

FATAWA INTEREST, RIBA 2013-2015

From: Raheel

Sent: Sunday, June 09, 2013

Question: Leasing a car and example of lease agreement for approval

Salam Dr. Kahf,

Hope you are doing well Insha'Allah. I had a question about leasing a car, generally most of your responses to inquiries about car leases state that sometimes there is information on a car lease agreement that can void the contract such as specifying interest rate on the lease. Below is a link to someone who has posted a copy of a lease agreement they signed for an Infiniti car. Could you please look over it and note any issues with the lease? If so please let me know what issues there are so to find something that can be avoided in that respect.

Also do you know of any specific car companies that Muslims tend to purchase from with a lease contract that is usually halal, as I'm sure these lease contracts can vary from car dealer/brand to another.

Example lease: <http://marcfrens.com/lease.html>

Jazakullah Khairan!

Raheel

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Raheel

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

I do not give an opinion on basis of webpages. I need a specific text of contract or question to answer.

My opinion on most lease contract practiced in North America is that they have basically two clauses that are questionable: 1) the bridging gap clause if the car is totaled and the interest on delinquency. Some leases may specifically mention interest as a part of the component of the rental and some don't. Mentioning it as a part of the payment, this distinguishing interest from rent is not acceptable in Shari'ah.

I don't know and don't recommend any specific car company or dealer.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Yasir

Sent: Tuesday, July 02, 2013

Question: Medical school financing, Islamically

Assalam Alaykum Dr. Kahf!

I pray that you're doing exceptionally well by His Grace.

My name is Yasir, I'm the nephew of Sr. (from whom I obtained your email address). I have on my hands a slight dilemma related to the Fiqh of debt/loans, and I was hoping you'd be able to help me address it, if your time allows for it InShaAllah.

Before beginning medical school, I made a firm commitment to exhaust my every resource before even considering interest-based loans, and the journey that has commenced since then has been a humbling and inspiring one. During the summer before my matriculation to medical school, I worked hard to reach out to family and community members to secure private, non-interest loans; thankfully, I reached a point where the financing for the total four years of my education had been confirmed, as recurring commitments.

In short, within a few months of starting my first semester, a lender providing nearly half of my annual financial assistance had to withdraw their help due to unforeseen financial hardship, putting me back in the situation I thought I had just finished with, walhamdulillah. With that, I've been searching for funding sources ever since, and Alhamdulillah, Allah's Provision and Mercy has blessed me with the ability to press forward with my education, and so I now set my sights on the next 24 months.

My dilemma results from the following: Over the past few days, a gracious sister made the following offer, in her words: "Would Yasir be willing to take an Islamic loan that is structured as loan + rent of the money? For example, for every \$10,000, there is a \$600 rent per year until the loan is paid off. The rent can be deferred until he is able to pay the loan back and will NOT increase with each year." In sum, if I were to borrow \$10,000 from this sister, and take 4 years to pay it back, I'd owe a total of \$12,400; if it took me 5 years, it'd be \$13,000, etc. etc.

My question becomes: Is the above arrangement something that would be a permissible practice within the bounds of Shari'ah?

Jazaka Allah Khairan Dr. Kahf, and thank you in advance! If there is any further information that I can provide, please do let me know. Barak Allah feek,

Yasir

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Nephew Yasir

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

MaShaAllah ya Yasir, you are now grown up and a medical student. Please first give my sincere Salam to your Aunt and grandma and mother and remember that taking care of your mother (and her mother if she ever needs you) is a first priority all your life. Also give my Salam to your sister, I hope she is doing well in whatever she is doing.

Money cannot be rented, it only can be loaned. The two reasons are very simple and you discover them by just comparing money with a car. Money is used by exchanging it (giving it away to get goods and services) and itself it cannot produce usability (the legal word for it is usufruct).

This idea of that lady is exactly the Riba that is prohibited in the Qur'an. Of course when we say Riba is Haram and renting is permissible there are other implications which are important. When you have say 10000 dollar you may buy a used car and rent it and earn Halal income. But notice you also bear the liability (although insurable) of owning a car if anything happens to it. that does not apply to money. when you lend money you only risk the possibility of the debtor not paying it back (called credit risk). This is like the renter escaping with the car and never return it. it is different from ownership risk.

There is another alternative. It is like you buy a car for 10000 and sell it on 4 year payment for 12400. This is permissible. Your study can be finance, with profit to financier as follows: he/she

buys units of the education service. (in medical it is a semester education and suppose your university charges 40000 for this unit, i.e., a financier may buy a unit from the university and sells it to you payment after 4 years for 49600. Because this finance is based on 'sale of service' you must fix the price at the time of contract and it cannot be changed if payment is delayed.

You must notice that Shari'ah does not provide making profit in finance but it prohibit or denies making profit in situation where the asset itself cannot produce profit like lending money or even lending any other standardized item such as a 1000 pound of corn.

At the moment I am in Tunisia and my wife Mayssun is with her mother in Panama City. I will go there in a week time.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: AHMED

Sent: Wednesday, July 24, 2013

Question: Why is Tawarruq Prohibited?

Dear Br. Dr. Monzer,

Assalam Alaykum and Ramadan Kareem.

I hope you are well and enjoying your vacation. I have a question and will appreciate if you can kindly give your views on it. Is investing in art, paintings and antiques considered as acceptable asset classes from a Shari'ah perspective. The artifacts obviously would be Islamic. Personally, I think it should be OK under the general principle of Ibadah (permissibility). Looking forward to hearing your views.

Best regards and Wassalam,

AHMED

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Dr. Ahmed

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

If it is real investment like having a shop to trade such art pieces that is permissible in my opinion. But if it is investment from distance, it seems to me speculation mixed with extravagance and exploitation of a special class of consumers who care less about prices. I wouldn't say it is permissible.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: AHMED

Dear Br Dr. Monzer,

Walaikum Assalam wrt wbt.

Thank you for your prompt response. I was curious about the latter part of your answer.

"if it is investment from distance, it seems to me speculation mixed with extravagance and

exploitation of a special class of consumers who care less about prices. I wouldn't say it is permissible"

Is the above applicable for 'art work' only or any other asset class such as commodities or real estates. I ask this as most funds would invest in assets to buy and sell and earn a profit.

Best regards and Wassalam,

AHMED

My Answer:

My understanding is that all speculation is not permitted. Trade is different than speculation. Can we make a case for boundaries between them?

From: AHMED

I have asked a few scholars if there is any explicit text about prohibition of speculation (not gambling) and was informed that there isn't (it also does not fall under either Riba or Gharar). Both trade and speculation involves buying and selling to earn a profit, though in the later the risks are higher. One way to differentiate (make boundaries) between trade and speculation may be to use Sami Suwailem's criterion—if the probability of gain is higher than probability of loss then it is trade, while in case of the opposite (probability of loss higher than that of gain) it is speculation. Having said this, under what grounds can speculation be prohibited from a Fiqhi point of view?

My Answer:

I don't accept this criterion because you cannot claim that in speculation probability of loss is higher, it so nobody speculates.

I think the clues for differences lies in objectives and process. In trade there is normally a service associated. In speculation no such thing is provided, in speculation your only concern is watching prices in trade you have some kind of relation to the goods, in speculation you are distances from what you buy and sell in trade you are not, in speculation you have no objective related to object of buy and sell in trade you Have.

There is also the objective or implication of a contract **مفتضى العقد**. in trade you the contract intends to obtain the goods in speculation you do not have such objective, you have an objective of only getting higher price. Remember this is the point the Makkah Fiqh Academy held against Tawarruq "the good is not intended for its own"

Also if you follow the different decisions and their discussions of the OIC Fiqh Academy you notice that speculation is mentioned repeatedly as a reason why certain transaction such as futures are prohibited. And looking at conditions of executing contracts before you make other contracts give also indication of ruling out speculation.

Monzer

From: AHMED

While I can understand the point you make in the first paragraph, I am not quite sure about the argument in the second para.

Can we deduce the following from your point in the first para: In trade, a trader buys below the market price (say from wholesale or by importing) and sells at the market price which is more or less stable and known. In speculation, a speculator buys at the market price (which is known) and sells at a future price which is unknown.

As for your argument in terms of objective or **مفتضى العقد**—I can argue that even in trade, a trader is buying not for the good itself, but for sale (buys wholesale and sells retail).

While I understand that OIC Fiqh Academy has mentioned speculation as a reason for prohibiting transactions such as futures, I am curious under what Fiqhi principle this is done. One possible answer may be that it is prohibited because it is harmful to markets and individuals. Is it possible that there is no specific ruling that declares speculation as haram because it is difficult to define (and hence the need to define and differentiate between trade and speculation).

My Answer:

Think of the matter: although Islamic banks buy good which they do not want in Murabahah the Fiqh Academy approves it but in Tawarruq they said the argument is: goods are not intended for their own self> think of the difference, it is the same that I mentioned. This is a difference between a genuine buy and a buy in which the goods are not intended!

MONZER

From: AHMED

Dear Br. Dr. Monzer,

Assalam Alaykum and Ramadan Kareem.

I hope you are well and enjoying your vacation. I have a question and will appreciate if you can kindly give your views on it. Is investing in art, paintings and antiques considered as acceptable asset classes from a Shari'ah perspective. The artifacts obviously would be Islamic. Personally, I think it should be OK under the general principle of Ibadah (permissibility). Looking forward to hearing your views.

Best regards and Wassalam,

AHMED

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Dr. Ahmed

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

If it is real investment like having a shop to trade such art pieces that is permissible in my opinion. But if it is investment from distance, it seems to me speculation mixed with extravagance and exploitation of a special class of consumers who care less about prices. I wouldn't say it is permissible.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: AHMED

My understanding is that organized Tawarruq is not allowed by OIC Fiqh Academy because the transaction resembled a Riba based loan (which is prohibited), not because of the goods are not intended for their own. This is obvious when we see the ruling of AAOIFI (and also OIC Fiqh academy and most of the classical scholars) which permit classical Tawarruq (not organized)— in this case also the purchase of goods are not intended for their own self. In case of speculation, the speculator buys the commodity and sells it (similar to classical Tawarruq)— there is no Riba implications. So if speculation has to be prohibited, there probably should be

some other reason.

My Answer:

Please read the 2007 decision of Makkah Fiqh Academy, it uses the words “not intended for its own.” The OIC Fiqh Academy talked about collusion to exchange cash for a debt of a larger sum. Implicit in it too is that goods are not intended for themselves, this is the meaning of collusion. And this is what distinguish Murabahah from Tawarruq and what makes the intermediation of IB in Murabahah legitimate although the IB does not intend have the goods. It is rather helping in a genuine transaction in which goods are intended for themselves.

Tawarruq Fardi ruling contains implicit contradiction as pointed out repeatedly by Nizam Yaqubi while defending Tawarruq Masrafi. Its legitimacy comes from lack of collusion which in fact makes it a hidden Tawarruq not a permissible Tawarruq. In regard to other parties both contracts of buy and sell are legitimate. Sinful or not is a matter that belongs to God not us. I believe it is sinful being hidden Tawarruq i.e. a Tawarruq with oneself.

Monzer

From: Yasin

Sent: Saturday, July 27, 2013

Question: Profit and loss sharing under Musharakah

AoA,

In addition to my last email seeking clarification on payment schedule I noticed that under a Musharakah contract the profit and loss on property should be shared in proportion of ownership. However the Islamic mortgage that Assiniboine offers behaves just like a conventional mortgage where bank has no share in property appreciation. In case of loss on sale the bank will demand its principal back and if the market price tends to be lower than bank's principal outstanding then the loss is not shared in proportion of ownership. Isn't this in direct contradiction of the spirit and ruling on Musharakah contract. I was hoping you could clarify further as the more I compare the features of Assiniboine mortgage with a true Musharakah contract the more discrepancies I find. Thank you,

Yasin

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu ‘ala Sayyidina Muhammad, wa ‘ala Aalihi wa Sahbihi Ajma'in

Dear Br. Yasin

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

I am trying to answer your two queries here:

1. You must realize that Shari’ah prohibits interest which is an increment in a loan or debt. It does not prohibit finance or return in finance.
2. Similarity between Halal and Haram is no reason for mixing them up. The Qur’an [2:275] mentioned similarity between Riba and sale and did not deny it but said that one is Halal and the other is Haram.
3. A finance provider wouldn’t give his finance free and rightly it deserves increment. For this increment to be permissible finance must be provided on the basis of either same or lease or sharing. This contract of the credit union selected the leasing by earning rent.
4. Finance institutions depend of funds deposited by other people and are required to protect the money of their depositors. This applies to Islamic and conventional financial

institutions. Islamic banks structure their contracts with commitments in the form of promises (undertakings) from customers to buy the property along with payment of the rent through small payment each month. This means that there must be a schedule similar to the schedule in interest based loan. but this schedule features a declining rent and an increasing amount for purchases.

5. The undertakings perform another objective which is fixing the principal of the finance. That is: market price ups or downs do not affect the contract because this undertaking guarantees the finance provider the capital it provided.

6. You must realize the difference between Musharakah and financial Musharakah. Financial Musharakah is done by financial intermediary institutions. Financial Musharakah has all these reservations because it is based on undertakings.

7. The Assiniboine credit union uses contract similar to contracts used by all Islamic banks.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Bilal

Sent: Sunday, August 04, 2013

Question: work on sale and helping client to get finance

Dear Dr. Kahf,

Ramadan Karim first of all :-).

I live in a Western country, and I have been offered a job within sales, and a part of the job is to advise/inform the clients on different kind of financing if they need or request for it. The company has a collaboration with credit agencies to establish a loan for the client if needed. I will not be directly involved in giving the loan which is interest-based, but I will have to advise on the possibility to get the product/project financed. So basically we can help the client get his product/project financed.

I would like to know if I am allowed to work in such a job or if I should find some else.

As far as I know I will only be advising on different financing schemes, but if this is halal, in which situations will I call Allah's Wrath upon me according to the hadith.

Thank you very much and JazaakAllah Khairan.

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Bilal

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

I do not see advising Haram. I think it is rather useful, from interest prohibition point of view, to advise on lowest interest and easiest conditions when Islamic finance is not available because this makes less of an evil.

What is Haram is to write an interest-based contract or offer it or write an application for it on behalf of a customer because these activities are part on writing the contract, also being a witness to it is Haram too.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam
Prof. Dr. Monzer Kahf

Dear Dr. Kahf,
As Salamu Alaykum Wa Rahmatullah.

Thank you very much for your answer, but I have additional questions.

I have done some further investigation into the job I have been offered, and it seems that the company has standard sales contracts it presents to the clients. In the contract there is a section regarding late payment which says that the client has to pay interest if he does not pay on time. I have the following questions:

1. Can I print out the contract and give to the client?
2. Can I sign the contract even though I have not written it?
3. If I am not allowed to sign the contract, can I let the client sign along with a colleague of mine?

In general, I would like to know what is permissible for me to do and not.

It seems that a lot of Muslims living in Western countries having jobs within the financial and business world are in a dilemma as Riba unfortunately has infiltrated almost everything.

JazaakAllah Khairan

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Bilal

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Although this is a peripheral condition, it is no doubt Haram to include in a contract signed by a Muslim. The nature of such a clause makes the buyer less exposed to the Haram because it is in his/her hand to avoid invoking it by being within the deadline for payment. This makes signing it by a Muslim customer who knows that he/she is able to be always on time, not Haram. Your signing it definitely has a Haram element which is by definition much less than the element of interest in the main body of the contract (as in the conventional home finance). This also makes avoiding signing such a contract on behalf of the company, if possible, very much advisable.

In reality, I cannot tell a person how much of Haram/sin he does, it is very awkward, is it not?

I also understand the dilemma most people who work in the finance field in America have, many other sectors have much less involvement in Riba.. is it better that Muslim professionals go to finance here under these circumstance? Definitely my answer is negative. I wouldn't like to be in it myself unless I can hold to my own decision of what to do and what to avoid, a matter which is difficult for many persons who are employed in companies. Remember that on the Day of Judgment each one is faced with his/her own deed on individual basis, no one can stand in defense of any other. For any action to pass that test, it has to satisfy two conditions: good intention, and correctness according to the Islamic standard as given in the Qur'an and the Sunnah. Riba is clearly prohibited and interest as we know it today is exactly what Riba, as referred to in the Quran, is.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Mushtaq

Sent: Saturday, November 02, 2013

Question: personal loan from Islamic banks on fixed profit, profit on loan

Dear Doctor

Salam and Hope you are in good health.

I have 2 doubts as given below

1. Islamic Banks in UAE are giving personal loans on fixed profit rate.

For example 100,000/- AED at the rate of 5.45. I should pay $105450/12 = 8787.5$

What is the Islamic significance on these type of loan?

2. I am asking on behalf of my friend. One of his friends' company need 2 million AED urgently for port clearance and if he give the money his friend will give 10% profit after one month.

I would like to know what is Islamic stance of the this transaction on below situations.

1. after sale of complete items

2. after fixed time.

3. Percentage of his friends profit after or before sale.

Thanks and Best Regards

Mushtaq

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Mushtaq

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

I believe that in Islamic finance you do not provide cash at all. Anything otherwise is Tawarruq and it plain Riba, Haram although some crooked mashayikh, who are lying on the truth, give Fatwa to these banks to do it.

For the case of your friend, looks to me like the other.

If you want cash, the way to get is by means of Musharakah or Mudarabah contracts. these can be done in true kind of partnership not in the last minute to get cash only. I do not approve the case and see it a plain loan that must be without any increment.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Saleh

Sent: Sunday, November 17, 2013

Question: Paying a loan for an increment

Dear Br. Dr. Monzer: Assalam Alaykum. Someone (whom I trust) suggested that I "buy" the remainder of his mortgage so it is not really a loan but sort of purchase.

What I mean is: He still owes the bank \$50,000. So If I can pay it off, he will be paying me a fixed amount per month (say \$500) till the amount is completely paid off. However, we want to set it up so I can make profit but Halal profit, what formula can we use?

Best regards,

Saleh

My answer:

THIS IS PURE Riba because he owes the bank a debt. The bank does not own any part of the house. In case of guidance, it owns a part of the house which it leases to its client. A conventional bank owns a debt on the person mortgaged by the house.

From: Faisal

Sent: Wednesday, February 12, 2014

Question: Mortgage in Canada

Asalamuaykum Dr Kahf,

I'm asking about the viability of the Islamic mortgages available in Canada like Ijarah loans or other institution that offer Shari'ah compliant financing, would you please advise about it, some of them requires to arrange finances through the bank and then transfer the title in the name of trust! Please advise. Wassalam Faisal Regards,

Faisal

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Faisal

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Ijarah loan as you described it is false, this is not Islamic and making a loan and transfer it to a trust, the trust is exactly you from Shari'ah point of view, nothing else.

I know the Islamic house finance cooperative, And there may be others who offer Islamic finance.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: KHADER

Sent: Tuesday, March 25, 2014

Question: Clarification about Islamic loan

Salam Alaykum Dr. Kahf

I am looking to purchase a house, and getting an Islamic loan from an institute called guidance residential. This company offers a program which called Co-Ownership. This program lets you go with partnership with the guidance for the house and establish a Limited Liability Company, then pay a monthly amount which is calculated the same way a conventional bank do for home loan, thus the more acquisition you gain form paying every month, the less they have ownership percentage of the house, the less profit they make from this partnership.

The company representative is telling me this is Halal since we are not making money from you as in lending you money, but we are making it from profiting from our partnership from the house, and we are bearing together any lose which may occur to the house from for closure, eviction or anything else.

Based on what the representative is saying, the partnership which we will form will cancel the HARAM from our deal. Is this considered Halal according to our Shari'ah?

Please for any further clarification don't hesitate to call me any time.

Thank you for taking time to read and reply to my mail. Jazaka ALLAH KHAIR.

Khodr

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Khodr

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

I am familiar with this contract and studied it carefully, it is Shari'ah compliant.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Hisham

Sent: Wednesday, April 09, 2014

Question: Business Financing

Assalam Alaykum Dr. Kahf;

You were referred to me by Ali. My name is Hisham, I am a Civil Engineer and have a construction (renovation) company in Montreal, Quebec, Canada. I am having an extremely difficult time financing my projects, as I am forced to put my own money in each project to provide adequate cash flow. Meaning, I can only undertake small jobs and cannot take large projects because I will have to put every penny I own and that is unreasonably risky. Consequently, My company cannot grow. I haven't gone to banks for financing because I fear it might be haram... Please enlighten me on my options, while respecting the Islamic principles.

Truly,

Hisham

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Hisham

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Taking interest loans to promote or expand a business is not permissible in Shari'ah. check with some friends for going with you as partners or with the small Islamic finance companies. It is unfortunate that we do not have this facility in the US And Canada, which is now available in many countries including UK and South Africa and France.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Shiraz

Sent: Thursday, April 24, 2014

Question: Loan and Interest question

Salaam Dr Monzer

I have a question regarding taking a loan to start up a business, I am interested in starting a business in the UK where I live, and have been looking at various business ideas, however I can find no bank or institution in the UK that is willing to give an interest free personal or business loan, not even the Islamic Bank of Britain offers them, so after becoming frustrated with this search I wanted to ask is it allowed to take a conventional loan in this circumstance when you have no other option, or should a Muslim just give up the idea of going into business because no one will give him the funding without Interest.

Many Thanks for your help.

JazakAllah Khairan. Wassalam

Shiraz

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Shiraz

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

People start business with own resources. Conventional banks do not give loans to start business! Also Islamic banks don't.

It is definitely Haram to take interest-based loans as Riba is one of the most grave sins which warrants a war against Allah and His Messenger. Besides being economically unwise, it is Haram to take an interest-loan to start a business or to promote and expand a business.

Besides, UK has several Islamic banks to which one may resort for additional finance once your business is on its feet.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Rahim

Sent: Wednesday, May 14, 2014

Question: Disposal of Provident Fund "Interest Amount"

Assalam o Alaykum,

Dear Dr. Monzer Sahib,

This is again Rahim Khan from Pakistan consulting you from time to time in order to be on the right track / path of Islam.

Previous consultations regarding provident fund, Zakah are also attached with the email.

I have studied scores of sources on disposal of the Interest paid on PF received on retirement or resignation.

Ulema and Muftis have given permission to dispose the amounts to poor, charities and even brother or relatives who are poor enough to pay off their debts/ loans from others.

I wouldn't recommend this approach unless you have the scientific tools to compare their views, otherwise your choice may be based on non-scientific variables.

I would like to have your view on the basis of studies by Ulema (Scholars) from different part the world and your research, how to dispose Haram (illegitimate) amounts received in the form of interest from PLS accounts or provident funds.

I have been given a few hundred thousand rupees and started its disposal as per guidelines

above.

Question: 1.

If the amount can be given to brother to help him pay off his debts/ loans etc.

Can it be given to a sister as well, if she has debts and loans taken from others for wedding of her daughter and purchase of plot for her family?

Her husband is a driver not with much income to pay the loans in next few years.

Remember that interest given to you is in fact not yours, you are required to give it away to charity, poor and needy because you do not own it, the recipient poor owns it by virtue of his need. Does your brother or your sister qualify on the basis of poverty? If they do by a neutral judgment (not biased by the relation), you may give it to them and they own it by virtue of being a deserving poor and then may use it for food or debt payment.

Question: 2:

She had taken loan from me as well for the said ceremonies and family needs and purchase of plot for her own use.

Can I give the amount to her for paying off all the loans from me and others?

Not your debts. This is in analogy to Zakah payment because paying it to her to pay your debt (not necessarily alone) is benefiting from it. You must not benefit from this amount because it does not belong to you.

For example, if she took 100,000 rupees from me. Can I give her 100000 rupees as given without intention of REWARD (JAZA, thawab, sawaab). Then, she utilize the same money in paying me back my loan.

Or She can pay the other persons loans from the amount given to her by me and not mine.

Only if she qualifies on poverty basis, not on being under debts for wedding

Or, simply, the interest amount can be adjusted with the loans given to poor, sister or brother and telling them that they should not pay back to me and amount is kept with self as payback of loan from that poor sister, brother or relative?

No for same reason, rather this is worse.

Will wait for your kind information and verdict of Shari'ah on the stated issue.

May Allah keep you healthy and happy!

Rahim

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Rahim

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Please see my answers below the questions

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Abdul Nasser

Sent: Thursday, June 12, 2014

Question: Pension income, pension fund has interest, Halal?

AssalamUAleikum Dr. Kahf,

I am a retiree of State Universities Retirement System of Illinois. I get monthly pension as a result of my work at the institutions of higher education in Illinois. Is this pension income halal? Look forward to hearing from you. Jazaka Allah.

Your brother in Islam,

Abdul Nasser

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Abdul Naser

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Let us put it this way: you worked in a University, of course in a permissible and useful job. The employer gives you certain amount every two weeks and when you retire continue giving you an amount, determined according to a formula based on period of your work, salary and family size, etc. do you see anything doubtful in that? There is no difference whether part of this payment is given directly by the employer and part is given by another agency (either by contract with employer or by law which determines its relation to employer and to you). The pension is a completion of the compensation of your work and you earned it. It is none of your concern what does the pension fund do (most likely they invest the money they receive on interest and its likes) because if they do anything wrong it is their sin not yours.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Alinor

Sent: Tuesday, June 17, 2014

Subject: 5% interest from parents on borrowed savings

Assalam 'Alaykum! Just want to ask your opinion about this case. My parents want to borrow my savings (money) because they need it for their business. My parents made a deal that in order to help me increase my money they will be the one to use it and in exchange they will give me a 5% interest per month. They are the first to offer it. Can it still be considered Riba even though our intentions are good? I hope you can give a response to this question.

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Alinor

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Intention is irrelevant when the contract reveals its own intention and it does not matter being between parents and their children. If this amount given every month is because they borrow the money, it is interest/Riba and it is Haram. Otherwise parents may give anything and any amount to their children to increase their savings, not in relation to getting a loan from them. BTW, all interest based loans have good intention by both parties. Without intention to benefit both they do not make a contract.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Esam, OnIslam.net
Sent: Tuesday, August 26, 2014

Question: Interest given from Bank's profit

Salam Ustazna, here is one more question:

If the banks make profit from keeping our money in their account and give us interest from that profit, is it alright to accept that interest? Thank you.

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear guest

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

The answer is a big NO. the bank make unlawful return from lending. This profit is unlawful and wrong, wrong is bad. Would the Shari'ah accept to give you bad income? Beside the interest given by bank is not part of the profit it makes. It is contracted increment on the loan you give to the bank. it is itself prohibited.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Muneer
Sent: Saturday, September 13, 2014

Question: Islamic Finance with an Investment Property

Assalam Alaykum Dr. Kahf,

Insha'Allah you and your family are doing well. I got your email address from a friend of mine, Sami, who I believe you previously advised regarding Islamic financing of a residential property. I have a similar inquiry, but one regarding an investment property.

I believe my background is relevant for you to get a clear picture. I graduated from UMD about a year and half ago and have since been working full time. I live with my parents in their primary residence and have no dependents or a spouse of my own. Because I am unmarried and wouldn't move out until I was married, I wanted to invest the money I'm making in real estate and try and get another revenue stream apart from my full time job. I don't have enough saved up to buy a home in all cash so I have been looking into financing, primarily with Guidance Residential and UIF as alternatives to a conventional mortgage.

Concurrently, I've been doing my own research into the types of loans offered by Islamic banks and consulting local imams, specifically about using these outlets for an investment property. I have been advised that because Islamic banks have to make many compromises because of the financial setup in the United States, no contract is 100% halal. They are permissible for primary residences, however, because there is no other alternative available to us. For an investment property, there is no pressing need according to the Shari'ah and therefore it is better to avoid financing completely.

I would like to hear your opinion on the matter and would appreciate any advice you could offer me. The subject has thus been very confusing and Insha'Allah you can provide me with some clarity. Jazakallah Khair, I look forward to your response.

Muneer

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Muneer

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

The exception in case of a residence is founded on necessities, there is no necessity in investment. I don't think that there can be exception to use Riba based loans for investment

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Muneer

Wa Alaykum Assalam wa Rahmatullah wa Barakatuh

Jazakallah Khair Dr. Kahf. Just to clarify, by Riba based loans you mean Islamic finance? I was planning on using Islamic finance to buy an investment property. Wassalam

My Answer:

Sorry, all Islamic finance is not Riba loans

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Wassim

Sent: Sunday, October 12, 2014

Question: Filling interest-finance application for car customers

Salam. I own a pre-owned car dealership in Canada. A good portion of our clients require financing at time of purchase, the dealership fills out the application on behalf of client and sends out to bank. Upon approval the bank forwards the dealership the principle amount for vehicle and a "reserve" (token onetime payment) for sending the bank business. The dealership does not pay or collect interest. Is this business practice halal or haram? Thank you **My**

Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. WASSIM

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

It is not permissible to fill in the interest loan application because this is a part of writing an interest-loan contract. the Prophet, pbuh, put the curse of Allah on four persons in regard to Riba: taker, giver, writer and witnesses. This is a very authentic Hadith. If the customer fills the application your dealership is not then a writer of Riba. alternatively I suggest that you always

have a non-Muslim employee to be specialized in filling these applications.

The commission you get back from the bank (which you reserve) is not permissible too because it a commission on a prohibited contract. I suggest that you do not return it to the bank because that increases the evil (interest) practice of the, rather you consider it as owned by nobody and properties owned by nobody cannot be earned by the holder and should be given to the poor and needy. I suggest to give it to a Muslim charity which you trust and ask it to distribute to poor and needy.

The principal amount (price of the car) is Halal to take from the bank because the bank in this case acts as a Wakil (agent) of the buyer in making the payment to you.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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From: Wassim

Sent: Wednesday, October 15, 2014 4:46 PM

Salam. Thank you for the response. I am seeking out someone that has formal Islamic education (mainstream Sunni) and the right to issue a fatwa and an understanding in modern economic matters to help me restructure my business in a way that pleases Allah. The current business has over 100 employees (mixture of Muslim and non-Muslim) and 5 locations with a partner at some locations. I have the ability to customize my involvement in the business and the source of revenue I can take from and not partake in other sources of revenue. Do you have someone in mind that meets this criteria (fatwa/economic knowledge) that can come in dissect my business and help me make the necessary changes?

My answer:

No one has right to issue Fatwa except a Mufti appointed by a government. Such a person very often is a crooked one and lacks knowledge. Besides Fatwa is not strengthened by a license from a government. This mean your requirement is incorrect

From: Afeez

Sent: Saturday, October 18, 2014

Question: Mudarabah and Interest

Assalam Alaykum Sheikh

I have a question concerning Mudarabah and Interest. I'm my place of work, you can get a loan but you will have to pay interest, and they can also buy some products like food item and electronics in bulk and resell it to staff at a marked-up price. And there is a standard mark-up percentage which is 6%. This I understand to be Mudarabah. However, there are situations where you need a product, if it is not a group purchase, they will prefer to give you the cash to make the purchase yourself rather than they buying and delivering it to you, but it will still have to be marked-up for installmental repayment ranging from 6 months to 1 year.

I want to ask if this qualifies as Mudarabah or it is interest based transaction.

Ma salam

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Afeez

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

1. Loan with interest is not permissible in Shari'ah including this kind of loan.
2. Buying goods by a company and selling them to staff on a mark-up is permissible this is sale on credit not Mudarabah. Mudarabah is putting capital with a business person to invest it in Halal trades and sharing the profit together.
3. For personalized items. If the money is given as a loan for interest, it is not permissible. If the money is given on agency basis to buy the personalized item and then buying it from the owner of the money at a mark-up, it is become sale of credit and permissible as in number 2 above.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Basem

Sent: Wednesday, December 03, 2014

Subject: 529 plans

Assalam Alaykum sheikh Monzer

I hope you're doing well InShaAllah. I was looking through your website for 529 college funds and didn't see anything mentioned. Given that they investors have no say in terms of what the fund owns and how much is in equities versus bonds, is it permissible to invest in them? As you they could be a great source of income for college tuition if they grow over time but I need to Make sure they're halal. JAK for your input and advice

Basem

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Basem

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

You did not tell me which Basem you are! There are several!

The fact that I know is that you have choice in the 529 education fund. if you cannot make any choice and you know that majority may be bonds, it is not permissible to use it. if you have a choice and you can make investment in Haram (bonds and not permissible shares) minimum or a small minority, it is permissible to use it and you will have to calculate purification and pay it regularly to Muslim charity. BTW, they are definitely subject to Zakah.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: housam

Sent: Thursday, December 11, 2014

Question: Secondary market annuity

alsalsm alekum

I would appreciate it if you can tell me the Shari'ah opinion in the secondary market annuity.

This is their description according to them

"What Are Secondary Market Annuities?"

Secondary Market Annuities are payment streams that are sold by the original annuitant in exchange for a lump sum payment today. The vast majority of SMAs available through SMA Hub were originally part of a structured settlement in a personal injury lawsuit. When the original annuitant sells his or her future payments for a lump sum, a "Secondary Market Annuity" is created, whereby a buyer purchases an existing payment stream or future lump sum in the secondary market."

Thank you much

HOUSAM

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Housam

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Clear enough these are interest based exchanges of future stream of debt for a present lump sum or vice versa. This is pure Riba.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Muhammad

Sent: Sunday, December 28, 2014

Question: Islamic Personal Loan from National Commercial Bank (Saudi Arabia)

Assalam-u-Alaykum

Dear Sir,

I am working here in Saudi Arabia. I am looking to clarify some of my confusions about personal loan form Islamic banks. I have gone through your Fatwas related to Islamic banking but still I am not clear about personal finance from a bank in Saudi Arabia. Actually I want to buy a car but due to some family financial issues I cannot buy with cash payment. Some of my friend told me that you can have loan from Islamic bank (National Commercial Bank Saudi Arabia). So I shall be very thankful if you can guide me on this issue. As the bank claims that this personal loan is approved by Shari'ah board and they r dealing in different commodities. They claim this loan is 100% Islamic and Riba free.

Hope you will help me to go with the way Allah.

God bless you with His kindness.

thanks and best regards,

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Muhammad

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Personal loans means the bank gives you cash. There is no way in Shari'ah at all to get cash from any source and pay a larger amount in the future, this is the exact and pure Riba. the OIC Fiqh Academy repeatedly affirmed this in more than one of its decisions so did the Saudi Fiqh Academy which is associated with the Muslim World League. This is in conformity with the Qur'an 2:279.

Unfortunately some Ulama in Saudi especially give Fatwa to their banks that this is OK when done by indirect way through buying goods which you don't need and then selling them for cash. This is a trick that does not stand any screening. They call it Tawarruq. We do not agree with that and we call these Fatawa cheap Fatawa.

This does not mean that Islamic banks don't provide finance. they do in accordance with Shari'ah when they provide you with the asset, i.e., the IB buys the car cash and sells it to you on installments. This is permissible and referred to in the Qur'an 2:275. The difference is in reality huge, the least of it is to tie the finance to real transactions in the market. if the bank is going to buy the car and sell it to you (based on a promise from you) on installment, this transaction is called Murabahah and it is permissible.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Habib

Sent: Saturday, April 11, 2015

Location: Singapore

Question: Interest on retirement plans

Dear Dr. Monzer, Assalam Alaykum

I have a work colleague who is a Chinese Singaporean. He converted to Islam many years ago. The regulations in Singapore calls for the forced saving of 25% of one's salary which would of course earn interest. This has been the case for the last 25 years. My colleague is now ready to retire and therefore is entitled to his money and the earned interest. The question is: Is the earned interest Halal for him (considering that he was forced to be part of this program and that he could not make use of his money in any other way) and if it is not what should he do with the money.

Jazakum Allah Khairan

Habib

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Habib

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

This interest money, if it is interest as you say, is not permissible to earn and should be given to charity preferably Muslim poor and needy. The point that it was forced and he lost other opportunities does not make an effect on the matter. In fact, he lost opportunity to earn/lose not a definite profit or return on it.

It is good to check whether the info you gave me is really factual, I am not aware of forced saving in Singapore. I know of providence funds of different layers. The whole picture may be

different in Providence Fund.
Wa Allah A'lam
Wa Alhamdu Lillahi Rabb al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Amr, Austria

Sent: Tuesday, May 19, 2015

Question: Is a bank loan with no interest permissible?

Assalam Alaykum dear brother Monzer,

We are interested in buying a car. We live in Europe, Austria to be precise. There is currently no Shari'ah compliant banking here.

There is a local bank that is advertising interest free loans to buy a car. So you borrow ?10000 and pay back ?10000. No interest. There is a 1 time handling fee.

Is this permissible?

Also, is car leasing permissible?

Jazaka Allah Khair,

Salam,

Amr

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Amr

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

You did not give me complete info.

Interest can be one-time fee and does not have to be proportional to the amount of loan.

A handing fee of a loan of 10000 may be maximum 10-40 Euro. Accordingly, if the fee is in this range I should say it is permissible any more in in reality interest hidden under the name of fee.

Besides, banks do not give free loans. I never heard of this. I know that car dealers may give zero interest finance as sale promotion. But banks do not. There must be a hidden clear cut interest under a different name.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Hossam

Sent: Tuesday, May 26, 2015

Question: College loans

Salamu Alaykum Dr Kahf

hope you are well InShaAllah

a question regarding loans with interest for college (subsidized). Are these permissible? are there any reputable scholars that actually allowed them for the purpose of going to a good college?

Thanks

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Hossam

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

I believe that all interest-based student loans, subsidized or not, are in violation of Shari'ah. the only reason an interest-based student loan may be tolerated is when a student is already in school having a non-interest financing plan but a change happened in his sources of finance that make the only way to continue is to take interest-based loan.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Ali

Sent: Sunday, May 31, 2015

Question: Voluntary pension scheme

Assalam Alaykum Brother Monzer

I have started a new job where I can join a voluntary pension scheme where the employer pays 2.5% and I pay a minimum of 2.5%. They invest the money in haram companies or any company they deem to see fit.

My question is do I have to invest the minimum 2.5% or can I increase my contributions? The reason I would like to increase the contributions is that I will not any tax on the contributions (20%).

I fully intend to only take my contributions and the employers contributions and donate all the profit from the mostly haram income to charity.

Ali

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Ali

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Let us put it this way: the objective is not to invest in Haram and give to charity. It is rather to benefit from the tax relief, the employer contribution and get any potential Halal return. The only way, in this venue, is to contribute to this pension fund and it has restriction that the fund committee decide on investment with no consideration of Shari'ah rules and regulations.

This is a valid intention which is consistent with Shari'ah. it is permissible in my opinion to contribute any amount provided that you calculate the Haram part of the income from it and give it to Muslim charity. Of course the tax relief and the employer's contribution are Halal to acquire so is the non-Haram part of the return on investment.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Salem, Luisiana

Sent: Wednesday, June 10, 2015

Question: Car Sale

Assalam Alaykum

My name is Salem from New Orleans, la.

There's a dispute in our community about selling cars.

I have asked you before about working at a dealership it it's permissible or not because of all the loan based purchases, buy this one is a little different but relative.

There are Muslims in our community that own used car lots, some do the credit application online for the customer and send it to the banks that they deal with and when the customer gets approved they don't write the contract or benefit from the interest they inform the customers that they're approved and send them straight to the bank and finalize the loan contract at the bank and then bring the check back to the dealer, some say it's permissible and some say it's not because of the credit application process? What is your opinion? I am asking because InShaAllah I will be opening a dealership in a month.

Another concern, if letting a customer do a credit app. Is impermissible? Is it permissible to have a list of banks to refer customers to? If permissible, can I fax the bank; information of the vehicle and customer's information, so they may have everything ready when customer gets to the bank to discuss their loan with the customer?

Thank you for your time.

My Answer:

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Salem

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Selling cars for cash or on credit even if the customer takes from a bank an interest loan to finance his purchase, is permissible. It is none of the seller business what the customer do to finance his purchase.

However, writing a credit application on behalf of a customer is part of writing a Riba Contract because the contract is application and approval. This falls under the prohibition of writing Riba as the Prophet, pbuh, put the curse of Allah on the writer and witness of Riba. not only on the taker and giver.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Hisham

Sent: Thursday, June 11, 2015

Question: Interest based business financing

Assalam Alaykum Sheikh Munzir,

I wish to know if the exceptions (clearly established in Islam) of dealing with a conventional bank to obtain a mortgage to purchase a home can also be applied when dealing with a conventional bank to finance or expand one's business? Wa minkum nastafeed in sha' Allah.

Hisham

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Hisham

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Please notice that the Fatwa on purchasing house to live on is not an exception. No one has rights to make exception of the prohibition of Riba. It is tolerating relaxing the rule because of the necessities and quasi necessities for people who live under hard circumstances if they apply the rule.

In applying the same principle on business I believe that it is tolerated to have an interest-based loan in case there is no other way and no Islamic financing and the business is threatened to collapse without this finance.

But to start a business or to expand it the need for tolerance does not exist. Therefore, for such reason I believe that there must be no relaxation of the prohibition that came in the Qur'an.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Saleh

Sent: Monday, July 27, 2015

Question: Turning loan to partnership

Dear Dr. Monzer

Assalam Alaykum wa Rahmatullah.

I have a question: My son Omar owes me an amount, let's say \$100,000. We want to turn this into a form of partnership, where I own a portion of his business and he buys it back from me over 4 years on the basis of?

So, if we say the price I am asking for my share is \$110,000 but he will pay it in monthly installments of \$3,000 till it is completely paid off, is this okay or there a special agreement form to make, in order to make is Halal?

And would the answer change if we do two separate contracts:

1. Contract 1: With the money he owes me, I am buying 20% of his business
2. Contract 2: He is buying my share back with monthly payments

Best regards,

Saleh

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Dr. Saleh

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

This is pure Riba.

You cannot turn a loan into buying from him and then selling to him. This is called bay' al 'Inah and the prophet, pbuh, prohibited it. It hides interest.

Not at all making it two separate contracts would not make it halal and if you find one who may

claim that he is ignorant
Wa Allah A'lam
Wa Alhamdu Lillahi Rabb al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Muslimah
Sent: Saturday, August 01, 2015
Location: Canada

Question: Child tax benefit

Salam Ustazna,

Hope you are well. Could you kindly reply to this question:

My question is regarding Canada child tax benefit. My family with kids went back home for 8 months. Now we are back. We continued receiving child tax benefits for this time. The money has accumulated in my account. Can I pay Zakah for this amount and is it halal to use this money?

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Sister,

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

I see no reason why you should have any doubt about this money. You are getting it according to the law, you're going home and coming back do not interrupt your eligibility because you are still subject to tax for the year and eligible to tax benefits of same year.

For Zakah, once you have Nisab for the first time (it is in my opinion about \$1500) Zakah becomes due after 354 days and each 354 days since then. If this amount, added to other savings and Zakah items, is above the Nisab all the total is subject to Zakah at 2.5% every 354 days.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Samy
Sent: Tuesday, August 18, 2015
Location: Ottawa, Canada

Question: A question from your sister in Islam on buying a car

Dear Dr. Monzer, Assalam Alaykum wa Rahmatu Allah wabarakatu,

It will be highly appreciated if you can answer the below question that I have received from one of our community members in Canada.

Hana

I live in Ottawa and wanted to buy a car without dealing with Interest (Riba). I have visited many car dealers in Ottawa and some of Muslim dealers told me that they can add the interest into the total and that will make the deal halal for me. I am so much confused and turning to you for advise. What is the view of scholars in North America in this regard and what do you

recommend me to do? Is there any other way I can get a car without getting into this? Buying a car for me is a necessity because I have to take my twin children to daycare every day and I have no cash to pay on the spot. Thank you for taking from you busy time to answer my question.

JazakAllah Khair

Gratefully,

Imam Samy

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Imam Samy

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Please inform the questioner that it is permissible to calculate the amount of interest and add that amount to a price that is on installments without any reference to the matter of interest or how the price is calculated. The rule in Shari'ah is that part of the price of a real item is caused by the time element although this does not apply to money. This rule can put in one phrase: we accept time value of goods but not time value of money. They are not the same.

The matter may seem confusing when one looks quickly at it. this is essentially because we live in interest-burdened environment. Let me try to make easy for the questioner.

Our religion, in all its muamalat regulations, is founded on a major principle of realism. It means we go by the reality as it is truly on the ground. A debt of a loan does not create any added wealth or value. A loan simply transferred ownership of money form one person to another by creating a debt owned by the loan giver instead of the cash she/he has before. Compare this with giving you a car without paying for it now that you can use daily to take your children to their school (for simplicity assume that payment is in one lump sum one year later). you will use the car for a full year and derive from it these benefit yet you did not pay its price (which means you still enjoy the benefits/utilities of all your other properties for the full year with no reduction). the borrowed money may be used for good or for bad but this is the decision of the borrower not the lender. When you buy an asset at deferred price you are in fact getting the corpus of the asset plus its utility until the day you make payment. this is why Shari'ah permits the deferred price of an item to be higher than the cash price but does not permit an increment in a loan and this is why Ulama define Riba as increment in a debt (for extension of its date of payment) or a loan (notice in both cases no additional utility is created) and because there is no reality to justify this increment it is prohibited. While Shari'ah does not prohibit a reward to finance when it is applied to a real commodity like a car because real commodities create value, i.e., create additional wealth (the use of the car for a year). If you look carefully at the Verse 2:275 it prohibits Riba but did not deny the similarity between sale and Riba. in fact, there is similarity but there are more differences that warrants one to be prohibited and the other to be permissible, one is fake and just a claim by the lender while the other is usage of the car for a year, a real benefit/utility. For more sophisticated details and effects of this difference especially for the whole economy you need to look into some chapters of my books on the internets.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Imam Dr. Wael

Sent: Thursday, August 27, 2015

Location: Toronto, Canada

Question: Job at bank

As-Salamu Alaykum wa Rahmatu Allah wa Barakatuh

Dearest Dr. Monzer, the below question I got from a brother in our masjid... I wish to have your opinion about it.

The brother works as an accountant in the Bank of Montreal in Toronto.

Below is the brother's question:

Assalam-o-Alaykum,

Just spoke with you about my job at Bank of Montreal. According to this world, it's a good job with a number of benefits. However, I want to confirm if it fulfills Allah's commandments. That's really very important to me. I would try to precisely explain whatever is relevant to my question.

Basically, I am a portfolio support officer and assist our Commercial Accounts Manager. As per our business, all deals including interest rate are finalized with the client by Accounts Manager. Later on, it comes to me for review, document preparation and registrations etc. Review is the most critical part where I have to advise on interest rate as per matrix in our system. There are several levels of each loan which needs my attention/monitoring for accuracy on interest rate. Once again, all deals including interest rate are finalized with the client by Accounts Manager and not by me. I am on the back stage to play my role.

This is my 3rd year working at BMO. There are better opportunities at the same place. Better opportunities mean better income for me while generating better revenue (interest) for the Bank. I am not so sure to move forward in this career. Please advise.

JazakAllah,

Thanks & Regards,

Imam Dr. Wael

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Wael

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

The description I've seen below indicates to me that this back-stage function (review) is part of writing the documents of loans and other interest-based contracts. If this is correct, it seems part of writing a Riba contracts which is not permissible.

I feel very sorry for many Muslims who hook themselves to jobs in the finance sector where if you do not do the Riba (as in this case) its dust definitely hits them as in all kinds of work in the banking sector. I wish we can really liberate ourselves from Riba and its dust. You know that jobs have degrees within the halal and within the Haram. There is a big difference between teaching Qur'an and driving the car of a bank manager, definitely the latter lives under the dust of Riba while the former not only gets money but most likely also rewards for helping other understand the Words of Allah.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Sameer

Sent: Saturday, September 19, 2015

Question: Disposal of interest earned from bank account

Assalam Alaykum Wa Rahmatullah

Dear brother

One of the other concern is interest which we receive from bank accounts. Which can be the best option to dispose such income as it is completely haram, as we live in a country where Islamic banks are not available so we can't get off from such income

JazakAllah Khairan

Sameer

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Sameer

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

You just give it to Muslim charity for distribution to poor and needy. It is not Haram for the poor because he does not earn it as interest. It is as funds that have no owner.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Asad

Sent: Saturday, September 19, 2015

Location: Toronto, Canada

Question: About zero percent finance on car sale

Respected Dr. Monzer Kahf,

Assalam Alaykum!

Hope this mail finds you in the best of health and happiness. I have a question with regards to car sale on zero percent finance by Toyota here in Toronto. For example, North West Toyota offers zero percent interest for 36 months' term on purchase of 2015 Toyotas. Are such deals permissible in Islam? Jazaka Allah Khair.

Wassalam,

Asad

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Asad

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Do you find any reason why they should be prohibited? They are not definitely even if the price

is higher than the cash price.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Zaman

Sent: Saturday, November 14, 2015

Question: Traffic monsoon

Assalam Alaykum,

Traffic monsoon is the name of a website through which one can earn money by registering with them.

The registration cost is £ 30 and then every day the registered person has to click on at least 10 adverts to earn £ 0.75 (approximately).

If someone does not click on the adverts, then they will not receive any money. The earned money could be transferred to a pay pall account.

The amount of earned money also depends on the amount of initial investment. The more money invested the more the profit it will make.

Ma Salam

Zaman

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Zaman

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

It seems to me this is cash you pay now for cash you receive later, I don't think this is a good or valid income or payment of 30 pounds.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Liaqat

Sent: Sunday, November 15, 2015

Location: London, UK

Question: Al Rayan Bank terminologies

Assalam o Alaykum,

I am a usual reader of your writings and currently am doing my MSc in Investment and Finance from Queen Mary University London. I have discussed with my group mates and lecturers about the terms written below from the financial statement of Al Rayan Bank in England. Here I have a problem in finding the following values from the financial statement I have uploaded. I seek your help. Sorry for your few precious few minutes but it has consumed my week.

Net income

Total equity capital,

Total asset,

Operating income,
Non-interest income,
Non-interest expense
Thank you in anticipation.

Regards,
Liaqat

My Answer:

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

I don't have really other than the language meaning of these terms, please look at them in the accounting standards and in the notes of the report. Of course non-interest income and expenses refer to excluding haram income and sometimes may be Haram expenses (e.g., interest distributed by law to some depositors).

Best Regards,
Wassalam
Prof. Dr. Monzer Kahf

From: Ovamir
Sent: Monday, November 16, 2015
Location: Ohio, USA

Question: Late Fees'

Dear Dr Monzer,

Assalam Alaykum. I am sorry to hear that your trip to Zayed University did not work out. I had mentioned to them how highly I valued your presence on the committee. I regret that they could not accommodate you.

I have a question for you. Someone forwarded me this question. My understanding is that some scholars (Deobandi) propose that a fine on late payment is not valid, but having two contracts from the get go is possible: the parents in this case would choose whether they will pay an amount before the due date or an increased amount afterward. It's not clear how this is different from a penalty if the contract is not agreed upon ahead of time, because the amount is automatically increased and contracts switched based on the parents' ability to pay. What is your take on this and could you refer me to some credible scholarship on the subject? Here is the original question.

"At our recent board meeting, one of our board members had a concern about the of New Horizon charging late fees for parents who go past the 10th of the month without paying their tuition. In his mind, this was similar to interest? someone is delayed in paying so we are charging them additional fees. Do you happen to have any information on a ruling one way or another or an Islamic interpretation that either justifies or rules against New Horizon (or any Islamic institution for that matter) charging late fees?

Your help/advice would be most appreciated! Again, wishing you and yours all the best!"

Ovamir

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Prof. Ovamir

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

The fine on late payment was discussed in details by the OIC Fiqh Academy and several other Scholars meetings and conferences.

In brief the issue as follows: a fine is necessary to deter people from delaying payments and it should be sufficiently high to achieve this objective. The creditor has no right to earn it. but it has right to be compensated bora any additional cost/expenses caused by the delay. Accordingly, any excess of the fine above the additional cost/expenses should be given to charity not returned to payer because this jeopardize the deterrence. I fully agree with this opinion and apply it in the banks that I advise.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Salem

Sent: Saturday, November 21, 2015

Question: Halal or haram

Assalam Alaykum

I have asked you before several questions about my business path if it's permissible or not? And you were a great help with your answers.

I have two more questions. Are credit cards that offer cash back impermissible? Also, we opened a car dealership and we aren't writing any loan contracts and Alhamdulillah it's a little struggle but will get by. We are thinking about opening a furniture store in the future. In a furniture store there is also financing institutions that furniture stores work with but they are all or at least most at a 0% finance, which I'm sure is halal. The question is the owner of the furniture store pays a certain percentage let's say 3% fee out of the sale of the product to the finance institutions then the finance company finances the customer at 0%, is the 3% fee that is paid to the finance institution from the owner considered interest?

Thank you for your time

Salem

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Salem

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Alhamdu Lillah that he Gave you Tawfiq to make your business in full compliance with the rules of regulations of Shari'ah. this is a grace from Allah for which we should be very thankful.

The answer to both questions is no Haram InShaAllah and both are permissible.

For cash back or any other rewards by the bank to customers of credit card is permissible to give and to take. It is gifts for advertisement and to gain customers.

For the commissions given to finance institutions, it is not Haram too because it rather helps avoiding Haram. If all banks and financial institutions work on that basis we would get rid of Riba altogether. Definitely these institutions have expenses and need to survive. Suppose we offer this finance on a cooperative non-for-profit basis, don't we need to pay for expenses? We can get that from the beneficiaries, getting it from sellers may be easier and better.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Mehtab
Sent: Friday, December 04, 2015
Location: Pakistan

Question: Late payment interest

Assalam o Alaykum

Dear Sir

I need your help in making a decision regarding job move within my company. I work for a multi-national telecom manufacturing and services company as customer/project financial controller. As the country where I currently reside have low business volumes at the moment, I have been given a choice to move to a new project in another country. While I have not given my consent for the move, I am already involved with the project that is in the initial phases.

There is one thing in the contract that actually worries me and that is related to late payment interest clause in the contract that we have with the customer. As per this clause our company can charge interest on payments that are made 30 days beyond the actual due date of that payment. I am not sure whether we will actually charge this late payment interest or not at this point of time if such a situation arises as the same can impact customer relationship, however the current contractual position is that we can.

Would it be ok for me to work on this project where I might one day be making the late payment interest invoice if the customer delays any payment beyond 30 days during the course of the project.

If the above is not compliant, can I make a condition that I will not be involved in the late payment interest invoicing process and accept the role? Not sure if this is practical for the company or not but if they agree to this, would it be ok for me.

Please advise

Wassalam

Mehtab

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Mehtab

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

This condition is Haram to put in the contract and to enforce it too. The reason is obvious. I the job requires you to impose this condition or enforce it, better to avoid such actions.

Since you are not the owner of the company you may not be able to impose this prohibition. But if you are in a position that you will be one who enforces it, you will be in same trouble.

If you can convince the management to continue imposing such a penalty do any delinquency but give away its proceeds, when it is enforcing to charity this will make the best solution and this is what Islamic banks do because a fine is necessary to deter delays.

Alternatively, you seem to have a window that you can formally or informally avoid being involved in the issue of this penalty. This is an acceptable alternative as a second best.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Mohammad
Sent: Friday, December 11, 2015
Location: Saudi Arabia

Question: Interest

As Salam Alaykum wa Rahmatullah wa Barakatuh

Sir I read some articles of yours in Google but I don't understand about interest system in Islamic bank I have taken a loan amount from Saudi Hollandi bank 36,000 SR and I have to pay 41,000 SR.

before I didn't know about Riba is haram. because I was thinking from bank no problem. in India everybody has saving account and bank are giving interest on that account if I keep money.

What about that interest? Which we getting from Indian bank.

Sir please explain me Saudi Hollandi bank is taken interest 4.5 %.

How This is not haram?

And also tell me any Indian Islamic bank if any or not available so what should I do?

Please guide me sir I am very scared about this interest when I know Allah punishment me.

Please reply me sir

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Mohammad

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Interest, as an increment in a loan or in a debt (when you extend its maturity), is prohibited in the Qur'an (2: 275). The Verse 2:279 defines interest; it is any amount above the principal in a loan or debt. Allah used very strong terms in the prohibition as interest invoke a war from Gad and His Messenger on those who do not desist from dealing in Riba (the Qur'anic word for interest). The Prophet, pbuh, emphasized that in several of his Sayings and described it as one of the gravest sins. He also said that it is prohibited for both the giver and the taker, even the writer of its contract and the witnesses.

The prohibition is on lending for an increment not for selling a commodity at a profit because the same verse 2:275 said that sale is permissible. (I suggest that you should read carefully the verses 2:275- 2:283). Accordingly, Islamic banks can make profit when they sell goods and services but they do not give loans. Unfortunately, some Islamic banks use a trick to give loans with increment (which is of course not permissible) buy claiming to buy goods from London Metal Exchange, selling it to you for a profit and then selling it back in the Market to give you the cash. This is definitely Haram as it is an obvious trick. And maybe this is what this Saudi Hollandi Bank did with you. It is not permissible in fact. In true Islamic banks you may buy a car through finance from the bank when it buys the car of your choice and sells it to you for a profit at a price payable on installments over a period of time. The important difference here is that the buy and sell of the car are true and you get a car not money. It is not permissible use this buy and sell as a trick to sell the car again in order to get cash.

Finally, if one gets interest from any source one must give it away to charity as the Prophet, pbuh, said that any flesh raised on Haram will end up in the Hell Fire in the life after.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Hussain

Sent: Friday, December 25, 2015

Location: Ottawa, Canada

Question: Financial question on Registered Retirement Saving Plan

Dear Dr. Monzer, Assalam-alaikum Alaykum wa Rahmatu Allah wabarakatu,

It will be highly appreciated if you can answer the below two questions that I have received from one of our community members in Canada.

Hussain

My question is in regards to the RRSP (Registered Retirement Saving Plan).

The government and private sector employees in Canada have the right to save certain percentage of their salary (between \$4000-5000/year) to be used after retirement. The employees can keep this money in their account, they are not allowed to use them while they are employed.

However, banks and certain mortgage companies can take the money and use them in businesses for a specified period after which they will return the money plus the interest rate that agreed upon in a certified agreement.

By doing this, I can save my money safely until retirement, in addition to its interest from the banks. I find that this is the best way to keep the money secure plus the interest until my retirement, and the government allows this sort of business as long as the original cash is not used. If we keep the money in the bank without benefits, the value of the accumulated money will decrease since the inflation is 2-3% annually.

I really appreciate it if you could advise me on whether this is acceptable or not.

Jazaka Allah Khairan,

Gratefully,

Imam Samy

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Samy

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Apparently the questioner does not have or does not give full info.

The RRSP gives you options of investments that you can choose. You may invest in individual stocks directly, in mutual funds of stocks, in bonds or bond funds, in interest account with a bank or in mortgage interest through the depository financial institution. The only important requirement in RRSP is that you must keep the account (and obviously its funds) in a recognized depository financial institution in Canada.

The benefits of the RRSP are tax exemption or more accurately tax deferment and the saving for retirement itself.

Of course, any interest is Haram in our religion and taking it or giving it is strictly prohibited. It is the Riba that is mentioned in the Qur'an and defined in Verse 2:279 as any increment above principal in loans or debts. It is one of the major sins as Allah says that a war is declared from Him and His Messenger on those who practice Riba. The Prophet, pbuh, said that the curse of God is on the taker of Riba, its giver and its two witnesses, he added that they all are alike in regard to the curse of God.

Funds in the RRSP should be invested only in permissible stocks, or permissible stock mutual funds, they do not need to be put on interest basis whether in a bank saving account or in a mortgage account as said in the question.

When one invests in share of equity funds one has to choose those that have the least of Haram whether interest or other matters like sale of prohibited things, and one has to apply the purification principle which requires that one must estimate a % of the Haram in the income of the company or the mutual fund and give that away to Muslim charity in order to keep one income pure and clean. The Prophet, pbuh, said that any flesh raised (nourished) on Haram deserved to end up in the Hell Fire.

On a related issue, funds in an RRSP account are subject to Zakah at the rate of 2.5% every lunar year calculated on the balance of the account at the end of every 354 days from the day account begins and the person has to pay this Zakah from his/her own income. Zakah is the religious obligation and third pillar of this religion as it identifies a person as Muslim.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf
