FATAWA INTEREST AND RIBA 2007

What is Banks' Interest?

Subject: What is Banks' Interest?
From: Yanie
Sent: Friday, February 09, 2007 2:56 AM

Question
Assalamu'alaikum Prof,
Is the interest given by the conventional bank is Riba? Despite my main intention is to safekeep my monies. And how can the bank utilise our money for investment which i did not opttion for ? And how do u explained the term Amanah according to Islam.And also Mudharabah? I could also take the bank Interest as profit or bonus . Is it ok for the bank to fix the interest rate whereas Islamic Bank as dividend or Hibah.In investment(mudharabah) there involve risk, can I say that I surely make profit and not lost and if i incurred lost the company will bear all the losses and I need not fork out any. Is it just? pls answer my queries Shaikh thank you

My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Yanie
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
Answering your queries in full requires volumes and I suggest that you should read on the internet some of available literature on the subject. But I will give you very brief points:

1. Interest, as known in conventional banks is Riba. The Qur'an says "And if you repent, you take your principal only, no injustice done by you and no injustice done against you." [2:279]. This verse defines Riba as any increment above the principal in a loan. Whenever the relationship is a loan any increment is purely Riba. And it is prohibited. You can call it any thing but as long as it is an increase in a loan, it is then the PROHIBITED RIBA. It is not just because by lending you do not add value. You only transfer the use of funds temporarily from one person to another. But the user of fund may or may not make profit!
2. When the relation is not lending but sale, you can make profit when you sell at a price higher than your cost. this increment is not in a loan and it is Halal. The Qur'an says "And God made sale permissible but made Riba Haram" [2:275]
3. Mudharabah is a form of partnership. if you make a partnership to deal with permissible transactions like selling goods and services, the income you make is Halal. But if you make partnership to deal in prohibited things such as giving loans for increments or selling alcohol, what you do is Haram and its income is Haram too. This is the Mudharabah done by Islamic banks. Of course, it is a kind of venture and it implies risk. This is a part of life and must be born if you want to make profit.

4. In any relationship what matter is the reality or substance of it not the name. The substance of lending is giving temporary facility with a guarantee of principal. The substance of Mudharabah is sharing a project.
5. Amanah means trust or honesty (two meanings) It is totally a different issue although it relates to financial contract because they have to be founded on trust and honesty.
6. Hibah is also a different matter. don't be confused by words some people use to hide interest or vaguely as name to different kinds of transaction Hiba is a gift no more no less! When we deal business there is gift. gifts are between family and friends that is all.

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

From: Yanie
Sent: Saturday, February 10, 2007 4:18 PM

Question
Prof in other words is it correct to say that we deposit our savings in the conventional bank is tantamount to giving loan to the bank for their so call investment?

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 Yanie
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Deposits in conventional banks are loans to the bank. This is their Shari'ah meaning and this is ALSO THEIR DEFINITION BY ALL LAWS ON THE EARTH IN ALL COUNTRIES. The bank uses this money not for investment but for giving LOANS to customers. Basically banks are not allowed to invest in stocks, partnerships in business, real estate or goods.

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

Subject: Inflation vs interest rate
From: Nasser through Islam on line

Sent: Wednesday, July 25, 2007 2:54 AM

Question
Salam Dearest Dr.
In a country where inflation is growing very fast compared to the economic growth rate of a nation (depressing the purchasing value of money from time to time), what would be a verdict on interest rate? No doubt, in a country where inflation is growing at an average of 15% the value of money is still depreciating if it is deposited in a bank at an annual interest rate of say 10%. Is it possible to speak of usury in such circumstances? How is the whole issue of interest rate seen in a country where there are no Islam banks? Will you please shed a light on these?
Jazakumullah Kheir,
Nasser

My Answer:
Bismillah al Rahman al Rahim
Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in
Dear Br. Nasser
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Interest is an increment in a loan or a debt and it is prohibited. Therefore any increment that is in a loan contract is prohibited, whether the contract is providing a loan by a bank to a customer or depositing an amount by a customer for a contractual increment even if the inflation cam at the end of they ear to be equal or more to the inflation rate.
Kindly notice that inflation is known only at the end of the period and when a contract is created only an expected rate of inflation may be included in the rate that is charged in the contract. 'Also notice that when there is a high unexpected inflation people tend to "escape" or run away from cash or cash commitments they do not deposit in banks and they do not give loans in cash unless they expect a return that exceeds the rate of inflation. Any contractual increment in a loan is Riba and it is prohibited. On the other hand, once inflation rate becomes known (although it is very difficult to agree on what is the rate of inflation and there is not a single country in the world that has a 100% accurate calculation of inflation rate and also all countries with no exception announce always different rates of ""estimated"" inflation because to know it exactly you need info about every single good and service throughout all the period under study and the composition of the basket of purchases of every single household all this are impossible to obtain! Therefore all figures are mere approximations), can already existing debts be adjusted accordingly, this is a matter that can be decided by a court and most likely, in many cases they can be adjusted for inflation from A Shari'ah point of view by an experienced court. This adjustment is not considered interest as it falls under what is known in economics as indexation.
In other words, in your hypothetical question, any charge of an increment in a loan contract is interest even when there is expected inflation whereas an increment decided by a judge in dispute solving about the effect of inflation is not considered interest.

By the way, the Fatwa sessions are for actual cases that happens with a person not for hypothetical issues.

Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

Profit and Interest

Subject: Determining Profit Payments Through Interest Rates
From: Adnan through Islam on line
Sent: Tuesday, March 27, 2007 2:45 AM

Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh, Salamualiakum, I live in US. I bought a house year and half ago. I did my home financing through a conventional mortgage which is an interest based financing. Now I am planning to refinance my house through sharia financing. There is one sharia complaint company with reputed Sharia Supervisory Board. They have a program called Declining Balance Co-ownership Program. In this program, the customer buying a house and the finance company become co-owners of the property. The agreement spells out each party?s rights and responsibilities. As part of the contract, the customer agrees to purchase his/her co-owner?s share in the property through affordable monthly payments over a period of 15, 20 or 30 years. Now the monthly payment consists of two elements. The first portion is the ""Profit Payment"". The remaining portion of the monthly payment allows the customer to acquire an increasing share of ownership in the home? This is called the ""Acquisition Payment"". Together, these two amounts make up a predictable monthly amount that is competitive with the monthly payments offered in a conventional mortgage. Now the company determines the ""Profit Payment"" offered to its customers to be competitive with prevailing interest rates. ""Profit Payments"" may even be adjustable and linked to an interest rate index (subject to certain caps). Sharia scholars have determined this practice to be permissible. Pricing does not change the nature of the product. Naturally, the use of an Islamic financing index, if one existed? Would it be preferred? My question to you is if this way of determining "Profit Payments" through interest rates permissible? Jazakallahkhair.

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. Adnan
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

You mentioned that the Shari'ah board of this company is reputed, then why double checking its members? That similarity in rates has no effect on the permissibility of the contract.

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

What is prohibited in Riba?

Subject: Involved in Interest-based Contracts
From: Ahmed through Islam on line
Sent: Thursday, February 15, 2007 3:56 AM

Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I really like Islamonline for its being such a wonderful, useful and resourceful site. May Allah help it grow and reward all of those who work for the site and for the cause of Allah Most High. I need help and sincere, brotherly advice. I live in the USA and I graduated from university about a year and half ago with a business degree. Soon after I graduated, I got a job from a major U.S bank as a Personal Banker. Knowing very well that Islam takes the issue of Ri?ba or interest very seriously, I took the position, thinking that since it is a renowned bank, it would be an opportunity to put my foot in the door and get hands-on experience because nobody would hire someone fresh from college and with absolutely no business background. Now that I have been working for them nearly two years, I established good sales and service skills; I have been promoted several times and even got salary increases. Subhan Allah, I am stuck in the middle of Ri?ba and I don?t know how to get out of it. Satan and some impious Muslims are telling me to stay with the bank for I am sitting in a neat office and making a good income. As a bank representative, I am directly involved in interest-based contracts such as signing documentations for personal loans, lines, mortgages, opening credit cards and interest earning checking and savings accounts. In the past few weeks I have been thinking of leaving this job once and for all for it will destroy my life in this world and in the hereafter. But I need your advice because it takes a strong decision to quit it and I think Satan is stronger than me because I feel there is something that has kept me there for almost two years. I have been considering moving to Saudi Arabia sometime future insha?allah and I hesitate to leave this job and look for another job in the U.S, because again it is Satan that is telling me to stick around for a while, save money, and sooner or later you will be moving out of the U.S.A. What should I do? There are other Muslims who work for this and other major U.S banks and they are directly or indirectly involved in Ri?ba and we desperately need some thoughts for our consideration and I am sure most of us know fully well Islam?s stance on the issue of Ri?ba being Haram and unequivocally so. Jazakallahu khair.

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

The rule in our Shari'ah is to surround any major prohibition with other prohibitions that make reaching the major sinful action much difficult. In regard to Riba Our Most Beloved Prophet, pbuh, informed us that NOT only taking Riba is Haram but also giving it, writing its contract and even be a witness to it. Although there is no need to expand the prohibition beyond what we are told by the Prophet, pbuh, to any indirect help in contracting Riba, the direct involvement is undoubtedly Haram too. Direct involvement includes signing a Riba based contract or selling it (as in credit card) or signing interest contract on behalf of the bank.
My personal advice is to establish a position, while you are still in the bank, that makes you avoid what is directly Haram, like transferring to a job in research or in IT or any other job that is not directly involved with interest and if you want to work in the Middle East start making applications to Islamic banks and Islamic finance companies there immediately.

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

Student Loans and other Borrowing

Subject: Student Loan with a grace period to pay without interest
From: ameenah
Sent: Tuesday, September 26, 2006 9:47 AM

Question
Aslamu Alaikum warehmatullahi wabarakatu,
May Allah (SWT) reward u with success n happiness in this world and aakhirat inshaAllah.
I hope i am not bothering you with my mail but plz i am in need of urgent advicce and i do not know who to ask. I got ur e mail address from islamonline.net Alhumdulillah.
The thing is i wrote to u earlier abt taking a riba loan and how i dont want to work because of niqab etc. So Alhumdulillah i got a job (widout niqab) in the summer but that lasted for only 3 weeks and the pay i have is approx $300. My father told me to quit so that i can pay more attention on my studies. Now the thing is i signed the fall loan while i had the job and i didnot know at that time for sure that i wil be compelled to quit. I found

out wen i came home after signing the loan. So now i only have the choice of geeting the specific grades my father told me so that he will pay 75% or even 100% of my loan inshaAllah.
I now have few questions:
1. I still have 5 loan papers to sign in the future. and i have signed 3 loan papers. The money for the 5 amounts is to approx. $12,250. For the three it amounts to $5,250. Out of the 5,250 my father paid $2000 cuz i got good grades Alhumdulillah. In the remaining 2 and a half years. i'll only pay (thru job) $8064 aprrox. Thats the estimate i have calculated. To pay the rest of the money i have to get good grades inshaAllah. And they charge u interest in grace period too but its less. I know certainity to pay matter the most here. But provided all that, should i sign the 5 loan papers in the future? I mean inshaAllah i can get good grades but the thing is ofcourse thats risky and i cant say with 100% certainity that i'll get the exacvt grades my father wants me to get to pay the full loan. Plus, i get very pessimistic about things that wot if i'll be able to get grades or not, wot if i dont get a job etc. So plz tell me whther i should go for the 5 loan papers?
2. My father keeps saying that he will pay the loan for me even if he has to work very hard for that. he knows how i am against riba and he keeps telling me that its a challenge/jihad to strive to get good grades so he can pay all my loan inshaAllah. I understand all that but as i mentioned i get negative thoughts that wot if i sign the loan and in the end dont get good grades, then wot??? But even despite that he sayz that because i m a girl so it is his responsibilty to pay my loan (not sure with or without interest) and that he seriiously wants me to get educated so i can have a decent future inshaAllah. Now once again i am so confused.
3. Lastly, can i pay my tuition fees forrom the loan money by myself. Like suppose if i repented that i wont take riba loan again. But frm the loan that i previosly took, can i pay my fees from those money or is it like engaging in riba too??? i hope u clarify this inshaAllah.
Please respected scholar i really cant think straight. At one side its a major sin, on the other side not signing it leads to great turmoil in my family such that my father may harm himself cuz hez very sensitive to these kind of issues. The only option he gives is getting decent grades and thats it no other talks or ways to convince him to talk to a shaikh etc. So in the end i m left with the choice to run away frm home with no place to go etc and i really dont want to run away frm home if i was a guy then it wouldnt have been such a big deal but cuz i m not so it is. Plz give me sume advice inshaAllah. JazakAllahu khairun for ur help. walaikum aslam warehmatullahi wabakatu.

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. Ameenah
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

I find no reason to hesitate. You seem to me an intelligent person and you can get good grades at school, you did it in the last year, so why should you be afraid of taking the challenge to do it again? Sign papers, take the loan, your father fulfilled on his promise in

the past and there is no reason why he shouldn't also in the future. Make good and sincere effort to study the best you can and ask Allah for His help, and you will get it InShaAllah. Of course, if you have money left from previous loans (that I understand your father paid already, am I correct?) use it before you sign another loan. Signing a loan that mentions interest and gives the option to avoid it if you pay within a given period is not really like signing an interest loan because you are signing on the option, and if you know that payment is going to be done without invoking the interest clause you can sign such papers.

Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf
From: Ameenah
Sent: Wednesday, January 03, 2007 7:22 AM

Question
Aslamu ALaikum warematullahi wbarahatu, Bismillah.
Respected Scholar, forgive me for bothering you again and again. Due to circumstances, i am kind of compelled to write to you again about the riba loan. Alhumdulillah you previously encouraged me to take the loan with certain conditions of course. My loan for this year (including fall and winter semester) would be to the maximum $5000. I'll receive the same amount for at least two more years.
I had a discussion with my father and he says that if i satisfy his requirements of the grades, that i should get each semester, he'll pay my loan for that semester. So Alhumdulilah he paid my loan for the fall semester but expected and encouraged me to get more grades the coming winter semester. I told him that i can only sign the loan if i have the certainty that i will pay it off within the time period (b4 interest) and he supports my efforts in doing so. Although, he wants me to get really good grades, he encourages me to work hard towards this purpose plus he says, alhumdulillah, that he will help me too in acheiving that purpose inshaAllah. The question is that i told him that even if i work i wont be able to save enough money to pay the loan before interests accrues. So he said that i should pay what i can from working in summer and the rest he will pay at the end. And i can return to him that amount, which he paid on my behalf, when i get a job after i graduate inshaAllah. The only thing that he mentions is ""uncertainty."" Because he says that he wants to save some money for my younger brother's education, he says that if we are good financially at the time of paying the loan then he will pay most of it on my behalf and i can pay him that amount later on widout interest. But if we are not good financially then Allahu Alam. Although inshaAllah and Alhumdulillah we are stable right now and inshaaAllah hopes to be in the future too but ofcourse there is no guarantee to anything. So should i take this uncertainity in account wen i sign the loan, i mean should i just assume that inshaAllah we will be financially stable, and will have enough money for my younger brother education, at the time of paying the loan? I trust Allah inshaAllah and i have this feeling that inshaAllah hopefully i wont have to pay riba. Plus i am willing to work hard and aim for scholarship too inshaAllahu ta'la.

Kindly advise when its feasible for you to reply. Alhumdulillah your advice helped previously too. May Allah grant you good in this life and next. JAzakAllahu khairun walaikum alsam wraematullahi wbarkatu

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. Ameenah
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

I think you are on the right track. Please don't worry about the negative chance and go ahead with the new loans and with your study, always remember to seek the Help of Allah and get high grades and you will not fall into the Riba InShaAllah, you will remain as a free rider on the system. Also discuss with your father that once he pays the loans now you will help in the future in building sufficient savings for the education of your younger brother so that your father doesn't need to worry much about it now that there is a pending loan that may carry interest if it is not paid on time.

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

Subject: Borrowing Money from a Bank Without Paying Interest
From: Habib through Islam on line
Sent: Monday, May 28, 2007 7:45 AM

Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I want to know if it is forbidden to borrow money from a bank without paying interests for it. Jazakallahu hajren! selamu alejkum

My Answer:
Bismillah al Rahman al Rahim
Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in
Dear Br. Habib
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

There is no bank that gives you loans without interest. Please tell me where is it? Otherwise your mother may give you a loan without interest and loans without interest are certainly permissible and rather encouraged and the loan giver is rewarded by God.

Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

Going for Hajj while under loans

Subject: payment of educational loans before hajj?
From: hibatullah
Sent: Tuesday, January 02, 2007 5:32 PM

Question
As-salaamu 'alaykum Dr. Monzer,
I have a question that might be common from Muslims in the West.
I entered this deen laden with education loans. The principal is around $45K. I do not work, as I am at home tending my three children, one of whom is disabled. My husband pays the monthly amount due as best as he can.
At this rate, it will be decades before the loan is paid, with all its riba. I've seen other Muslims in similar situations - with mortgage loans, for example - who still make the hajj using the reasoning that as long as their payment is made while they are gone, that this is acceptable.
I was under the impression that all debts need to be cleared before one can make hajj, that one goes with no strings attached and all affairs settled. How does one still go to hajj laden with debt...can ""labbayk Allah"" be truly said then, when there are still outstanding claims on the person?
Are there a seperate set of rulings for Muslims in the West?
I'd appreciate any guidance you can give on the issue. If you know of any books that deal with this very issue, I'd appreciate your recommendation as well.
JazaakAllahu khairan ~
Sister Hibah

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. Hibatullah
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

There is a difference between house mortgage and education loans. Education loans are meant to be paid as soon as possible while mortgage is meant to be paid over a long period it is a kind of replacement of rent. When the Second International Conference on Fiqh held in Detroit in 1999 discussed the mortgage it resolves that Muslim families who don't find Islamic financing for their residence homes and they need housing may resort to interest-based mortgage as under a quasi necessity. Thus if one has a mortgage loan, under this Fatwa, and chooses to go for Hajj instead of paying more of the principal (to

reduce the amount of interest she/he pays) it is a choice that fits within the general principles of the Shari'ah, otherwise she/he may not be able to go for Hajj all his/her life! On the other hand, education loans make an immediate burden and reducing it is preferred that going for Hajj. Yet it is of course permissible to go for Hajj while under such loans. In other words, the idea that you don't go for Hajj if under loans is only a matter of preference not a requirement of Shari'ah! It is of course more emphasized when the loan carries interest such as education loans.

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

Subject: Getting a Loan with Interest and Going to Hajj
From: AbdirRahman through Islam on line
Sent: Monday, June 25, 2007 2:45 AM

Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I once did a mistake of getting a loan with intrest from a bank to start a bussiness.i am still paying back the loan and on the other hand doing bussiness with the loaned money.my question is if i payoff the loan will my money be halal and can i go to hajj by using the same money
Jazakum Allahu Khairan for your constant help

My Answer:
Bismillah al Rahman al Rahim
Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in
Dear Br. AbdirRahman
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

If your Business is itself Halal, you need to purify it from the curse of interest that you have by doing three things: 1) pledge between you and Allah to repent and avoid all Haram practices and things especially interest for the the future; 2) get rid of the interest loan as soon as you can by paying its principal off and not allowing it to accrue any more interest; and 3) purifying your existing proper assets/income by estimating the amount of profit that is gained as a result of the interest-borrowed money and giving this estimated Haram profit to Muslim poor and needy or Muslim charities. The rest of your profit/gain from this business, that is in compensation of your effort, is InShaAllah Halal provided the nature of your business is itself permissible. For going for Hajj, if you purify your money as mentioned above, the rest of it will be pure InShaAllah and can be used for Hajj expenses.

Haram money can't be used for Hajj, although the Hajj itself may be Rewarded, God Knows.

Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

Getting Business Capital on Interest

Subject: Having a business partner whose contribution is raised based on interest
From: Mohammad
Sent: Thursday, January 11, 2007 11:27 AM

Question
AS-SALAAMU ALAIKUM WARAH'MATUL-LAAHI WABARAKAATUHUU Dr. Kahf,
May ALLAH bless you abundantly. I am the brother from Ghana who has had various discussions with you at IIFF sessions in Dubai.
I am starting a Lumber exporting business and have the need to raise funds. A colleague of mine that I know from school days who is not Muslim wants to partner with me and can raise money through interest, but understands that he will invest it with me on a partnership bases (I will have nothing to do with the interest part whatsover). Yet he will be using evidence of letters of credit that I raise to raise these funds. Naturally, I am worried that this may be haram. Please share your insight on such a case with me.
Barakal-laahu fiik
Mohammed

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

As long as your partner does not make any interest transaction in regard to the partnership, for it or on its behalf, you do not check with him on his source of capital where did he get it from. If you mean that he used the letters of credit of the company as evidence that he has serious business in from of his lender that also does not affect you or the partnership. It is again none of your business, it is like if he uses your friendship as evidence that he is a good man because his friends are good! /But if you mean something else please explain.

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

Wassalam
Sincerely,
Dr. Monzer Kahf

From: Mohammad
Sent: Friday, January 12, 2007 7:52 PM

Question
Dear Dr. Kahf, AS-SALAAMU ALAIKUM WARAH'MATUL-LAAHI WABARAKAATUHUU
May ALLAH bless you abundantly. Thank you for your prompt response. With regard to the statement in your response that ""so long as he does not make any interest transaction in regard to the partnership, for it or on behalf of it"", I will like to clarify.
My friend owns a company N and says he could raise funds for our partnership B. So when I get an potential order, I make the client who wants to buy from B send a letter of credit to the account of company N with which to raise the funds for company B to complete the order.
The funds thus raised are given to company B by company N as a partnership contribution, say 60/40 split on profit. My friend's company is then left to deal with the repayment, may be from the profit or from the profit and other sources.
My main concern here is that I sent the letter of credit to his bank to enable him raise the money to give to me. Thanks for your time, may ALLAH bless you.

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

What you are describing is a completely other matter. Your partner uses the companies' transactions (letter of credit) to borrow. This borrowing is a company borrowing even if he tells you that he will pay the interest. This is a loan on the company transaction. This is not personal borrowing for himself but with using the company's reputation! Of course this transaction is Haram by all standards, of course this is my opinion that is based on being a loan with the guarantee of the irrevocable letter of credit.

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

What to do with Earned Interest

Subject: interest earned on Depositing Money in Western Institutions
From: Tarek through Islam on line
Sent: Tuesday, January 09, 2007 6:58 AM

Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I have been residing in the Western World for over 20 years. Meanwhile I have saved a substancial amount of money which is considered my savings for later age. As you know there are no Islamic Banks and institutions to deposit the money so I had to deposit it in a western financial institution. In doing so I have to either take or deny interest which already I deny. If we bank our money in western institutions for a long period of time without acquiring interest we therefore loses its value (purchasing power). Furthermore, many of us do not invest such money in business because simply we do not know how to do so. Also we are unable to deposit them in a Muslim financial institution to get halal profit so what is our choice!!

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. Tarek
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Life in fact is not as tight as you thought! There are many opportunities in the West that are remunerative and generally safe. Besides there are also several investment funds that are Shari'ah compliant all over the Western countries to an extent that may surprise you. I will give only one example from Canada, and I dare mention the name because it is a non-profit community service organization. The Islamic Housing Cooperative of Canada, it is literally the largest housing cooperative in Canada and over the last more than 20 years it's been giving rates of profit to depositors that never went below 6%, its investment are also very secured because it only invest in helping Muslims buy houses and always obtains real estate collaterals. Every single Western country has several such opportunities that you can benefit from my dear Brother.
On the other hand, when you have to deposit in conventional banks large sums for long periods it is better to take the interest and give it to Muslim charity that abstaining from taking it and letting the bank benefit from it in making more of its evil Riba lending! This is the Fatwa that is been generally agreed upon since it was issued in 1981 by the fist international conference on Islamic banking held in Kuwait. This means that you cannot use the interest money because it is not yours and it is unearned by you because its contract is not permissible in Shari'ah and you went into it under necessity. But this money become permissible to the poor and needy.

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

Dr. Monzer Kahf

Subject: Giving Away Interest Money
From: a Brother through Islam on line
Sent: Monday, April 23, 2007 8:45 AM

Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
Firstly, i wish to commend you and all in your organisation for doing a wonderful job for highlighting and educating people in Islam. May Allah (SWT) reward all of you in this World and the hereafter. My question is on Usury (Riba). Allah(SWT) has said in the Holy Quran that Usury is TOTALLY HARAAM, and that anyone who defies this is IN DIRECT DEFIANCE TO ALLAH. I have read and heard many Ulema's advising people to give away interest money earned in conventional banks to charities, etc without any intention of reward. Is that not already defying Allah(SWT)? Also, if interest is Haraam to consume, how can one give He's poison to someone else?? I have also read an article whereby a Ulema argues that if the interest is money is left with the banks, it will strengthen the Banks, Kufars, etc. Does Allah(SWT) need your help to take that money to another place? Is that not defying Allah(SWT)? Should it not just be left alone for Allah(SWT) to decide the future of it or the financial institution? Jazaak Allah and May Allah (SWT) reward you.

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

While your concerns indicate a deep keenness to obey God and His Messenger and real interest in understanding the right way to do that, unfortunately there are a few very important points that you overlooked:

1. Most important is when you said ""Does Allah need the help"": Allah, Ta'ala, commands us to do the right thing and avoid the wrong. In many timed He defines these actions and in many other times He left it to us to define on the basis of the guidance He provides in the Qur'an and the Sunnah. This implies that He wants us to take action in doing what is good and make it prevail and in avoiding the wrong and reduce it to the extent of our capacity. taking action does not mean That Allah needs our help but it means that we obey Him in taking actions in His cause. In Verse 36:47 there is an example of action of obedience that Allah, of course does not need us to achieve its objective but wants us to take action in his cause. The Unbelievers' argument, as given in this Verse, was that why should we do a thing that God could have done if He so wishes? And the Qur'an rejects this argument.
2. It is of course forbidden for a Muslim to enter into a contract that makes her/him earn interest and any such contract does not produce any transfer of ownership of the

interest amount. A Muslim is required to be keen to avoid being a party to any interest-based contract and it is certainly Haram to enter such contracts ; this is why Islamic banks are established and this is the whole story of Islamic finance

3. But life, today and in the past, is complicated and there are circumstances that interest is earned inadvertently, so other Haram Money (take an example of a prostitute who wants to repent and has on hand money paid by men who made sex with her, would any rational person suggest that she should return it to them?! It is a Haram money yet she must not return it to its owner and if she does she would be giving the joy these men have got and their money too; this is a foolish action and a Muslim must not put her/himself in such a foolish position!). What do we do with this interest many that comes to us inadvertently or from previous transactions before we decide to repent or from situation in which it is rationally wrong to allow a person or an institution to get away with both the benefit they got from you and the price they are willing to give for it! All such circumstance do not make interest money a part of your property and it is wrong to give it to the payer, what do we do with it?
4. Interest money is not like poison, you missed the analogy. In fact interest money is like any other money, itself is clean and useful. What is wrong with interest money is the methodology you acquired it. Realizing it is wrong to give it back to the payer under those and similar circumstance and you cannot take to your self, what would be the rational solution? Nothing but give it to the poor and needy, for whom even eating the flesh of a dead animal may sometimes be permissible. Of course for the poor this money is not Haram. We treat it as if it were money that has no owner but it is wrong and Haram to waist it because by wasting it you are in fact wasting of a thing that has some utility and this is in fact Haram.
5. There is of course reward in giving interest money to the poor and needy. It is the reward of keeping your own money clean from such evil income so that you enjoy your own property Halal, all of it. This action is of course InShaAllah rewardable by Allah. But remember this is not a reward of giving Sadaqah or Zakah because the latters must be giving from your property and interest money in your hand is not owned by you.
6. Finally, reducing the ability, within the law wherever one may be in the world that is in this regard the same as the Shari'ah, of a wrong doer is itself of course an act of virtue. Not returning the interest to its institutional payers whose business is to deal with interest and earn money from other people on its basis, is itself an act of goodness and improvement of life on earth, in this regard it is also rewardable, is it not?

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

Subject: Please answer my question on Zakah and interest money

From: Rizwan
Sent: Saturday, June 23, 2007 6:31 AM

Question
Dear Brother in Islam,
May Allah reward you in abundance for all the good work you are doing...ameen
From a long time I have one question which needs to be answered. I needed an answer from an authentic source. I searched for your email on net since I couldn't pose my question on Fatwa session of IOL. I am mailing you with lot of hope that my question will be answered:
I am a web developer working in Kuwait. Alhamdulillah Allah has given me enough means to carry out my responsibilities and to make the ends meet. I have my family back in India and is comprising of my Mother, Elder Brother and a younger sister. We lost our father last year, he died of Lukemia.
I have the complete responsibility of my family on my shoulders now, as my elder brother is schizophrenic.We as a family alhmadulillah are trying to keep ourselves as much away from INTEREST [i,e riba] as possible. We dutifully discard all that interest that gets accumulated in our savings bank accounts which is inevitable since India lacks islamic banks] and try to keep away from all that which involves interest. We usually give away the interest amounts to the poor or the needy within the family and sometimes outside family as well.
Out of introspection once I thought why not keep this amount in a separate account which can be used to take care of my Elder brother. During every visit the psychiatrist who is treating my brother reminds me to keep a certain amount aside every month so that it can be helpful when he is sick or for his future. Psychiatrist always reminds us that eventually my brother would become complete insane [god forbid] and may have to be sent to the rehabilitation center. He always reminds us to prepare for that day. He also mentions that once I get married and have a family I won't be able to look into this regard as much I am doing now.
So my question here is ....is this acceptable within the frame of islam or will it be haram to use this amount or even a part of the Zakath amount.Please guide me in this regard.
With immense hopes of getting a reply .... Warm Regards
Rizwan

My Answer:
Bismillah al Rahman al Rahim
Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in
Dear Br. Riswan,
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

If your brother has inherited any wealth from his late father (of which I suppose you would be the guardian), you may not assign any of your Zakah money to his care. If he does not have any wealth of his own you may assign your Zakah for his present or future care and maintenance and also you may assign the interest money for that purpose too.

But I have the following to say: Interest money is not pure and Zakah money is money that cleans your sins InShaAllah too. I wouldn't like you to spend dirty money on your brother especially that there is an opinion that puts you responsible for his care because you may inherit from him should he die. I suggest that keep on with your good and rewardable deed of supporting him as much as you can and in the future if you need you can use your Zakah money and interest money to pay for his medical care and maintenance, try to delay this as much as you can, who knows may be Allah will give you plenty that you will never need to do that at all.

Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

Using Interest Money to Pay Obligations

Subject: Interest & Debit tax
From: Azam
Sent: Thursday, December 06, 2007 8:24 PM

Question
Prof.Dr.Monzer Kahf. Assalamu Alaikum Sheikh!
Since you told that the purpose of this debit tax is ambiguous, I asked about it from many professionals in the banking field.
As per their statements, the purposes of this tax are as follows:
* Discourage cash withdrawal and encourage savings
* Discourage the use of cash

In his response to this question, whether this debit tax is deductible from the interest, Sheikh Usthaz Mansoor said that:
"We, as Muslims maintain a savings account in an interest based bank under compulsion, and therefore should always try to minimize the available balance in the account. So if that debit tax deters us from withdrawing money, it may be deductible as withdrawing money is the much preferred way"
Please advise me whether his statement is acceptable or not, and explain your view with this regard.
(Please note that Usthaz Mansoor also instructed me to seek your advice with this regard)
May Allah Bless You! Wa’salam.

My Answer
Dear Br. Azam
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
I don't comment on other Ulama's opinions. If you asked him it is up to you to take his view. If he wants my view on it please ask him to write me directly. In the past he wrote to me, as attachment, in Arabic and I answered him in Arabic too.
Best Regards,

Wassalam
Monzer Kahf

From: Azam
Sent: Thursday, December 06, 2007 9:02 PM

Question
Prof. Dr. Monzer Kahf. Assalamu Alaikum Sheikh!
I personally want your Fatwa to this question. Please refer the details (Purpose of the Tax) given in my last mail and be kind enough to explain your view on it.
Please note that, though Usthaz Mansoor wishes to seek your advice, it will take lot of time to the question to be sent. Because he is not fluent in computer and if he wants to send any mails to you, someone who is fluent in Arabic typing should type his letter in Arabic and after that only it could be sent to you. Therefore it will take some times to reach you.
So please send your Fatwa to my question.
Please forgive me that, if I have mentioned anything wrong in my mails.
May Allah Bless You!
Azam

My Answer:
Bismillah al Rahman al Rahim
Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in
Dear Br. Azam
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

If this tax is imposed on any withdrawal, it is then a part of the cost of having the account itself and can then be deducted from the interest that you give away to Muslim charity. But if it is on cash withdrawals to discourage the use of cash, and it is not charged for transfers and checks you write to other persons, it is in this case not a part of the cost of the ac count but a government penalty on using/withdrawing cash and you pay it not because you have an account but because you do not abide by the regulation of how to use it. In my opinion, in this case it is not deductible from the interest generated that must be given to Muslim charity because it is not related to the matter that cause the generation of this interest.

Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

Subject: Subject: Interest & Debit tax
From: Azam
Sent: Wednesday, October 03, 2007 10:58 PM

Question
Prof. Dr. Monzer Kahf. Assalamu Alaikum Sheikh!
I'm Azam from Sri Lanka. One of my cousin brothers was trying to get the student visa to the UK. So in order to get the visa, he was asked to prove sponsorship. Since he is from an ordinary family, he borrowed some money from others and (Approx. Rs.3.5 million = US$ 35000) deposited in his Savings account in order to fulfill the sponsorship requirement.
But unfortunately (As Almighty Allah's wish), his visa application was rejected. And he returned all the money he borrowed. Same time he received a sum of Rs.20000 as interest. Also he is charged a debit tax of Rs.5000. As instructed by the Islamic scholars, he decided to spend the interest money in prescribed ways and not to use it for his own use. He has two doubts regarding this issue:
* Can he deduct the debit tax from the interest he received?
(He suggests that the tax was charged not for his own money, so that it should be deducted)
* Can he give the interest money as charity for his relative for cleaning work of their house premises?
(That particular relative is facing with financial difficulties)
Wa'salam.

My Answer:
Bismillah al Rahman al Rahim
Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in
Dear Br. Azam
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

If I understand correctly, this tax is on the interest that was generated during the period of the deposit. If this is correct, you should deduct the amount of the tax from the interest (I suppose than must have already withheld it at the source?) and give the balance to Muslim charity. You do not have to give the gross amount of the interest.
This is not like paying your taxes due on other assets, income or business out of interest. In the latter case taxes are due on other matters not on the interest earned itself, that makes paying them out of interest benefiting you from interest, it is like taking it to yourself . But taxes imposed on earned interest are deductible from earned interest because to you what matter is the net that comes to you, this is that is Haram and should be given to Muslim charity.

Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Azam
Sent: Thursday, October 04, 2007 9:47 PM

Question
Sorry for disturbing you very often. Thanks a lot for your last reply.
This question is also related to the previous one.
I think the debit tax is NOT on the generated, instead on the money we deposited.
The government considers the money we deposited as an income and charges a debit tax.
If it is so, is it allowed to deduct the tax from the interest?
In another scenario, in a conventional bank, if we withdraw more than Rs.20000 per month from our Savings account, we'll be charged a debit tax of 0.1% on the amount we withdraw. In this case, Is it allowed to deduct the debit tax from the interest generated in the particular savings account. May Allah Bless U. Wa'salam.

My Answer:
Bismillah al Rahman al Rahim
Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in
Dear Br. Azam
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

On the first question I see no problem. I will close my eyes and say: here I borrowed an amount to get the certificate that I have so much money in the bank, I then return the money to its owner, any extra (interest- tax) is interest I give to charity. That is what matters to me the details are irrelevant.
For the second question I need to know more about this withdrawal tax, this is the first time I hear about it, what does the law says about it can you please explain?
Sorry for delaying my reply, I was very much pre-occupied with a few timely issues.

Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Azam
Sent: Tuesday, October 16, 2007 3:00 AM

Question
Prof. Dr. Monzer Kahf. Wa'alaikum Assalam Warahmatullahi Wabarakathuhu!
Never mind the delay. Since it was the Holy month of Ramadan, i know you would have been fully occupied. However Jazakallahu Hairan for your reply.
Belated Eid Wishes for you. Thakabbalallahu Minna Waminkum. EID MUBARAK.
Let me explain that scenario again...
Say that I have a savings account in a conventional bank. And if my monthly withdrawal exceeds Rs.20000/=, I'll be charged a debit tax of 0.1% on the amount I withdrew.
So is it allowed to set off the debit tax against the interest generated in the same account?

My Answer:

Bismillah al Rahman al Rahim
Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in
Dear Br. Azam
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

If the reason of this tax is only for the withdrawal of funds, like a maintenance tax on withdrawal, it may be charged against interest before giving the latter away to Muslim charity. On the other hand if this tax is imposed under other assumptions such as to present extravagance or to reduce the use of cash bills (e.g., it is imposed on cash withdrawals not on checks and transfers) then it may not be deducted form. The criteria I'm applying is whether it is caused by the same reason that generates the interest or not. if it is by the same reason, it is then deductible from interest, otherwise it is not.

Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

Subject: Heeling Family Financially From Interest Money
From: Houria through Islam on line
Sent: Monday, May 21, 2007 3:38 AM

Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I help my family financially. Can I give them the bank interest money. I base my statement on your answers here.
http://www.islamonline.net/servlet/Satellite?pagename=IslamOnline-English -Ask_Scholar/FatwaE/FatwaE&cid=1119503547716 ?you need to dispose of this interest money by giving it to some Muslim charitable purposes to keep your own money clean.?
http://www.islamonline.net/servlet/Satellite?cid=1119503543094&pagename= IslamOnline-English-Ask_Scholar%2FFatwaE%2FFatwaEAskTheScholar? Such interest must be spent for the general welfare of Muslims and their communities.? So, If you said we can give interest money to Muslim charities, might as well give it to my jobless brothers and my widowed mother????? - 2nd question: Banking in USA and Canada is NOT free. See, you put your money in their banks and when you want to take your money for regular use, they will charge you for that. They may give 20 to 30 transactions free of charge but after that they will charge you when you want to use your debit card or check (to take your own money)..How ridiculous... Since they are doing this to us, can we use the bank interest they give to pay some of these banking fees??? Thank you

My Answer:
Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in
Dear Sr. Houria
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Relatives for whom you are financially responsible can't be recipient of the interest that accrues to you from a transaction that is in violation of Shari'ah (interest money in this case) because doing so amounts to giving it to yourself. If you are the better off person in your family, you are financially responsible for your mother's living expenses (you have to give her as much as needed to live at your own standard of living, not only surviving). Similarly, if you have minor brothers (thou you are a female) that have no other adult brothers to spend on, you are also responsible for them. If your brothers are adult and they have no sufficient income to sustain them, it is permissible to give them from your own Zakah and consequently form bank interest but I don't recommend it because they are your own kin. interest is a cleansing money that comes to your hand but it is not yours, I wouldn't like to see it making food for your brothers. Give it to very distant persons to be for away from feeding your brothers any money that has a touch of evil!

Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

Buying Properties on Interest

Subject: Buying commercial property on interest
From: Riyaz M
Sent: Thursday, November 22, 2007 8:24 AM

Question
Assalaamu Alaikum WRWB,
Brother, I have benefited by several of your answers related to Islamic finance at IslamOnline, and May Allah (swt) bless your work and reward you with the best place in Jannah in the hereafter.
I have a question I'd like to ask you: One of my relatives has bought a commercial building as an investment in India using financing from a conventional bank (they are paying interest on this building to the bank). The family already owns a home and bought this commercial building to earn additional income by renting it to companies. Before they bought the place, the first floor of the building was used by a conventional bank. Since the first floor was built to suit a bank environment, the family is looking to rent this to a conventional bank. I have two questions related to this situation:

(i) Is it okay to purchase land or building for investment purposes by getting a loan from a conventional bank when one already owns a home? If it is not, can one seek Islamic financing to purchase land or building for investment purposes?

(ii) Is it okay to rent the property to a conventional bank, who deals with interest, and take their money as rent? If not, can one rent the property to an Islamic financial institution?
I'd appreciate your quick response so that I can pass on the feedback to my relatives as I see it as my duty to assist them. JazakAllahu Khairan,
Riyaz

My Answer:
Bismillah al Rahman al Rahim
Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in
Dear Br. Riyaz
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Buying investment property on interest is not permissible in Shari'ah because there is no necessity for it. Interest is exactly the Riba that is mentioned in the Qur'an, there is no question or any doubt about it at all. It is one of the worst sins that a Muslim may ever does. On the other hand renting a property to a bank may not be agreeably prohibited since although the main activity of a bank is to give loans and take deposits on interest, it also carries out other activities that are permissible such as opening current accounts, bill payments, etc. Rental money that is taken from a bank is of course not Haram because it is taken against the use of the property not as interest. This is certainly unlike taking interest on deposits kept in the bank.

Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

Miscellaneous Interest Questions

Subject: Financial Issues, interest and banks

My Answer:
Bismillah al Rahman al Rahim
Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in
Dear Br. Abdulhafiz
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Please see my answers below each question:

Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam

Prof. Dr. Monzer Kahf

From: Abdulhafiz
Sent: Friday, August 03, 2007 3:51 AM

Question
Asalaam alaykum
Dear Sheikh, I have some questions which i need the response from you.
They are as follows:

1. In my country Nigeria, we don't have an Islamic bank, we have to use the conventional banks. The interest paid on my savings, how soon can I give it out in charity? It is a very small amount of money, can I accumulate it to be something significant before giving it out or I should give it out as soon as it is received?

It is permissible to let it accumulate if the amount is small, although the principle is to give it away as it accrues

2. Since we do not have an islamic bank or mortgage, is it allowed to take a mortgage loan to build a house? It is difficult to build a house with your money because it is very expensive and also we have a lot of shylock landlords, as we do not have any governmental control over rent. The government too is not helping matters as the houses they build are not for the masses (very expensive), and they also demand full payment at once.

This is a Muslim majority country that makes it a Fard Kifayah on all Muslims to create Islamic financial institutions, the answer is NO.

3. I also want to find out about multi-level marketing. There are two types that operate here. The first one is that you contribute a certain amount of money to a club and invite your friends to do so. Based on the number of referrals attached to you, you get certain fixed amount of money without doing anything. The other one is that you open an account with a bank and invite others to do so. Your money is available for you and you can withdraw it anytime. based on the number of referrals, you are paid certain amount of money.

Give me more details on the first type. Are there any services this club provide? The second type seems to be a matter of commission on referral. This type is only permissible if there is FULL DISCLOSURE TO PERSONS YOU INVITE THAT YOU MAKE A COMMISSION ON THEIR OPENING ACCOUNTS IN THIS BANK. I BELIEVE THE COMMISSION AND ITS AMOUNT MUST BE KNOWN TO THESE PERSONS

4. We operate a credit and thrift cooperative society in the office which is backed by the management, and it is for one year after which you start all over. If you obtain a loan you pay interest on it. But there is a facility which allows you to apply for

an upfront to the tune of the amount you would have contributed at the end of the year. This upfront is interest free. Can one take this instead of the loan?

TAKING THIS UPFRONT ADVANCE ON YOUR CONTRIBUTION IS ERMISSIBLE PROVIDED NO INTEREST IS CHARGED ON IT AS YOU SAID. CONTRIBUTION TO AN INTEREST-BASED SCHEME AND SIGNING ITS INTEREST AGREEMENT IS NOT PERMISSIBLE WITHOUT A SUBSTANTIAL NON-INTEREST BASED ADVANTAGE.

5. I have a credit card which I have obtained before knowing that it is not allowed to pay interest for using it. I have a colleague who is in dare need of money, i allowed him to use my card and he is the one to do the repayment plus the interest. Is this permissible?

THIS IS NOT PERMISSIBLE AND YOU AND YOUR FRIEND MUST EACH ON HIS OWN, AS YOU ARE JUDGED INDIVIDUALLY ON THE DAY OF JUDGMENT, MUST REFRAIN FROM ANY INTEREST-BASED TRANSACTION. I DON'T BELIEVE IN A ""DIRE NEED"" WHILE LIVING IN AMERICA!

I will be very much happy if my questions are answered. Ma salaam
Abdulhafiz

Interest Giving away and Tax Refund

Subject: Interest Accrued From Bank Deposits and Zakah calculation
From: Khizer through Islam on line
Sent: Sunday, July 22, 2007 3:11 AM

Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I have a question regarding interest accrued from bank deposits. I have read in previous fatwas which mention that such interest should be given away. In my country, i can give away this money to a charity (could be a muslim charity too) and avail of certain benefits in income tax. 1>Can i avail of such benefits by giving away the interest money? 2>Also if i give zakaat, sadaqah etc to an Islamic charity and avail of similar income tax benefits, will that be allowed 3>while calculating zakat, should the interest money accrued on bank deposits be also included in the total sum? May Allah reward you for your patience Jazakum Allahu Khairan for your constant help

My Answer:
Bismillah al Rahman al Rahim
Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in
Dear Br. Khizer
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Since you've read the relevant Fatawa and got their rationale, I am going to briefly mention the points directly:

1. Tax refund is a right to you that is not affected by its cause. If you get a tax refund because of interest, Sadaqah and Zakah you give to Muslim charities that is well and good, the refund is yours and you don't need to worry about its cause. Anyway that encourages you to give more charity, and please give it to Muslim charities because of their tremendous needs and the marvelous job they do. Any way whatever refund you get will be a part of your income for the period during which you get it and whatever you save out of it to come under the calculation of Zakah for next lunar year.
2. Interest you get is not considered yours from a Shari'ah point of view and you do not own it. That is why you give it to Muslim charities. This means that you don't include it in the calculation of Zakatable assets because you are required to pay Zakah on properties you own.

Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf