was wondering on the Islamic ruling of opening a bank account. Must it be in an Islamic bank or not? Also what type of account should I be looking to open? What about the interest I receive in my account (if any)...should I simply discard it or can I use it for personal use or should I spend it on more needy Muslim brothers? Thank you for your time.

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. Tamer

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

If you live in an area where an Islamic bank is accessible, you should use its facilities to open an account and other services unless it cost you much more than normally charged by other banks. Egypt has several Islamic banks and there seems no need to open an account with conventional banks in Egypt.

If you happens to have earned interest, such interest must be given to Muslim needy, preferably through Muslim charitable organizations. You cannot use it for any personal things including payment of taxes or even of interest you may have contracted with a

Riba-based institution. The reason is that earned interest is not yours and the contract via which you earn interest is not valid from Shari'ah point of view. This means that it is still owned by the bank that gave it to you. But we do not leave it to the bank because it is interest-ridden (we then would be helping it doing more evil) we have to treat it as money that has no owner: give it to charity. You will be rewarded for keeping your own money and finance pure from the evil of Riba but it is not considered a Sadaqah.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Interest Earned on Fixed Deposit

From: Tahir through Islam on Line

Sent: Monday, February 16, 2004 6:54 AM

Question

Salam Alaykum. Dr Monzer

In the present world there is immense economic competition and at times the economic survival of an educated man also becomes difficult. A man died in our family about an year ago.His widow was left with a sum of money which of course she did not have the potential and knowledge to invest. Since that was all she had it was very difficult for her to take any sort of risk. Quite naturally even well established businessmen could not guarantee her investment. In such a case where she has to bear the responsibility of two daughters as well would it be legitimate for her to opt for interest earned on fixed deposit. If not then kindly state what would be a feasible alternative. I shall be grateful for your answer. Thank you.

Notes: Kindly also keep in consideration the fact that the country where she, the widow, lives is Pakistan (not as financially hopeful as America or Canada)

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. Tahir

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

In Pakistan there are several Islamic banks, most of them have branches in every big city. It is forbidden to deposit on interest in interest-based banks. And in fact you do not have a problem in Pakistan at all because the alternative is available and investment deposits with Islamic banks are practically as secured as deposits with conventional banks.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Islamic Interest free system

From: Akhtar through Islam on Line
Sent: Saturday, May 29, 2004 11:53 PM
Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

Sir i am serving in armed forces and presently serving at Sierra Leone. 1. Pakistan though a muslim state but without islamic laws. Our entire economic system is interest based therefore one is forced in one way or the other inspite of his best effort to avoid it. I heard one of the renowned scholar few days back that for the progress and welfare of the muslim ummah living in the non muslim countries certain islamic laws can be suspended because state is responsible to provide alternative to riba based economy to the masses (on this theory he declared mortgage can be resorted to by muslims living in non muslim countries). If this is true why can not the same principle apply for muslims living in muslim country (with no islamic laws) because individual is not responsible, state is responsible to promulgate laws and provide alternative of the interest based economy so that individual can eat halaal and do not have to look toward haraam. Keeping this premise in mind my question is as follows. a. Some deduction (as per my choice with no binding) is made from my salary on monthly basis which is called DSOP Fund. That money is used by army in business projects and we are given yearly return on our deposit. Some people say the return given on the deposit is fixed while other say it is variable. I have never gone into those details. On retirement, wholesome amount is paid to the depositor. Beside that during service as well whenever individual desire, he can draw 80% of his total deposit. Is this return on our deposit is riba once i am not demanding a particular percentage of interest on my deposit? Sir, I will be highly obliged if answer to this question is sent on e mail (sakhtar502003@yahoo.com). ALLAH may bless you all and also pray for our success both in this world and aakhirat. Akhtar

Jazakum Allahu Khairan for your constant help

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Akhtar

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

There are several ways of investment without interest. The Islamic banks in Pakistan and in other countries do invest huge amounts for their customers and depositors in Murabahah, Musharakah and Mudarabah, Ijarah, Istisna' and other modes of Islamic financing. What is prohibited in our Religion is interest-based investment. Interest is an increment in a loan contract.

If the administration of this DSOP Fund takes the deposits (contributions) from you and your colleagues on the basis of deposits for investment and uses the money in Murabahah, Musharakah, Mudarabah, Ijarah, etc. it is then permissible to contribute to this fund and the return you get is Halal InShaAllah. Sometimes it may give you fixed quarterly payment that will be adjusted at the end of the year when the results of the accounting years becomes available, that is still permissible.

But if it takes these deposits on the basis of loan contracts and gives it to business on lending basis, what it does is then forbidden in Shari'ah; it is also Haram if it takes on investment basis but invests on interest loans basis. In this case the amount of the return must be given away by you and your colleagues to Muslim charity, as you do not own it according to Shari'ah. It is also forbidden to contribute to such a fund unless you have no choice.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,
Sincerely,
Dr. Monzer Kahf

Subject: Tawhidic argument for the prohibition of riba

From: Jeff

Sent: Thursday, October 21, 2004 10:48 AM

QuestionDear Br. Monzer

Please comment on the tawhidic argument for the prohibition of riba described in the email exchange below and the attached document. In the attachment, the argument is introduced in the third paragraph and mostly explained in the section entitled "the linguistic notion of riba."

Please tell me why you agree or disagree with it. I look forward to receiving your input on this to help me in writing a description of riba for our website.

Jeff

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. Jeff,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

I DON'T GO ALONG WITH THAT ARGUMENT. The claim that it needs a philosopher's or Sufist's background to understand it is the same claim usually made by Sufist that other people don't understand them because ""they did not reach their level.""

Paragraph 12 ""fromMoney"" seem to me out of space. First, it is not money that grows but rather debt. The original practice of Riba [Riba al Jahiliyyah or Rib al Qur'an] was on extension of existing debts [usually resulting from deferred sale]. Second, Riba does not apply to money only but to a whole spectrum of goods whose ingredients are similar such as grain, date and so on. Third, Why is the claim of 'self propelled value' applied to money only not to land that makes intrinsic growth or animals (weren't these worshiped by many nations on the same ground while we have no report that people worshiped gold/silver in the literal meaning of the word). Fourth, aren't all self propelled values also in the hands of God Who is the Ultimate Creator anyway? Fifth, grass that grows in the desert of a bedouin is to him equally self propelled and more visibly so also to him the self propelled powers if wind and rain are much more compelling as the Qur'an clearly indicates in several places. Sixth, who said that money is only a medium of exchange and a unit of account? is it not a store of value too and even a measure of future value regardless of interest. Add to all that that for the Arabs of the time money was not known as just money as we know it now [see how we impose our understanding and definitions on people who lived 1400 years ago]. While they knew gold and silver as irregular pieces like small rocks and as minted coins, they treated them by weight as a commodity/money and they treat a whole line of other commodity as medium of exchange too. This is why you find that the definition of price in the sale contract in Fiqh as the other commodity that is paid in exchange; it may be gold/silver coins or pieces of irregular weights or it may be date, grain, camels or garments.

Additionally, It seems that, appealing to a Western reader as it may be, the argument of relating Riba al Fadl to Khaibar exchanges between departing Jews and soldiers is not consistent with the historical events. Khaibar was in the seventh year of Hijra while the prohibition of Riba in the Qur'an was among the latest revelations as Omar said and it was after al Abbas the uncle of the Prophet became formally Muslim when Makkah was opened in the year 8. Besides the Jews did not depart from Khaibar but were left to stay and farm the land. It is very unlikely that the

Prophet would prohibit the Riba al Fadl before even the Prohibition of Riba al Nasi'ah (by the way, writing it as Nasiha confuses it with the word advice as the latter means) in the Qur'an because it is very strongly argued that Riba al Fadl was only prohibited because it may be a cover up of Riba al Nasi'ah.

There several other minor point I don't go along with in the statements if brother Abdulkader too but this is sufficient for the main argument.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Islamic House finance contracts

From: Lamis

Sent: Wednesday, October 20, 2004 8:12 PM

Question

Dear Dr Kahf, Assalamu Alaikum

Thank you very much for your reply.

Some members of the Salafi groups have been accusing me of writing riba loans, even though, as I mentioned to you in my previous emails, I only deal in Sharia compliant products. I tried to explain to them that there are two sets of laws that we are trying to abide by in Australia. But they still say that the ""Sharia compliant product"" is not 100% halal and as such it represents a form of riba.

I have been sleepless lately and I do not know what else to say to them. I am starting to have doubts myself. In your opinion, do you think that this "Sharia compliant Products" introduced in a non-Muslim society may represent a form of riba? Awaiting your reply, Wassalaam

Lamis

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. Lamis,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

I don't know the Islamic financial product you talk about in Australia. But I can tell you one thing: if the contract is reviewed by respected Shari'ah specialists you can be comfortable with it regardless of who says what. Unfortunately, we have in America some finance companies that claim to be Riba-free but their contracts are in fact Riba-based and they refuse to have them reformulated in accordance with Shari'ah.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Borrowing Money and Using It in Business

From: Omar through Islam on Line
Sent: Monday, November 01, 2004 11:37 PM
Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
Is it haram to borrow money and use it in bussiness, then share the profits between the two of you. And also what is the ruling of trading in shares: shareholding
Jazakum Allahu Khairan for your constant help

My Answer

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

Dear Br. Omar,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Borrowing and paying on a loan any increment is certainly Haram; this is exactly the Riba that is prohibited in the Qur'an (2: 279). The same kind of cooperation can be done in a Halal manner: do not borrow but make partnership with the owner of the money, use it in business and share the profit as you agree on but losses must be distributed according to the percentage of capital contribution.

trading share depends on the shares/ companies because trading include owning them. You can't own shares of companies that produce forbidden goods and services such as banks, entertainment companies, weapon companies, etc. Also you can't own share that are heavily involved in forbidden transactions such as insurance companies, etc. Try to take a look at the website of the Dow Jones Islamic market index and you will find there certain criteria that helps you select permissible stocks to trade. Bonds, being interest-based, are forbidden.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Taking Interest Investment for Tax Shelter

Subject: Interest for Tax Deduction

From: Osama
Sent: Monday, September 13, 2004 9:52 AM
Question

Salam,

I had a question about interest only payments. If you were going to buy a property and plan to sell it in a couple of years; is it permissible to do interest only if it is an investment and all the interest is tax deductible-acts as a tax-shelter. I'm not really sure if this is ok or not since the interest is not paid but just taken out of taxes.

My Answer

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

Interest is forbidden in Shari'ah and it is not Okay to make any interest-based transaction. If some one feels that this form of tax deduction is extremely important for him, I can't tell him it is Halal or Haram because necessities invoke relaxation of prohibitions and God is going to judge him, not me! God knows best whether it is really a necessity or not.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Buying Certificate of Deposits (CD)

From: A Questioner through Islam on Line

Sent: Tuesday, May 25, 2004 7:22 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
Is buying Certificate of Deposits (CD) issued by the government allowed? My understanding is that the government uses this money for its projects and pays interest on this money. Will this pay like participating with the government in these projects and earn interest since the bank is not involved? Thanks you
Jazakum Allahu Khairan for your constant help

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br.

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

There is nothing in our religion that prohibit dealing with banks because banks are legal entities that may undertake permissible or non-permissible contracts.

What matter is the contract and its real components and nature. a loan contract with interest is prohibited. Interest is the most common form of Riba that is prohibited in the Qur'an and the Sunnah of our beloved Prophet, pbuh. It is the only sin that is threatened in the Qur'an with a war from God and His Messenger.

It does not matter whether the loan is given to/taken by the government or an individual. Any increment in a loan is interest and is prohibited. Additionally the use of the loan for a good purpose does not justify the prohibited interest. The government has a thousand and one other way to get funds for financing public projects in accordance with the Islamic rules and regulations; why should it have to select only a prohibited kind of contract?

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

Interest Loan as Employment Fringe Benefit

Subject: Arranging Bank Loans for Employees

From: A Questioner through Islam on Line

Sent: Thursday, September 23, 2004 12:20 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh

Part of the financial package (salary and benefits) offered by the company that I work for is in the following form: The Company arranges bank loans for their employees where the employee is paid the full loan amount by the bank and then the company pays all the installments and interest as long as the employee works for the company. Taking into consideration that I'm not going to pay neither installment nor interest, and my intention is to stay with the company, is this 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. ,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Are you sure this is exactly the arrangement? It seems unrealistic and I have never heard of companies that offer such a benefit. Are you telling me you take any amount from the bank and the company pays it back to the bank along with its interest?

If it is true, it is permissible to take it according to Shari'ah because as the benefits of employment you are given a lump sum and you have nothing to do with the loan contract or the payment of interest and principal. The point that it is paid from the bank makes it like your salary that is also credited to your account in the bank!

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: Hesham through Islam on Line

Sent: Monday, November 01, 2004 11:37 PM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

I submitted a question on September 27th titled "Company Arranging Bank Loans for Employees" with reference 5GE6W2. Thanks to you, I received a valuable answer however it seems that I did not explain the question well and so the answer contained some assumptions that are not right. I'm submitting the question again with some additional information.

The additional clarifications are: Though the company will pay all related installments & interest, the loan contract is in my name not the company's. The amount is a specific amount each 4 years according to the position in the company. Thank you very much Jazakum Allahu Khairan for your constant help

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,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Your new explanation helps a little but still needs some further note. Signing a interest-based contract is not permissible unless it has some way to make you avoid the interest. Hence, if the contract, or the state laws permits you (gives you the option) to pay the balance of the principal without interest in case employment is terminated for any reason, and you are sure that under such circumstances you can actually pay the balance, signing it becomes Haram.

The reason is that in principle signing an interest loan contract is forbidden. We made an exception because you are given an employment benefit in the form of a lump sum with the condition that you sign this contract. Fine, you may sign it if it has such an option because from your point of view it becomes an employment benefit, a gift of a certain amount (based on your position) provided that you return certain balance if you quit during its amortization. In other word, you do not carry any interest-based loan.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Payment of contracted interest

Subject: Do I have to pay the interest I contracted on a loan?

From: Farooqui through Islam on Line

Sent: Tuesday, October 12, 2004 6:29 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

I was in US on a student visa After completing my education I came across a US muslim citizen, who agreed to get into a business partnership with me. While doing and starting the business, i also had to borrow money from banks, I had a nice business setup which included my office assets and car. About 3 months after I started the business, I had to renew my student visa, for which I took the necessary documents from my university and went to Pakistan to get my visa renewed.(Since i had to leave US to get new visa) But the US consulate in Pakistan refused to give me visa. I explained my position that i have my home, assets and loans to repay in USA, but they refused my application. Question: Now i have a situation where, I lost all my assets in US, but i had loans in my names in US. I never had intention to do this, but the chain of events, beyond my control, put me in this situation. I could not afford to pay back banks in US being in Pakistan, also since the interest would have increased the principal amount by many times. After few years when i earned sufficiently, Since my inner soul was always reminding me of this , I donated the portion of money i used in US by borrowing from banks to orphans and charities. Please advise, in light of my circumstances. Jazakum Allahu Khairan for your constant help

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. Farooqui,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Giving to Muslim charities, poor and needy is always excellent acts of benevolence and rewarded by Go, InShaAllah.

On the other hand, Lack of visa does not make you loose all your assets, not denying that it affects your ability to manage them rightly and causes inconveniences and losses. Additionally, taking interest-based loans is Haram to begin with. You should have not engaged in interest loans in the first place and you need not loose all your assets because of the visa problem in the second place. Unfortunately, once you contract an interest-based loan, you should fulfill your commitments. I am definite that most of the banks you dealt with are willing to reconcile with you, through negotiation that can be done via any friend of yours who is still in the US and drop all interest and charges if you pay the principal after such a delay. If you had certain real properties that you put as collateral for these loans, banks may have already settled their loans by selling the collaterals.

In brief, I think you should negotiate to pay reduced amounts on your loans in the US unless there were collaterals that are sold for them.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Loan with Interest before Conversion

From: Tibebu through Islam on Line

Sent: Thursday, June 24, 2004 4:15 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

My question is that I am anew revert to islam before I revert I was a member of the credit association in the company that I work. From this assoc. I took a loan which has interest, even if I stopped taking a loan I am still paying the interest because the money that I took was too much to me to pay. What do you advice me? And what about the properties that I bought with that money?

Jazakum Allahu Khairan for your constant help

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. Tibebu

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

The Prophet, pbuh, told us that once a person reverts to the True Religion, things that were done before reverting are cut off [meaning he is not questioned and punished for them]. Now you are required to honor your legal obligations of interest payments until you rid yourself of the loan. You have to make your best to pay it off as soon as possible without putting your properties and finance in jeopardy. try to save as much as you can, sell properties that you can do without, borrow from friends and family without interest, negotiate with the credit association for faster payments and lower interest, etc.

The properties you purchased are yours, good and Halal InShaAllah. So is any value increase in them.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Discounting of Bills and Receivables

Subject: sold receivables

From: Jeff

Sent: Monday, October 25, 2004 3:27 PM

Question

Dear Br. Monzer, Salaams again.

If a company sells some of their accounts receivable for cash, I am treating that as part of riba debt for the purposes of our rating, because it is essentially a ribawi way for the company to get cash right away instead of getting a short-term loan with interest for the same amount. Do you agree with this approach?

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. Jeff

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Yes, this is an interest transaction. Obviously the company pays interest; so the transaction should be considered as part of the leverage of the company in estimating its loans/equity ratio.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Sale of Debts

From: Dr. Mujeeb

Sent: Monday, October 18, 2004 1:29 PM

Question

AsSalaamu Alaykum: Ramadhan Kareem & Mubarek Brother Monzer.

A friend who knows you well, Brother (..... Foods) asks you the following through me as he does not use internet:

A used-car businessman sells cars on the basis of deferred payments/installments (without interest). He has approached financing (mortgage) companies to sell these contracts in a package for about two-third of the balance amount. DOES SHARIAH ALLOW SUCH TRANSACTION WITH MORTGAGE COMPANIES?

Some mortgage companies pay a flat percentage of the balance upfront, while others pay most upfront and some as they receive payments from the car owner. DOES SHARIAH DIFFERENTIATE BETWEEN THE TWO OPTIONS? Regards,
Mujeeb

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. Dr. Mujeeb,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Please give my Salam and Ramadan Mubarak for our Br. and inform him that the sale of undue-yet debts whether they are a result of installment sale or any other contracts for any thing less than the face value of the debt is prohibited in Shari'ah and it makes no effect on the ruling whether the whole proceed of this sale is paid at the time of the sale or any part of it. This amounts to pure Riba and there are 2 resolutions of the OIC Fiqh Academy to this effect: one about discounting of future IOU's and one about sale of debts.

On the other hand, sale of Ijarah (lease) contracts at any price is permissible because the holder of lease contracts still own the cars themselves.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Are all investments with Fixed Return Prohibited?

Subject: Investment with fixed return

From: Rizvi through Islam on Line

Sent: Wednesday, October 20, 2004 12:53 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

There is company involved in producing education courses related to online marketing. They are inviting people to invest in their business as they need more money to advertise their product. The deal is that anyone can invest from \$1 to \$4000 and they will use that money to advertise their product and at the end of sixth week they pay double the amount back to the investors depending on the income they generate from that advertising. As per their statement they are using special advertising system has a proven (cost of sales to yield) ratio of 1:2. It looks like a Modaraba to me? Kindly explain if it is permissible.

Jazakum Allahu Khairan for your constant help

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. Rizvi,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

If the contractual relation is such that put with us now an amount and we give you double at a certain future date, it is then not Mudarabah but pure Riba regardless of the way they will use the money.

but if it is such that invest with us now and we think we will make double in six month but only God knows how much we will actually make and we will distribute the actual profit between us and the investor; his seems like Mudarabah and it may be permissible. To give an exact statement I need to see the contract itself and be sure that it does not contain any violation of Shari'ah.

By the way, most of those who promise big return are usually bluffers and phony, be careful!

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Is There Riba in such a Deal?

From: Khurram through Islam on Line

Sent: Wednesday, August 04, 2004 12:26 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

A friend of my father has proposed him to do business with him in the following way: He has asked for loan from my father and has suggested that he will be giving a fixed percentage of profit to my father besides the loan. My father has not asked him for the profit. But if that man himself is giving such a proposal, will that profit be considered as interest for my father? Jazakum Allahu Khairan for your constant help

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Khurram

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

If the money is given as a loan, then any contractual increment is a Riba, whether it is a percentage of profit, a percentage of loan principal, an amount that is determined by any outside or inside index or a fixed amount. The meaning of giving as a loan is reflected in the fact of whether the loan principal is guaranteed, asking or offering does not matter; what matter is the agreement, what do they agree on.

On the other hand, if the person is trustworthy, and the business is profitable and not risky, the agreement can be legalized, from Shari'ah point of view, by giving the money as Mudarabah (investment) where your father remains the owner of the money, it is not guaranteed and he can share in the profit according to any percentage they may agree on.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

Meaning of Riba al Fadl

Subject: Meaning of the Word Riba al Fadl

From: Jeff

Sent: Friday, November 05, 2004 9:12 AM

Question

Dear Br. Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
What are the literal translations of riba al-fadl and riba an-nasi'a?

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. Jeff,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Literally, the word Riba means increment and the word Fadl means surplus/excess and the word Nasi'ah means deferment.

Riba al Fadl is thus Riba of excess in exchange or Riba of exchange (because it is also called Riba al buyu' (Riba of/in sale)

Riba al Nasi'ah [the ' stands for hamza and the h for ta that is at the end of a word] Riba of deferment or Riba of debt(s) as it is also called Riba al duyun.

in the word Nasaha the h stands for the deep ha, it is the noun of the verb Nasaha =to advise and the noun is advice.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Financing purchase of Car, Computers, and other properties

Subject: Dealing with Banks without Taking Interests

From: Moaty through Islam on Line

Sent: Wednesday, December 08, 2004 9:04 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

I have a friend who is a car dealer. Sometimes when a person buys a car, he draws the finance paper for the bank which pays us in full and charge the client interest. He does not charge interest. Is he involved in Riba? Should he quit the business if he is?

Jazakum Allahu Khairan for your constant help

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. Moaty,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

I understand the dilemma that you feel. I think writing an application for interest-based financing is part of writing the Riba because approval comes on the application.

Since you said that this car dealer does not involve his business with any Riba, I suggest that after making the deal with the customer, have a non-Muslim employee fill out the interest-based financing application. For a Muslim there seems to be no way to avoid the correct Saying of our beloved Prophet, pbuh, that puts the Wrath of Allah on the taker of Riba, its giver, its writer and its two witnesses. Writing a Riba contract or an application for Riba financing is not permitted in Shari'ah.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Is This Transaction OK?

From: Mohamad through Islam on Line

Sent: Tuesday, December 21, 2004 2:01 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

I have two questions: 1) a finance company repossessed a car from a default customer, this car is now available to me at a monthly installment for a fixed time period and at a fixed amount payable monthly irrespective of changes in market rates. Is this transaction ok? 2) A car dealership is offering to sell me a car thru a finance company I have to pay monthly fixed installments (not variable irrespective of future market trends). Is this transaction ok? 3) I am currently out of my domicile, I don't know exactly how long it will take me here, how many rakaats am i to offer? And can I combine the prayers? Are the sunnah and witr prayers to be omitted
Jazakum Allahu Khairan for your constant help

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. Mohamad,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

- 1) Buying a car on installment from a bank that repossessed for default is permissible provided there are no interest clauses in the sale contract. I cannot answer your question by a yes or no because I need to see the contract itself to be able to assess its compatibility with the Shari'ah.
- 2) Variability of installments or lack of it in a sale is immaterial to the permissibility of a contract. What matters is that it is clean of Interest and/or other violations of Shari'ah. Installment purchase, even from an interest-ridden finance company, is permissible if the contract does not contain any interest clause or any other Shari'ah violation.
- 3) Reducing the four Rak'ah prayers into two and combining Zuhr and Asr on one hand and Maghrib and Isha' together is permissible for traveling persons. You are a traveler as long as you do not know whether you are staying for four days outside

your areas of residence (by approximately 85 Kilometers) or 15 days according to the Hanafi School. if You are a traveler and you extend your stay from day to day so that at any moment of time you don't know whether you are there for four days or more you can then continue reducing and combining. But once you know you are staying there for four days you become a resident where you are and then not permitted to reduce or combine.

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

Subject: Taking a Loan to Buy a Car

From: Mohammed through Islam on Line

Sent: Sunday, August 22, 2004 7:20 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I need to know if I will take a bank loan from Islamic bank to buy a car (the car is essential request for my work & I can not afford to buy it at once) For me is it Halal or Haram. second I went to a cars showroom , they have two prices one for cash & the second is installment price for five years (cash price + interest) is also Haram for me to buy the second price knowing that it is including interest. Thank you
Jazakum Allahu Khairan for your constant help

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.

Islamic banks do not give "loans to buy cars." They give financing on Murabahah or Ijarah. Murabahah works in a way that ends with similar result as the two prices you mentioned. Hence, It is permissible to take Murabahah financing from an Islamic bank or to contract the car dealer to buy on installment, even if the price differential is calculated on the basis of interest.

What you must notice that, wile this transaction looks similar to interest based loans, the two contracts are in fact different as they originate from two different sets of principle: loans with increment versus freedom of setting prices in sale. This is the same confusion that was argued by the Makkan unbelievers as the Qur'an narrates [2: 279].

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: fatwa about car purchase on interest

From: suhaib
Sent: Friday, June 25, 2004 8:37 PM
Question

Dear Dr. Kahf, assalmu alaikum:

I am Dr. Suhaib, I would like to ask you a question about purchasing a car with a certain deal. The deal is that I make a contract with the bank based on interest, but the car dealership company would write me a check for the interest amount 10 days after buying the car and I would pay that to the bank. Hence, I would only pay the original amount of the car's price. Is this halal? I would appreciate your answer, jazakallahu khair. Wasalamu alaikum,
Dr. Suhaib

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. Dr. Suhaib

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I don't really get it. The dealer will pay you the interest due on all future installments or only on the first one? Besides, suppose it is only one payment to the bank and the amount of interest for all the loan is determined, why not the dealer give you the credit itself and sells you the car with deferred payment or installment?

In a simpler way, you are purchasing the car on interest, but someone else is going to refund you the amount of interest. Refund from another person does not legitimize the interest-based contract. It is interest-based contract and it violates the rules of Shari'ah!

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Buying a Car by Credit

From: Yassine through Islam on Line

Sent: Monday, June 14, 2004 11:37 PM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

Dear Sirs, Is buying a car or what ever else by credit without interest (the amount to be paid cash is the same with the credit) prohibited or not? Thanks & best regards

Jazakum Allahu Khairan for your constant help

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. Yassine

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Credit is permissible as long as there is no interest. Please remember that interest is a stipulated increment in a loan contract. and if there is no increment loan is permissible and buying on credit is also permissible.

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

Subject: Buying American Cars

From: Ahmed through Islam on Line
Sent: Thursday, April 29, 2004 1:55 AM
Question
Salam Alaykum

I live in Canada and I want to buy a new car, many scholars said that we should try to avoid buying American products as much as we can because of what the Americans are doing to the Muslims all over the world. But the American cars have a lower prices and I can get very good deal and I can't afford to buy imported cars, can I buy an American car? If it's ok to buy it I'll be financing the car through the manufacturer with 0% interest rate but during the course of financing I'll be forced to buy full insurance for the car, is that's ok as well?

My Answer:

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

Dear Br. Ahmed

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

The Fatwa on Boycotting American products as much as they can applies to all Muslims. Remember, many people, Muslims and non-Muslims, in the US prefer Japanese cars over American brands. Aren't there Japanese car assemblies in Canada? If the Canadian car market is similar to the american, Japanese cars must be selling for 0 interest these days. Besides, Canadian manufactured American brands are not included in the Fatwa.

Lastly, car insurance is permissible, whether comprehensive or liability only.

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

Subject: Purchasing Cars Through Commercial Loan Banks

From: Iqbal through Islam on Line
Sent: Wednesday, August 04, 2004 12:37 AM
Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

Car and home loans Dear respected scholars Asalaamu alaikum In Australia, most members of the Muslim community are purchasing cars and homes through commercial bank loans and mortgages. This is justified in two ways: - one has no option in a Western country which does

not have Islamic banking - and hence you need to borrow to be able to acquire a car and a home. - the interest prohibited refers to excessive interest over and above an acceptable rate (usurious rate). Interest at or below the average is acceptable. Please comment on the above - especially the notion of interest and riba in Islam. Also, please comment on what riba encompasses (interest, excessive profiteering, etc). Wasalaam Jazakum Allahu Khairan for your constant help

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Iqbal

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

Interest is the most common kind of Riba, no doubt about it. It is the kind of Riba that is prohibited in the Qur'an and Sunnah and it is the kind that we usually mean when we say Riba (without any qualification or adjective). It is called in the Fiqh literature ""Riba al duyun"" or ""Riba al Qurud"" [Riba of debts or Riba of loans].

This kind of Riba is defined, in Shari'ah, as an increment stipulated in a loan contractor in a debt rescheduling (for the time difference between giving the loan and repaying it or for delaying a debt to a further due date). Kindly notice that there is no reference to a low or high rate.

Therefore, a low rate of interest is equally prohibited. Of course, high rate is double evil because it is Riba and it is exploitative too. The Prophet, pbuh, made a reference to ""an atom of Riba"" is some of his Sayings. Riba is one of the most grave sin according to our religion; it is the sin about which God said that a war is declared from God and His Messenger on those who do not quit dealing with it. The prophet, pbuh, said that the Wrath of God is on the taker, the giver, the writer and the two witnesses. and in some other Saying he, pbuh, said: they are all equal (in the sin).

Any prohibition may have certain necessity circumstances that call for relaxation. This applies to Riba and to many other prohibitions. Of course, a necessity must always be given its right weight since it is God, the Most Knowledgeable, is the One who is going to screen our truthfulness, and no body else. I can see a quasi necessity in buying homes in some countries like the USA and Canada, but I hardly find it for buying cars because the affordable used car market reduced such necessities to a minimum.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

Subject: Buying computer on subsidized interest

From: Salim through Islam on Line

Sent: Sunday, May 16, 2004 12:28 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

In My country the government provide subsidization for the purchase of a Personal Computer in the form of a loan at a rate of 3% interest for 3 years. Are we allowed to take this loan if we consider the depreciation factor of our currency and also the annual rise in cost of living.

Jazakum Allahu Khairan for your constant help

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. Salim

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Riba is an increment in a loan; and this is exactly what interest is. Bringing in the issue of depreciation of assets and the rate of inflation only confuse the matter and do not change any thing in its ruling, definition or reality. Interest is not paid as a compensation for inflation nor for depreciation. Otherwise you would see interest changes according to the asset bought and when there is no inflation it must become either zero or negative.

What is prohibited in interest is the fact that it is an increment in a loan regardless of its rate, high or low. Additionally the government subsidy that ended up reducing the interest rate did not change the nature of interest and does not affect the Shari'ah ruling.

Interest remains prohibited, even when subsidized by the government; and Muslims in Mauritius must seek means from the government to have equal subsidies through Islamically permissible modes of financing so that they will not be discriminated against in this regards.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Building a Mosque with Interest-Based Loans

Subject: Building a Mosque with Loans from the Bank

From: Najeeb through Islam on Line

Sent: Saturday, August 07, 2004 11:39 PM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

My question is regarding interest (Riba). There are many Muslims living in Europe and other none-Islamic countries. Is it permissible for them (like here in Norway) to build mosques by taking loans from banks which they have to pay back with interest. It might be a fact that a proper-built mosque is a source of great attraction both for the Muslims and none-Muslims. But there is, anyhow, no urgent need to build a big and marvellous (proper) mosque-building as the Muslims can freely and nicely fulfil their religious duties in different halls and old buildings they already possess. Firstly, What is the fatwa about a mosque which is built under this kind of circumstances? Should the Muslims in the West carry on building Mosques like this or they should just pass the time with what they already have? Secondly, A Mosque has an account in a bank. What is the fatwa about the interest it gains on the deposits? Can it be taken or not? If yes, where can it be spent? On the Mosque or it should be given away to the poor?

Bayyinoo Tu'ajjaroo!

Notes

Assalamu alaykum. I will appreciate a quick reply and will be very much thankful to you all. Fa Jazakum Allahu Fid'darain! Najeeb-ur-Rehman Naz Oslo, Norway.
Jazakum Allahu Khairan for your constant help

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Najeeb

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

Buying a mosque with Riba is not permitted in the Shari'ah. It is said that even the pagans Makkah did not put any earnings from Riba when they reconstructed the Ka'bah before revelation when the Prophet, pbuh, was young. Muslims in each area are required (as a Fard Kifayah) to build mosques and Islamic schools if they need them, from their own money, not from Zakah. They are also required to spend on their mosques and make them tidy, clean and worthy of their names as main places of worship and image builders.

On the other hand, if a mosque is built from Riba money or with a Riba-based loan, it is certainly permissible to pray in it and it is still an obligation on Muslims in the area to pay the loan the soonest possible to eliminate the sin of Riba. The sin is on those who took the loan and on those who could help but did not. Muslims in the area are still required to provided for the running expenses of the mosque.

I can see very rare cases where some Muslims may be under circumstances of necessity to take an interest loan for a mosque when salvaging the property and large sums of Muslim community money or assets is endangered to be lost.

Finally, funds of Muslim community and of mosques that are placed in banks have the same ruling as funds of individuals. the Principle is that the management must make all efforts to avoid accumulating large sums in such accounts and if that happens, generated interest MUST be taken and assigned to the poor and needy in the community in a special account in the mosque books. they should be added to general funds of the mosque.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

Interest Deals versus Permissible Finance

Subject: Selling in Installments

From: Maen through Islam on Line

Sent: Monday, July 26, 2004 6:08 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

Is selling in installments, even at a higher rate than the instant purchase, lawful? Isn't the extra money paid as compensation for time and time is not a good to be bought and sold? If so, what is Riba (Interest) then?

Jazakum Allahu Khairan for your constant help

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. Maen

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Installment sale at a price higher than the cash price is permissible. The difference is not a price of time. Can any one buy time? How would you buy it and who sells it.

Besides time is not Riba! You probably meant to say the time value of money. In Loans and debts, the time value of money is not permissible to make adjustment for. i.e., any difference in the amount of a debt or a loan because of the time value of money is prohibited and it is a form of Riba. Time based Riba, called in Fiqh, Riba al Nasi'ah (or al Nasa') and sometimes called Riba al duyun (debts' Riba) is defined as any contract stipulated increment in a debt, whether initiated (i.e., when giving a loan) or already existing (i.e., rescheduling a loan). If a differential becomes institutionalized by usual and customary practice it is treated as if it were contract-stipulated.

On the other hand, the increment in deferred payment and installment sales is in a price of a commodity and people are free to determine prices the way they like, certainly it makes sense to ask for a higher price if you are going to pay me later because I have my own equation of evaluating my cash inflow/outflow. This is a price differential not an increment in a debt. Once a rule is decided, some people like to split the hair and say what is then the difference between getting a loan to buy a commodity and paying for it the same total of loan plus interest, as a deferred price?

The same amount is paid in both cases. But the difference remains clear because you came from different principles. This is exactly the same question asked by the Makkans unbelievers and the Qur'an answered them "But God made sale permissible and made Riba (interest) unlawful" (2: 279). The difference can be seen in the difference when you permit the Riba transaction. Because once you permit it, permissibility of rescheduling of loans (debts) becomes a logical analogy, piling up financial (but really only thin airs) of layers of financial properties becomes natural because you go and discount and rediscount and so on.

These are not permissible under the permissibility of installment sale.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Is This Project Halal or Haram?

From: Elnyash through Islam on Line

Sent: Wednesday, July 14, 2004 11:16 PM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

A project will be executed on Build Own Lease and Transfer basis, investor A will handover the plant to company B after successful commissioning. B shall pay A equated instalments over certain number of years, instalments are calculated in such away that A should achieve a fixed Internal Rate of Return (IRR) on actual project cost.

1-Is above deal lawful (halal) 2-To avoid paying interest in case of default, is it halal to

rework the balance instalments to maintain the fixed IRR (assuming above is halal) 3-If any of above is not halal, is it permissible to witness such an agreement or to continue as an employee in company B. Jazakum Allahu khayran.
Jazakum Allahu Khairan for your constant help

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. Elnyash

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

- 1) Leasing is permissible. And build own and lease on a diminishing ownership basis is also permissible. You know in leasing the owner carries responsibility for taxes, maintenance and insurance. If this transaction is lease-based and structured on the basis of diminishing ownership (and obviously diminishing ownership), making installments equal and the rental return also equal is permissible too.
- 2) Diminishing lease contracts have a built-in cushion for default that preserves the rate of return fixed because if you do not pay an installment you do not increase your ownership and rent does not decline, the lessor keeps earning rentals on the proportion of the property she still owns. Why do you do not need any adjustment? On the other hand, diminishing leases are accompanied by an offer to sell and payments of installment represent partial acceptance of such an offer. You cannot make the offer with two prices: one for regular payment and one in case of default.
- 3) Working in a company that makes sometimes, even for buying its major plant, non-permissible transactions is not forbidden as long as the company's line of business is not morally shameful (e.g., producing and selling liquor is considered a moral shame in Shari'ah) and the job you do is itself permissible.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Re-fixed return in Mudaraba

From: Sami through Islam on Line

Sent: Tuesday, July 06, 2004 12:56 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

I am in receipt of answer to my question vide reference number 7NP52B. I am really grateful for your prompt response. But sir, few clarifications on the same issue. One thing is for sure that DSOP fund is used in the business run by the Army itself through its professional administration. This business is of varied nature ranging from sugar mills, cement factories to trading etcetra. But if the return distributed to contributor is fixed, what will this return be called? Sorry for bothering you again and again but this is important. I will be obliged for early response. Allah may bless you all.

Jazakum Allahu Khairan for your constant help

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,
Dear Br. Sami

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

In fact, it depends on the conditions under which the DSOP Fund is run. Please read the whole system or send it to me complete if it is not confidential, of course. If the system of the fund is such that it takes deductions from members and give them fixed return while it guarantees the principal (total amount deducted throughout the period of participation), it is then Riba.

If principal is not guaranteed or if it is mentioned that it is taken to be invested for you or on your behalf under profit and loss arrangement then it is not Riba even when the return is fixed. Why? Because it is permissible when investment is done on the basis of Wakala or Mudarabah to fix the dividends while you make final adjustment (settlement of differences between the fixed periodical payment and the actual results of investment). This adjustment may be done at the end of each year or at the end of subscription.

If the actual investments of the fund are permissible as you said, correcting this situation becomes very easy. I think that you and your colleagues must discuss with the management of the Fund to adjust their accounting rules to make them based on profit/loss basis; it seems to me that it is very easy to do that.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

Subject: Financing a Vehicle and Leasing

From: A Questioner through Islam on Line

Sent: Tuesday, April 06, 2004 12:55 AM

Question

Salam alaykum

I would like to know the difference between financing a vehicle and leasing a vehicle. After reading the fatawis on the website, I went to a dealer for a vehicle. When I read the contract, it says that the dealer sells the vehicle for an ammount multiplied by 5.5% on 36 months then he transfers the property of the vehicle to the bank who will in turn gets the monthly payment directly from the seller until the vehicle is fully paid. Is this permissible since this is not leasing? How is that different from leasing? Jazakoum Allah khairan

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

The contract you described is a cash sale with interest-based financing on 36 month. The dealer then sells it (actually it means discounts it) and get the cash amount. The bank with then receive from you the monthly installements.

In leasing, you pay to the dealer a monthly rent for a given period, 36 month. The dealers remain the owner of the car, and at the end of the period you are given the choice to either buy the car for a predetermined amount, give it back and walk away or negotiate a new lease contract. The dealer may still sell the contract to a bank, this action of the dealer in both cases is none of your business.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: How to solve debt problems in Islamic ways

From: Abu Anas through Islam on Line

Sent: Sunday, April 11, 2004 7:52 AM

Question

Salam Alaykum

My friend has asked me about how to solve debt problems in islamic ways besides work harder? Hope if you can give a detail answer. Jazakallahu khairan kathira.

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. Abu Anas

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

The Fatwa is not a luxury idea that one likes to hear about. It is a solution to an actual problem or case. That is why the Ulama always say that a Fatwa is not a rule that can be applied in all similar cases. A Fatwa is specific to its own circumstances. If your friend has a case, he should explain all its circumstances and seek a Fatwa. It does not need your proxy!

There are several Islamic contracts that replace interest-based contract in financing purchases and other financing needs. Each such contract has its own conditions and applicabilities. Some produce debts and some are based on the sharing principle. For replacing present interest-based debts, there are also several Islamically compatible contracts that can be used to replace such debts by islamic financing. But remember debts, whether interest-based or not, are always the result of living beyond one's own means and any person who does that will incur debts, whether they come from Islamic contracts or from Riba-based contracts.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Raising the price because of Deferred Payment

From: Saeed through Islam on Line

Sent: Wednesday, February 18, 2004 6:05 AM

Question

Salam alaykum Dr Monzer

MY FRIEND IS IN EXPORT BUSINESS,HE DOES'NT HAVE MUCH FUNDS AVAILABLE. HE ASKS ME TO BUY HIM RICE WORTH 5 MILLION RUPEES. THE RATE TODAY IS Rs 1000 PER TON. HE ASKS ME THAT HE WILL PAY BACK ME AMOUNT AFTER TWO MONTHS AT THE RATE OF Rs 1050. THAT IS Rs 50 MORE THAN THE ACTUAL PRICE TWO MONTHS BACK. IS IT PERMISSIBLE?SECONDLY HE TELLS ME THAT HE WILL ADD Rs 50 PER MONTH FOR FURTHER DELAY. IS IT ALLOWED? THIRDLY SHOULD I BUY THE STUFF AND HANDOVER TO HIM OR I SHOULD GIVE HIM THE MONEY SO HE BUYS HIMSELF? FOURTHLY IS IT MUST THAT THE PURCHASED STUFF(PRICE GIVEN) MUST CHANG THE PLACE OR ONLY POSSESSION IS MUST FOR FURTHER SELLING? 4 QUESTIONS TO ANSWER WASALAM

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. Saeed

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

It is permissible to buy cash for 1000 and sell deferred for 1050 provided the price and due date are fixed in the contract. It is Haram to make any addition to the amount of debt if delinquency happens. This means it is forbidden to increase the amount for any future delay. It is also Haram (Riba) to advance an amount on the condition of taking it back in the future with an increment. And if you buy cash, you must take possession of the rice before you make the contract of selling it whether you sell it cash for any price or for future payment at any price too. Possession can be done by simply separating it in the warehouse from other rice or by carrying it to a different storage, it doesn't have to change place as long as it is actually marked as owned buy the purchaser and left as an Amanah in that warehouse.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Charging Interest between Accounts of same Owner

Subject: Giving interest from one account to another of same owner

From: Bhalla

Sent: Tuesday, July 06, 2004 11:02 AM

Question

Assalamo alykom

I have a quick question related to my 401 k.

I can borrow money from my 401 k. I will have to pay interest. But the interest will go to my account.

This means that I will pay myself interest. Is this considered as a riba or not.

Jazaka ALLAH khayran

Bhalla

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Bhalla

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

You answered your question! giving interest to yourself, in two different accounts, is certainly not interest, even if the IRS likes to call it this way. Take a loan from your 401K and buy a car or a house and pay interest to yourself to please uncle Sam so he does not charge you any penalty!

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

Subject: percentage of profit and borrowing from retirement plans

From: Badre through Islam on Line

Sent: Monday, June 21, 2004 12:54 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

Dear Scholar, My Allah reward you for your efforts. I have 2 questions: 1- What is ruling in regards to making profits in Islam? Is there a certain percentage limit and does it matter what product is being sold, whether is a necessity or commodity. 2- I voluntarily contribute into a retirement account where I control whose stock I buy and I have the option to borrow from my account but I have to pay my account back with interest. My question, what is the Islamic ruling on this situation, since I am paying myself back with interest. May Allah help you and Assalam aleykoun. Badre Chraibi

Jazakum Allahu Khairan for your constant help

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. Badre

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

- 1) The truth is that there is no limit on the rate of profit given in our religion. There are examples from the time of the Prophet, pbuh, to this effect. Once Hakim Bin Hizam was given one Dinar by the Prophet and sent to buy a sheep. He bought one for a Dinar and sold it for two (100% profit) then bought another for one Dinar and came back to the Prophet, pbuh, giving him the Dinar and the sheep. The Prophet accept them, prayed for a prosperous future for the man and told him not to sell other people's property without prior permission next time. There are stories of Ibn 'Awf making such high rates of profits, and the famous story of "uthman when he bargained with other companions on several hundred percent of profit, then he donated the whole thing to finance the battle of Tabuk. There is a rule though that requires a seller not to be way above the market: the rule of excessive Ghabn that

may cause the contract to be void if the price is substantially higher than the prevailing price in the market (an element of cheating or ignorance may be involved). Unfortunately, there are some late Fuqaha, especially Malikites, who argue for a limit on the rate of profit and such a limit varies from a commodity to another. This is generally based on the idea of Maslahah (public interest) and the authority of a government not on the Shari'ah rules and principles. This means that in fact they are talking about exceptional cases of government intervention not about the normal market practice.

- 2) It is permissible to borrow from one's own retirement account and to pay interest to that account, it is only a matter of tax arrangement that does not affect your property in reality, it may force you to save more, which is permissible. Payment to yourself under any name including the name of Riba/interest, is permissible because the substance is what matter not the name.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Interest Debts Consolidation

Subject: Taking a Loan to Pay Debts

From: Mohammed through Islam on Line

Sent: Saturday, May 29, 2004 11:36 PM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

I have a question on bank intrests. I am in a debt trap which i am finding difficult to come out from. I have many credit cards and phone bills unpaid. I cannot borrow the money from any friend or relative (I have tried). Now I am forced to take another loan from a bank (my only option left) to fend off the recovery agents and serious panelties (which may include prison). My whole life I have ignored my religion but at this piont of time I am trying very hard to be a proper muslim. My religion is my first priority as of now. It would have been easier for me to avail that loan but now since i realised that interest is haraam it is becoming difficult for me to avail any further loan. Please guide me. If your answer is No then please advise me on what should i do about the interest i am paying on my current debt and how to repent on my previous Gunah. Also make dua for me that Allah makes it easier for me to follow the correct path salaam walaykum Jazakum Allahu Khairan for your constant help

My Answer,

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina

Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Mohammed

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

If you are really under the circumstances you mentioned, your taking an interest-bearing loan from a bank at a lower interest rate is the lesser of the two evils in addition to avoiding any prison time because of default on required payments. When the choice

is between two evils we ARE REQUIRED TO TAKE THE LESSER ONE IN ORDER TO AVOID THE WORST ONE.

What is necessary is that you must repent to God and pledge within yourself that you will not repeat resorting to interest generating use of credit card and any other interest based transactions. May Allah accept your repentance and help you be always on His strait path.

Wa Allahu A'lam,
Wa al Hamdu li Allahi Rabbi al 'Alamin,
Wa Assalam,
Sincerely,
Dr. Monzer Kahf

Giving Extra Amount when Paying a Debt

Subject: extra payment when a debt is due

From: A Questioner through Islam on Line

Sent: Wednesday, May 12, 2004 12:33 AM

Question

Dear Dr. Monzer, As-Salamu `alaykum

It is said in this article (http://www.islamonline.net/English/In_Depth/mohamed/1424/manners/article08.shtml) that sometimes the Prophet borrowed something and repaid more than his loan"". A brother of mine pointed out that such piece of information is quite suspicious, insofar as it could be interpreted as ribâ : the Prophet borrowing something and repaying it more than his loan. Are you sure about this? Could you give me the corresponding hadith if this is true? An how should we understand this tradition? Waiting for your answer. Wassalâm.

Jazakum Allahu Khairan for your constant help

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br./Sr.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I can see a confusion caused by taking a statement out of its context. Let us try to put it straight!

There is a correct Hadith, reported in Bukhari, Muslim, Tirmithi, Abu Dawud and Nasa'i to the effect that there was a debt on the Prophet, pbuh, and when he paid it he gave more than the amount of the debt. This Hadith is famous among Fuqaha' it is the story when the Prophet, pbuh, bought a camel from Jabir, the companion, while they were on a travel and Jabir made the condition that he will continue ride it until they reach their home, al Madinah. After arrival and hand over of the camel, the Prophet, pbuh, asked Bilal, His treasurer, to pay him and "give him more."

This Hadith is an example of kindness at the time of repayment. This kindness may be expressed by extra money, a gift, a Du'a, etc.

On the other Hand, Riba is a conditional increment in a debt (or loan because any loan creates a debt the moment it is given to the borrower).

Hence, the distinction is: If an increment is not conditional (whether in the contract or by virtue of aknown custom/habit, and not expected, it is then an expression of kindness at the time of repayment, and if it is conditional or know so that it is expected, it becomes Riba that is forbidden.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf
