FATAWA INTEREST RIBA LOANS 2000-2021

From: Masud
Sent: Friday, July 2, 2021
Subject: ON LENDING THROUGH A CONVENTIONAL MICRO-FINANCE BANK
Question:
Dear Professor,
Assalaam Alaekum warahmatullah. I hope this email finds you well.
We have been approached by a conventional microfinance institution to grant them a facility to enable them lend to their micro customers.
If this is the objective the answer is definitely NO. it is Haram to lend for any gain and it is Haram to facilitate that by any means. The customers of the Microfinance Bank are typically small holder traders and market women trading in household items.
We are considering establishing a Murabaha with the Microfinance Bank where Lotus will purchase the identified goods required by the Bank's customers and sell the goods to the Bank on a cost-plus basis.
Btw, is it a bank or a company, it may make a little difference in procedure..
However,, the Bank has noted that it will not be able to procure the invoices for specific goods, because the Bank has thousands of different small customers who require different goods at different times. Can we disburse to the Bank without the invoice?
We can give line of credit even to a conventional finance institution provided we are assured to follow the appropriate steps of the transaction, conventional credit provider normally and usually do not care about points that do not make sense to credit provision but are very important to transform credit provision into Islamic finance; e.g., existence of real goods, transfer of ownership to the finance provider, completing this transfer by physical delivery, second sale is done after actual physical possession by finance provider. These steps and their sequential order are necessary. IF WE CAN BE ASSURED OF PRECISE COMMITMENT TO THESE STEPS AND THEIR SEQUENTIAL ORDER, WE CAN GIVE A LINE OF CREDIT TO ANY OTHER INTERMEDIARY.
You definitely need invoices because they are the offer of the suppliers, they also must be endorsed to Lotus in order to give acceptances to the offers. The buys from suppliers and the sells to the micro bank must be specific of specific goods each time goods exchange hands; this requires offer and acceptance to make them into a contract.
In addition, the Bank requires that we disburse to them directly as opposed to the supplier of the goods. This is because the Bank is the obligor and they think it is more convenient for them to disburse to their customers this is exactly what we fear when we deal with conventional entities, 'that they disburse to their customers' instead of selling goods to their customers on credit as they will be dealing with multiple customers and suppliers. Can we disburse to the Bank directly?
This argument is incorrect. The bank becomes obligor as a result of a sale on credit, not as a result of disbursement. This is the legality of it. However,, if the steps of Murabahah are done accurately, you may use your customer as an agent to handle the payment to supplier.
I DO NOT RECOMMEND DISBURSING FUNDS TO A CONVENTIONAL FINANCE INSTITUTION. I do not see any valid reason why they don't like disbursing to their suppliers, especially that we can make transaction arrangement that each group of sales, say in a week, to suppliers
Our concern is

1. This is a conventional micro-finance Bank. Would there be a different solution if it was an Islamic micro-finance bank?
2. The lack of invoice or paying suppliers directly 1 and 2 are addressed above.

3. Can we have the kind of on-lending agreement that ICD/IDB has with financial institutions either Murabaha or Wakalah?

To the best of my knowledge IDB disburse to suppliers directly in its Murabaha line of credit and they do not make any on-lending contracts. It practices ML and Wakalah but when it is assured by their country focal points of following the appropriate steps. The ICD practices Tawarruq which is prohibited by the OIC FA.

Do you have any experience from elsewhere handling financing to micro-finance or micro-credits?

We practiced Murabaha line of credit with Wakalah in several institutions

We would appreciate your guidance on how we can provide a facility to the Microfinance Bank in a compliant manner.

I think the best way to deal with conventional is: give them initial training on Murabaha line of credit and make series of Murabahah with them with invoices and direct payment to suppliers.

Thank you.

Kind regards,

Mas'ud

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. Masud

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Please see my comments and answers below the questions in red:

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

Professor, Islamic Finance & Economics

www.kahf.net <http://www.kahf.net/> ; www.kahf.com/blog <http://www.kahf.com/blog>

From: Zeyneb

Sent: Tuesday, June 1, 2021

Subject: Calculation of purification when investing in shares

Questions

Dear Prof.,

I asked some questions about purification before. I would like to add few more:

-In literature generally the validation of investment in mixed stocks is done by the argument of necessity and Maslahah. Are you agreeing with that or is there a more valid argument?

I generally agree with that: necessity, and tolerance. Maslahah applies in special cases where project management may fall in undesired hands (which may affect national Maslahah).

-Some sources say only dividend should be purified but some also says that capital gains should be purified as well. What do you think? I think both because capital gains are always cause by factors such as retained profit, increased credibility (caused by higher borrowing and potential borrowing) and higher performance expectation.

-A person argues that in purification calculation, interest expenses should be deducted from the purified amount. What would you say on that?

Of course, the objective of purification is to remove any Haram from what you have. If we assume that the only Haram a company is interest obtained then removing your share of it is sufficient as purification. But if there is capital gain you need to estimate a % based on elements that cause it which may be different from the % of purification of distributed dividends.

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. Dr. Hafsa

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Thank you for your kind email and queries, please see my answers below the questions in red.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

Professor, Islamic Finance & Economics

www.kahf.net <http://www.kahf.net/> ; www.kahf.com/blog <http://www.kahf.com/blog>

Reply

Dear Prof.

Just I wanted to clarify the last point on my latest e-mail.

What I meant with interest expense was this one actually:

Mulcahy (2014) has one of the earliest studies in the subject that takes into account the deduction of interest expense and tax effect on it in order to calculate the haram amount to be purified. The reason why tax is also included is that interest has a tax shield on it.

The guy suggests that since interest creates tax shield, its effect should be included in the formula of purification. What would you say to that?

My Answer

I don’t the the point he want to argue.

Interest expenses are some money that is gone, whether haram to do that or not is a different issue in regard to purification. It is some lost money how would you add it back to calculate purification doesn’t make sense!

For the tax benefit of paid interest, why should we remove it in calculating purification? We got a tax benefit that makes the total profit that is available for distribution higher. That is its period. Regardless of its reason, here is the profit is higher and this is what is obtained by the shareholder! I don’t agree with the arguments that goes to the indirect causes and effect and try to be extra sensitive to particulars.

Monzer Kahf

From: HABIBULLAHI

Sent: Monday, March 22, 2021

Subject: FINANCING CRUDE OIL WELLS

Question:

Asalam Alaikum Warahmatullahi Wabarakatuhu,

Dear Prof. Monzer,
I hope this mail meets you well, below is a request from one of the bank's branches:
Some of our customers have just won the bid to purchase crude oil wells called “Marginal Oil Fields” from Federal Government of Nigeria. The last step of the process is for the customers to pay the Federal Government of Nigeria amount of money called “Signature Bonus”. Payment of the Signature Bonus confers legal right to the Crude Oil Deposit at each of the oil well the customer wants to acquire. Since based on regulation of the government, our customers will only be beneficial owners of the oil deposit in the wells allocated to them after paying the Signature Bonus, we equated the payment to represent purchase of physical asset, THE CRUDE OIL well, and based on that, we would like to finance the customers’ under Murabaha Product to pay the Nigerian Government price of the signature Bonus, take constructive ownership of the oil well and sell the same to our customers at agreed mark up for deferred payment.
Blow is the proposed transaction dynamics

1. Bank approves Murabaha Finance for the customer
2. Customers accept the offer and execute necessary Murabaha contract and agency document
3. The bank confirms documents issued by Nigerian Government to customer
4. The bank payment of the stated amount on customers offer from Nigerian Government
5. Nigerian Government sign necessary document transferring title to the particular oil well to the Bank’s agent (customer)
6. Customer communicates receipt of transfer document from the government
7. The bank sell the oil well to customer at a mark-up for a deferred payment
8. Customers pay the bank sales price of the oil well on or before the agreed payment date
9. Transaction is closed

We therefore, request for your opinion on Shariah compliance product for this facility.
Thanks.

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. Habibullahi
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
It seems that Ijarah and re-ijarah is more appropriate and to the best of my knowledge that similar case of renting a well to extract water from it is mentioned in classical Fiqh (Br. Dr. Abubakar please verify it). You need Ijarah to the Bank from the government and another Ijarah from the Bank to the Customer.
Of course, after approval, the dynamics of the transitions are fine but you need to dd after No, 3 a statement from the Customer to surrender the government offer to the Bank so, that the bank can rent from the Government (through it wakil). Surrendering the government concession to the bank is necessary. The two Ijarah contracts are simple and similar to the two Murabahah contracts in this case, no ijarah service and no Ijarah wa Iqtina.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf

Professor, Islamic Finance & Economics
www.kahf.com/blog <http://www.kahf.com/blog>

From: Asim
Sent: Thursday, February 25, 2021
Subject: Performing Hajj While still paying the home loan
Question:

Assalamu Alaykum wa rahmatu Allahi wa barakatuh, Dr. Monzer,
I pray to Allah SWT that you are doing well and may Allah SWT bless you and accept your services you have been rendering to His Deen.
I have two questions:
I live in a non-muslim country (New Zealand) and I bought a house on mortgage 6 years ago after getting the Fatwa from you (The European Council). I am planning to go for Hajj next year, In Sha Allah. As I am still paying mortgage, is it permissible for me to perform Hajj. Going to Hajj will not put any financial burden on my family, Insha Allah, nor any pressure on my repayment instalments which I am making on my mortgage.
My second question is also related to mortgage. If the person could not pay off his home loan (mortgage) during his life time and later his family/children paying off the remaining mortgage, is the person regarded as sinful for not paying off his debt during his life time.
I would appreciate if you could answer my above questions please.
Jazak Allhah Khair.

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. Asim
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Thank you for your kind email and Duaa,

1. the mortgage ebt is a debt on future income (this is why for instance it is not deductible from the cash you have for calculation of Zakah). Accordingly, as long as there is appropriate arrangement for the mortgage payment in the future you can use available cash\funds for anything you want including going for Hajj.
2. as a principle one should make effort to pay the house mortgage as soon as one can. Interest is definitely prohibited, paying and taking, and the Fatwa for buying a house is based on removing difficulty, it is based on tolerance. If one made one's effort to pay this exception asap and failed in completing it in his life time, Allah is much more merciful than holding us responsible for what we could not do, NO DOUBT ABOUT THIS.

Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf
Professor, Islamic Finance & Economics
www.kahf.net <http://www.kahf.net/> ; www.kahf.com/blog <http://www.kahf.com/blog>

From: Yasir
Sent: Wednesday, January 27, 2021

Subject: Micro-loan program

Question:

As salaamu alaykum, I pray you are well.

I've asked you questions before, and I want to thank you again for responding timely and thoroughly.

I run a very small conflict resolution business (www.mediationbip.com <http://www.mediationbip.com>) and intend to add an emergency micro-loan program (sent and received electronically) for Muslims in my area. There will be no interest, fees (late or otherwise), or surcharges. Simply if a person borrow $100, they return $100. I'll probably start out with a total of $500; thus, I'll be able to lend to up-to 5 people at a time inshaaAllah.

To avoid people from unnecessarily defaulting, some non-Muslim groups require a co-signer that would guarantee payment if the lender doesn't. However,, instead of a co-signer and to avoid additional procedures, I would like to have near the signature area on the agreement of terms form: I, Fulaan, swear to Allah (swt) that the above information is correct to the best of my knowledge. And I swear to Allah (swt) that I fully intend to return the money by the agreed upon date. If I don't pay the agreed upon loan amount back at the stated time, without a legitimate excuse, I want the wrath of Allah (swt).

The idea is to have people think twice before defaulting unnecessarily. If they default legitimately (only the lender would know), I would just simply wait for the money, but of course have less to lend to others. So, I'm a little prepared for some legitimate defaults. What are your opinions on the program in general, and the clause specifically?

Shukran,

Yasir

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. Yasir

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Basically I did not understand your question, please be specific and clear.

However,, the fees that you mentioned are definitely interest unless that are exactly the out of pocket expenses of each transaction.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

Professor, Islamic Finance & Economics

www.kahf.net <http://www.kahf.net/> ; www.kahf.com/blog <http://www.kahf.com/blog>

From: pervez

Sent: Wednesday, January 6, 2021

Subject: Interest in auto finance

Question:

Assalamualaikum

I own auto dealership in Canada and I have business office inside dealership where I hired business manger who help customers to get auto loan approve to purchase vehicle.

Bank give us referrals fee for the work we do.
Question 1. Is that fee is haram?
Question 2. As a facilitator helping customers to apply for loan is haram?
Please advise.
JZK

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. Pervez
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
It would be perfect if this business manager is not hired, rather he works on his own and get commissions from banks he deals with. Definitely, having an employee doing these sinful parts of it has something because it relates to applying for an interest loan and processing it.
If you can improve it, by making him not salaried but working on his own and getting commissions, may be these referral fees if they are adequate, this will make excellent by avoiding the Haram without any trace.
Taking the referral ito you is not acceptable, also not acceptable to return them to banks. You have to put them in a special charity account to be distributed to poor and needy, preferably Muslim poor and needy or organization that distribute to them.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf
Professor, Islamic Finance & Economics
www.kahf.net <http://www.kahf.net/> ; www.kahf.com/blog <http://www.kahf.com/blog>

From: Zahoor
Sent: Saturday, November 21, 2020
Subject: What Riba is prohibited?

Question:

Salam Dr. Monzer,
The Last Sermon of Prophet Muhammad pbuh quotes RIBA to be worse than Zina. Wasn't that in reference to RIBA Al-Jahiliyah rather than RIBA Nis'yaan or Riba Al-Fadl. Didn't Prophet pbuh do credit transactions of the last two nis'aan and fadl. Didn't Prophet pbuh return Two Camels when he'd borrowed one camel?

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. Zahoor
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
The books of Fiqh talk about two kinds of Riba, not three. These are Riba al Qur'an (also called Riba al Jahiliyyah and Riba al duyun, debts) and Riba al Fadl (also called Riba al buyu', sales,) going in more details is not useful, Nasi'ah or Nasa; means delay, so it is about debts not sale.

Riba of debts is clearly prohibited in the Qur'an and in many Ahadith. Riba of sale is prohibited in the Sunnah by a highly authentic Hadith about the six items.
Loan and debts apply only to standardized things, individual camels or other animals are not standardized. They cannot be subject to loan contracts. The narration referred to in the question is not authentic and it may have referred to Ariyah not loan. Ariyah is a benevolence contract applied to non-standardized items such as camels or personal cars. Non-standardized item can always be considered by value bot by count.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf
Professor, Islamic Finance & Economics
www.kahf.net <http://www.kahf.net/> ; www.kahf.com/blog <http://www.kahf.com/blog>

From: khaled
Sent: Thursday, October 22, 2020
Subject: Lariba
Question:
I live in Mississippi since 2008 in a house with mortgage through lariba/bank of Whittier which was the only available Islamic mortgage at that time in Mississippi. I refinanced 7yrs ago and now 8yrs left for me and most of my payment goes to the principle now.
I heard about AMJA ruling about Lariba. Please help me deciding what to do. My Choices are to continue this contact and try to pay more to finish it in 4-5 yrs vs refinance with another more Islamic institution (will loose some money in closing cost and refinance for 15yrs). I wanted to please Allah and chose Lariba to purchase the house but unfortunately I may mistakenly went with the wrong company. Please help me with the choice that is good and acceptable for my donia and Deen. I trust your opinion.
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. Khaled
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
This question should have been asked before you contract the financing. For now my suggestion is to pay this loan as soon as you can and add to it Istighfar and charities. Allah Ta'ala promised us in the Qur'an that good deeds remove the stains of bad actions. Keep up with the good deed.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf
Professor, Islamic Finance & Economics
www.kahf.net <http://www.kahf.net/> ; www.kahf.com/blog <http://www.kahf.com/blog>

From: taha

Sent: Friday 9 Oct. 2020
Subject: Government loan with mark up
Question:
I wanted to ask about a government loan scheme. The website doesn't say anything about interest, but there is markup rate like 3 to 5 % per annum. A calculator is provided on the website which shown the monthly payments we would have to make, in it there is the principal amount and the markup amount. the link to the calculator is provided https://kamyabjawan.gov.pk/Calculator/index. You just have to add a value and period. Can you check this and tell me is it halal?
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. Taha
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Any increment in a loan is Riba no matter what it is called and how it is calculated and regardless of who is the lender or the borrower.
Islamic finance provides good and asset for postponed payment.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf
Professor, Islamic Finance & Economics
www.kahf.net <http://www.kahf.net/> ; www.kahf.com/blog <http://www.kahf.com/blog>

From: Abdul
Sent: Friday 9 Oct. 2020
Subject: Loan with a salary deduction
Question:
The company gives a loan on condition that it would deduct a set amount from salaries; what is the ruling?
The organisation that I work for gives personal loans that are deducted from one's salary, to the tune of one quarter of the salary (to be paid towards the loan). But the organisation stipulates that it will also deduct 1.5% towards a fund, from the salaries of those who are benefiting from the loans, which will not be given back to them; in return they will waive the remainder of the loan if the borrower dies. This is a fundamental condition, and is not optional; it is required in order to obtain the loan. What is the ruling?
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. Abdul
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
This is really a form of internal cooperative insurance of such loans. The moment you accept employment in the organization you are also accepting this system of obligatory cooperative

insurance. I do not see anything not-permissible in this system as long as this 1.5% is not taken to the pocket of the lender.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf
Professor, Islamic Finance & Economics
www.kahf.net <http://www.kahf.net/> ; www.kahf.com/blog <http://www.kahf.com/blog>

From: Dawod
Sent: Wednesday, September 24, 2020
Subject: interest on a pension fund
Question:
Assalamualikum,
My name is Farhan from Bangladesh.
I know a man (near about 70) who is a retired Airline (Bangladesh Biman Airlines) stuff. His son/daughters do not take care of him. He has a FDR account in Bangladesh bank against his pension (Money got during his retirement). And he has to maintain his expenses from the money he gets as interest from bank.
Is this money INTEREST (Riba) in terms of Islam?
If it is, then what can he do for alternate?
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. Dawod
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
The answer is very simple and straightforward. This is definitely RIBA.
The alternative is obvious in Bangladesh you have several Islamic banks and the BIB is the largest bank there he should make put his money in it and receive Halal return even month.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf
Professor, Islamic Finance & Economics
www.kahf.net <http://www.kahf.net/> ; www.kahf.com/blog <http://www.kahf.com/blog>

From: Anouar
Sent: Tuesday, September 8, 2020
Subject: A loan from my own retirement account
Question:
Dear Dr. Monzer,
Assalamu Alaykum wa Rahmatu ALLAHI wa Barakatuh.
My name is Anouar and I am from Vancouver, BC, Canada. I would like to thank you for your time and effort and jazaka ALLAHO Kheiran.

It has been a while since I'm looking for an Islamic mortgage in Canada to buy a house, but most of the companies are not shariah compliant (like Ijara CDC etc.) or they offer a very small loan (max $225K) with a long waiting list like Ansar Housing which is based on "Islamic Housing Cooperative".
I have a self directed retirement account (RRSP) that I have been investing mainly in stocks based on the shariah rules that we discussed a while ago. Lately, I found out that I can take a loan from it as an investment vehicle called "Non-Arm's Length Mortgage". The mortgage is similar to the conventional one. The difference is that the borrowed money is fully funded by me (from my proper RRSP funds). And, all monthly payments will be deposited to my self-direct RRSP, including the "interest" portion. The bank will only take a one time setup fee ($250 + Tax) and annual administration fee ($225 + Tax). Also, the CRA (tax revenue agency) requires mortgage insurance to allow residents to benefit from the above described RRSP. This will allow me to buy a house.
In other words, I do have just enough money to buy a property. However, a considerable portion of this money is locked in my RRSP and I can only access it through the Non-Arm's length Mortgage.
Since, I'm borrowing from myself and returning all the money including "interest" to myself, I am curious to know if this would be considered sharia compliant . Would you please advise on this matter?
Please see below more detailed information from my bank regarding this option called "Non-Arm's Length Mortgage".
Introduction:
A Non-Arms Length mortgage is a mortgage that allows clients to use the money from their Self-Directed RSP/RIF to fund their own mortgage or they can fund a mortgage for someone related to them through blood, marriage or adoption.
Setting Up the Mortgage:
The client must go to the branch and they must qualify for the mortgage under normal bank qualification guidelines.
Insurance:
In order for a Non-Arms Length mortgage to qualify as a valid investment within the Self-Directed RSP/RIF, CRA requires the mortgage to be insured by CMHC or GE Capital.
Types of Mortgages:
Fully Funded: Funded 100% from the SDRSP account
Ways to Finance a Mortgage:
A Non-Arm’s Length Mortgage can be funded wholly or in part from the plan holder's RSP.

- Fully funded - All funding is provided by the plan. The plan receives all payments of principal and interest.
- Pooled - Funds are borrowed from two or more RSP plans. Fees apply to each RSP plan.
  Prepayments:

In some cases, the client may be paying out a mortgage with a 3 month prepayment penalty. If the mortgage is fully funded from the SDRSP/SDRIF, the full penalty goes back to the SDRSP/SDRIF.
The penalty is not considered a contribution but is credited to the SDRSP account as interest.
Paying Off / Paying Down the Mortgage:
In order to payoff a SDRSP mortgage, the customer must request a discharge statement from the Branch. The branch then discharges the mortgage on the system, like a regular bank mortgage. Once the mortgage has been discharged on the bank's system, the following day

the mortgage is discharged in the SDRSP account and the funds are available in the SDRSP account for reinvestment.
The client cannot use SDRSP/SDRIF money to pay off or pay down their mortgage. In order to pay off or pay down a Self-Directed Non Arms Length mortgage, the money must come from a non-registered source.
Rate of Interest:
Interest rates for non-arms length mortgages must be the regular posted rate. A premium cannot be added to the posted rate.
Restrictions:
Multi rate mortgages do not qualify in the SDRSP account.
VIRM mortgages do not qualify in the SDRSP account.
Transfers In and Transfers Out:
Please contact SDRSP Mortgage Department, or for FPs, your FP Associate, directly to obtain instructions on how to transfer in/out Non-Arms Length Mortgages.
Attached please find the Terms and Conditions document for the "Non-Arm's Length Agreement".
Jazaka ALLAHO Kheiran,
Anouar

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. Anouar
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
I carefully red the plan of this mortgage and I have no negative comment on it except one which will come later.
In regard to borrowing from your own retirement account, it is completely permissible and it is permissible to pay back to your retirement account the amount that the law requires you to pay including any principal and any interest. The is that this (what the law calls it interest being paid to your own retirement account which you own completely and full is not really an interest it is rather a payment from you to you, simply a kind of increasing your contributions to this account.
My only worry is: it seems to me the fees they charge at the beginning and annually seem to me too high, I advise you to shop around and you may consider changing the trustee of this retirement account. But if I am wrong or you do not have a better choice, go ahead, there is no Shari'ah issue in it.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf
Professor, Islamic Finance & Economics
www.kahf.net <http://www.kahf.net/> ; www.kahf.com/blog <http://www.kahf.com/blog>

From: Amiirah
Sent: Thursday, August 20, 2020
Subject: Using interest to pay for attorney

Question:

Dr Monzer

Assalamu alaykum

I pray that my email reaches you in good health by the grace of Allah and wish you a new Hijri year full of blessings. I seek your advice regarding a serious issue that has recently cropped up.

1. Unfortunately, the state of affairs of Al Barakah has deteriorated. The Board of directors of Al Barakah has sent my father and my mother a letter each through a court usher stating:
   (I) Suspending my father as Board director, regional manager and member of Al Barakah
   (ii) Suspending my mother as employee and member of Al Barakah

This letter was received on 28 June 2020 with immediate effect. My parents have been prevented from going to office premises and my mom is not going to work. She is suspended on full pay.

To reply back to this letter, we had to seek the advice of an Attorney-at-law and incurred several charges. But to this date, no action has been taken by Al Barakah to reinstate them both as members or to their previous positions.

Can we use interest money to bear for these costs and charges and any further attorney/lawyer charges that we may incur in future?

2. As Shari'ah Advisor, has Al Barakah contacted you for Shari'ah matters? So far, they have prevented me and Brothers Fayaz Joomun and Shabir Allybokus from going ahead with the Shari'ah Supervisory Committee and Shari'ah Audit.
3. If I am acting as agent for an insurance company selling conventional insurance products and Takaful, can I use the income derived from selling conventional insurance products to pay for expenses such as income tax and penalties. Or should I refrain from doing such a job as it is not a lawful income source?

I know we did study such matters before during our classes, but I prefer to ask for your esteemed opinion on this matter.

JazakaAllah Khairan

Please remember us in your doas. We are going through very difficult times with regards to the situation prevailing in Al Barakah.

Wassalam

Amiirah

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. Amiirah

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I feel sorry and depressed by these news. May Allah provide a way out and full restoration of trust and confidence between the directors and the whole Al Barakah members and your parents. Please give them my Salam and inform them that I pray for restoration of confidence and full trust between them and the members who are recently more in charge of Al Barakah.

For the questions:

1. **I**nterest cannot be used to discharge any personal expenses and charges, even if we believe that these charges are not justified or unfair. The reason is that interest is not owned by whoever earns it.
2. Similarly if you believe that conventional insurance is not permissible, working on selling and promoting it is not permissible and accordingly the income derived from a Haram

work is Haram too, Haram income is not earned in Shari'ah. If Takaful is available and accessible, selling conventional insurance becomes unjustified.

3. No one from the Albarakah contacted me or asked me about anything. Officially I do not even know who is in charge now. All info I got is only from you.

Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf
Professor, Islamic Finance & Economics
www.kahf.net <http://www.kahf.net/> ; www.kahf.com/blog <http://www.kahf.com/blog>

From: razack
Sent: Wednesday, August 12, 2020
Subject: interest from family owned trust
Question:
salam brother monzer, I want to start a family trust by selling my properties in India and deposit the proceedings in banks, my question to you is can I help the needy Muslim community from the interest earned from the bank ? please guide me thanks
Razack
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. Razack
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Why creating an interest-earning account then say I will give the interest to poor and needy. The Islamic way is to create a Halal account to begin with and then give to charity whatever you like to give. Definitely it is Haram to create a forbidden account at all times you have the choice to have create a Halal account. We may resort to giving interest to charity when we have no choice or when the Halal account is not available or when it is highly inconvenient. In India you have the choice to deposit the funds of trust with brokerage company and immediately use them for permissible shares, and there are share that are a lot less risky such as utility and power shares.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf
Professor, Islamic Finance & Economics
www.kahf.net <http://www.kahf.net/> ; www.kahf.com/blog <http://www.kahf.com/blog>

From: Bishrul
Sent: Thursday, August 6, 2020
Subject: An interest loan with government guarantee
Salaams Dr.
Hope you are doing fine.

My question is that my company has completed a project with a Government institute here in Sri lanka, but they are unable to pay to me since we are in the process of electing a new government & it will take some time to pass the budget in the new parliament.
Instead of paying us directly, they are asking us to get a loan from a government bank which they will guarantee as the payee.
Problem I face here is even though they will settle the loan, we have to pay the interest. Is it halal for me to go through this transaction or should I wait till they pay.
Jazaka Allah in advance.
regards,
Bishrul

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. Bishrul
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Interest-based loan is of course Haram and avoiding it is a must. **I**f you can avoid it by any way then you should avoid it, would there be a doubt about this?
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf
Professor, Islamic Finance & Economics
www.kahf.net <http://www.kahf.net/> ; www.kahf.com/blog <http://www.kahf.com/blog>

From: Shawkat
Sent: Wednesday, August 5, 2020
Subject: Borrowing to start a business

Question:

Need advice about starting business
Assalam-u-Alaikum,
My name is Showkat from ……. I have done MBA and was doing job in a private sector till 2017 in Delhi. I moved back to my hometown in early 2018 and started taking care of one my father's friends restaurant. At first things were going very well and the restaurants business was improving day by day giving me hope to be associated with the restaurant for longer period of time. But since August 2019, the situation here in Kashmir completely changed after the abrogation of Article 370 and things went worst after the pandemic lockdown. Now the restaurant is running in loss.
Now my concern here is that I want to leave the restaurant and want to start my own business. At the same time, the owner is in gulf and I am the only one who can take care of the restaurant at this moment. The restaurant was closed for around 3 month's from August 2019 and I didn't get paid for those months, now again restaurant is closed due to pandemic since march and I didn't get paid. I recently got married and we are expecting a child as well In Sha Allah. I don't want to leave the restaurant at this stage but being idle is really frustrating and taking me to negative sides. Now guide me how to tell the owner that I cannot survive like this and I am moving on and starting my own business.

Further if I start my own business I have to invest at least 3 lac rupees of Which I can arrange 50% and for rest 50% I have to approach to the bank. Since there is no Islamic Banking here and so I have no option left rather to approach for the local bank which is totally haram way and that thing is stopping me to start my own business. I am totally stuck and unable to take any further decision. Please advise.
Regards,
Showkat

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. Showkat
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
You need a specialized social worker and social relations to help discussing you relation with the owner of the restaurant.
Form the finance point of view, it is definitely non-permissible to take an interest loan to start a business, start a business with your own ability not with a bank loan.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf
Professor, Islamic Finance & Economics
www.kahf.net <http://www.kahf.net/> ; www.kahf.com/blog <http://www.kahf.com/blog>

From: HABIBULLAHI
Sent: Friday, 10 July 2020
Subject: PROPOSED PRODUCT ON BORROWING AIRTIME

Question:

Asalam Alaikum Warahmatu Llahi Wabarakatuhu,
Dear Prof.
I hope this mail meets you well. The bank is trying to develop WAKALAH / QARD Based airtime products for its customers. Two distinctive structures have been developed. Below are the proposed models:
FIRST MODEL:

> Customer opt in for Borrow Airtime Service through a dedicated code or link on the mobile app. Customer agree to pay N300 monthly subscription fee for the service. Customer can borrow airtime by dialing a dedicated string on *773*xx#
> or through the Mobile App. Customer can borrow for self or third party. Customer gets the exact value of the Airtime. Customer can borrow multiple times in a month provided he/she has paid down the existing debt. Once the airtime is provided to the customer, the account will have a flag of the borrowed amount. Once the customer account is credited, the money is automatically deducted from the account. Service will be available to qualified customers based on agreed business rules. Customer can only borrow airtime value of N5000 per transaction. Kindly note that in this model the customer gets what he wants without any deduction. The only charges he pays is the 300 monthly subscription.

SECOND MODEL:

Customer request from Borrow airtime service through USSD String or Mobile App. Customer is presented the markup 5% and the value. Customer agrees and the value of the airtime is given to the customer. Customer can borrow for self or third party. Customer can borrow multiple times in a month provided he/she has paid down the existing debt. Once the airtime is provided to the customer, the account will have a flag of the borrowed amount plus the markup. Once the customer account is credited, the money is automatically deducted from the account. Service will be available to qualified customers based on agreed business rules. Customer can only borrow airtime value of N5000 per transaction.
We therefore, seek your guidance as regarding Shari'ah compliance out of the two proposed models.

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. Habibullahi
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
The first model seems to mean borrowing a property and then instead of repayment of same property paying rather its price. This is coupled with a monthly fee. This complication does not give it characteristics of a loan. At a loan, it must be defined in airtime units (this works if there is one price for airtime across the country with fixed ratios for all other potential use overseas). Repayment must be in airtime (which can be converted to Niras at the price of the time of payment), what happens when prices change?
Besides, the monthly payment is certainly Riba, nothing else as Riba is simply any increment in a debt or loan, regular or irregular, % or not, prefixed or not, etc.
This model does not work.
Second model authorizing customer to buy airtime for the Bank and selling it to himself (this can be arranged through Wakalah under a Murabahah Master Agreement). Then selling it, as a wakeel of the Bank, to himself under the conditions of the Master agreement.
This Second Model may work on basis of Service Ijarah\Murabahah line of credit with wakalah as we have approved and applied by the bank.
Before giving judgment on Usability in Nigeria I like to listen to the observations of my colleagues on service Murabahah application.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf
Professor, Islamic Finance & Economics
www.kahf.net <http://www.kahf.net/> ; www.kahf.com/blog <http://www.kahf.com/blog>

From: Yusuf
Sent: Friday, July 3, 2020
Subject: my consortium took an interest loan
Question:
I am a member of a taxi service consortium in Milan Italy. we are 25 and I am the only Muslim. the majority decided to take a loan with bank interest. to avoid the Riba I can sell my share so the new buyer will become a member and will be obliged to pay the amounts and the

interests, and I leave the consortium? or if I sell, is it like I sell the loan? Or is it better if I resign and go out without selling?

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. YUSUF

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Selling your membership does not mean sale of a loan, the loan is a subsidiary. This means that it is permissible to sell membership even if it has such a subsidiary.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

Professor, Islamic Finance & Economics

www.kahf.net <http://www.kahf.net/> ; www.kahf.com/blog <http://www.kahf.com/blog>

From: Moe

Sent: Tuesday, June 23, 2020

Subject: LOAN TO HOME BUILDING COMPANY

Question:

Salamu Alaikum Mr Kahf,

I have just started a home building company with 2 partners and alhamdulilah all of the properties that we have built so far have been cash only via investors/partners. Recently we had a couple of clients who would like to custom build a house with our company via draw mortgage. A draw mortgage is where a buyer gets financing, which is released to the builder throughout the building process once the builder reaches pre-determined points within the build. I am wondering if this draw mortgage would be permissible or not. I have no problem walking away from this build if necessary. I also have a question of if one of my partners wants to use a line of credit to pay his portion of a joint venture, is that permissible. I would love nothing more than to have a conversation with Mr. Kahf. I have struggled for a long time and now have a amazing opportunity in front of me, but want to make sure that I am following the right path, and not putting my Deen in jeopardy.

Moe

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. Moe

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

If the draw mortgage is contracted by the customer with the bank and you draw on it as construction progresses, for you the bank is simply an agent of the customer, it pays you on behalf of the customer and you have nothing to do with the interest based contract between you and the bank.

For the line of credit, which is also interest-based, here again if the partner establishes it with the bank onn his own, not on behalf of the partnership, to use it for his capital contribution in

the partnership and it is fully his own responsibility, the partnership (and other partners) have nothing to do with it or the interest generated by it. It is permissible to be in a partnership with such a partner and to do business together as long as the partnership itself does not do anything not permissible in Shari'ah. **I**n other words, it is permissible to be a partner with a person who got his share of capital from Haram source, whether you know it or not, except if the source is a matter of shame (such as from pornography or theft). The organization of Auditing and Accounting for Islamic Financial Organizations specifically mentioned permissibility of partnership with a conventional bank as an example of this.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf
Professor, Islamic Finance & Economics
www.kahf.net <http://www.kahf.net/> ; www.kahf.com/blog <http://www.kahf.com/blog>

From: Farhan
Sent: Saturday, May 30, 2020
Subject: in kind Riba
Question:
if I'll take a house in lease by giving some amount to owner for a period of time and he ll return my money after that period till that time I stay on the same house but I heard its Riba so if I give him rent per month of that house to not to fall under the category of Riba, but the rent is less than the actual rent of that house, is it permissible?
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.
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
This is Riba in kind. And the Fiqh Maxim says any benefit from a loan obtained by the lender is considered Riba. This applies to the free use of the property or the difference between its market rent and the discounted rent you pay.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf
Professor, Islamic Finance & Economics
www.kahf.net <http://www.kahf.net/> ; www.kahf.com/blog <http://www.kahf.com/blog>

From: Ali
Sent: Saturday, June 6, 2020
Subject: UK student loan
Question:
AssalamuAlaikum

Some universities in the UK are offering adults who are on state benefits the chance to study towards a degree, with the government providing a student loan. The student also gets a direct lump sum as they are on benefits. This way the university makes money as well as the student.
The conditions for the loan are that the loan accrues interest at 3% and is payable though salary only if is above the £20,000 per annum. After 30 years the loan is written off.
Now allot of people especially amongst the Asian community are taking this up as they know will not earn over £20,000 per annum. This means that they can earn up to £10,000 a year without having to pay it back. My brother took up the course recently. My brothers view is that he is going to work part time for the rest of his working life and therefore will not earn over the threshold, thus not required to pay it back. And obviously in 30 years it will be written off. He asked me to join the course as I also do not intent to work full time again. But I held off and told him I would ask you as to whether this would be permissible or not. My view was that even if the loan does not fulfill all the criteria of an interest-based loan, morally it does not seem right. The idea that the state is giving a student to learn more to get a better job and then paying the loan back, but me knowing that I have no intention of working full time therefore will not be paying the loan back.
Like always, your views will help me immensely.
Kindest regards
Ali

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. Ali
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
This UK student study seems to me much closer to be a grant than a loan. I still hate the 3% interest at least from its name interest although it is low to a level that it can hardly cover the administrative cost of the loan or the potential inflation rate. The condition of who is required to pay it are also important in considering it closer to grant than real loans. I wouldn't consider it plainly non-permissible.
I hate more than the interest the mentality among Muslims in UK "to avoid paying it back I will be satisfied working part time for the rest o my life or working officially part time and moon-lighting for the other half so my declared salary is not above 20 K pound. These law ambitions are detrimental for the Muslim community in the UK and all over Europe. we need Muslims to be high earners and performers and be leaders.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf
Professor, Islamic Finance & Economics
www.kahf.net <http://www.kahf.net/> ; www.kahf.com/blog <http://www.kahf.com/blog>

From: Sumayya
Sent: Sunday, December 7, 2019
Subject: Buying a car with interest

Question:
Assalamualikum wrwb,
I live in a joint family where my husband is the eldest brother. So all the 3 brothers including my husband purchased a used second hand car recently. They already signed the agreement and payed around 40% money and they had to pay the rest later in two shifts. The brothers had a fight on something silly and now the other 2 brothers don't want the car and saying to returns it back. But my husband wants to keep it. And what he's saying is the previous owner won't return the already paid amount and we'll be at loss because we already signed an agreement. But we don't even have the rest of the money to pay. And now my husband is asking someone for money but that includes interest. And no one else is ready to give us money. Or he's asking for my gold to be kept in bank which again will include interest. We are having so many fights because of this...I'm so angry at the two brothers because they suddenly turned away which is not right. What should I do.? I said my husband to leave the car but he won't listen... I've been crying and praying but I don't see any way out and I don't know what to do. I don't like fighting with my husband and he's so depressed too right now. Will I be punished for the interest? My husband's family have been doing this all interest thing and all... I'm trying so much and praying for them that Allah guides them because interest is Haram. I've always tried to be away from interest and all and this is like a test for me and I don't know what to do?
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.
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
I really sympathize with you a lot and I see how frustrating your situation may be in the described circumstances. Just pray to Allah to give them guidance and wisdom to avoid all and any interest. As for you should not give your own jewelry to help obtain an interest-based loan, may be better give some of them to your husband to sell and pay for the car with the promise to compensate you later for what he sold and buy your replacements. In fact selling some of your jewelry is a lot less of an evil that borrowing on interest and Allah will not at all let you down when you do that for his cause.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf
Professor, Islamic Finance & Economics
www.kahf.net <http://www.kahf.net/> ; www.kahf.com/blog <http://www.kahf.com/blog>

From: Said
Sent: Saturday, October 26, 2019
Subject: 0% financing a car
Question:
Assalamu Alaikum Dr.Monzer
I hope you are doing well. What is the shariah opinion of financing car with 0% financing?
May Allah bless 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 Br. Said
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
If you do not pay increment above the purchase price, it is ok then.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf
Professor, Islamic Finance & Economics
www.kahf.net <http://www.kahf.net/> ; www.kahf.com/blog <http://www.kahf.com/blog>
Reply
Jazka Allah Dr.Monzer for the quick response. It is a fix monthly payment for the duration of the contract. No increment to the monthly payment.
Said
My Answer:
Fixation is not an issue. Zero interest means the total of all payments is equal to the sale price.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf
Professor, Islamic Finance & Economics
www.kahf.net <http://www.kahf.net/> ; www.kahf.com/blog <http://www.kahf.com/blog>

From: مجد
Sent: Sunday, September 22, 2019
Subject: عقد الرهنية الشائع في مدينة حلب وريفها الحلبي

لإبداء رأيكم في هذه الفتوى
بسم الله الرحمن الرحيم

عقد الرهنية الشائع في مدينة حلب وريفها الحلبي

د. محمد نور حمدان)دكتوراه في الفقه الإسلامي

الحمد لله رب العالمين ، وأفضل الصلاة وأتم التسليم على سيدنا محمد وعلى آله وصحبه أجمعين : من العقود المستحدثة في فقه المعاملات التي تثار في كل فترة وأخرى هو موضوع عقد الرهنية الشائع في مدينة حلب، ويكثر الجدل حوله في ريفها مبيح له ومانع ومحرم ومما دفعني إلى الكتابة فيه هو عودة الجدل حول الموضوع وحاجة الناس لمعرفة الحكم الشرعي حول هذا العقد وطبيعته.

📌ظهور العقد:

بداية إن عقد الرهنية في حلب هو عقد استحدثه الحلبيون في مدينة حلب ولم يكن هذا العقد مستحدثاً في مدن أخرى كدمشق بل وحتى ريف مدينة حلب لم يكن هذا العقد شائعا عندهم لذلك بدأ الجدل حول هذا الموضوع عندما اختلط الناس بعضهم ببعض، واختلفت العادات والأعراف علما أن الموضوع أثير الجدل حوله كثيرا قبل الثورة.

📌صورة عقد الرهنية في حلب:

العقد يتكون من طرفين: الطرف الأول معه مبلغ مالي ولنفترض 5000 دولار، والطرف الثاني: عنده منزل قيمته 40000 دولار يعطي الطرف الأول ولنسميه (المرتهن) الطرف الثاني صاحب المنزل ولنسميه (الراهن) هذا المبلغ من المال (5000) دولار على أن يملّك الطرف الثاني للأول منافع المنزل مدة معينة سنتين مثلا وبعد انتهاء السنتين يعيد الطرف الثاني المبلغ من المال (5000) دولار ويعيد الطرف الأول المنزل.

هذه هي صورة هذا العقد الشائع في مدينة حلب، وكان كثير من الحلبيين يتعاملون في هذا العقد لأسباب عديدة أهمها: عدم تجميد الأموال في منزل واستثمارها في مشاريع تجارية كما أن صاحب المنزل يأخذ المبلغ وينتفع منه بطرق تجارية أيضا.

📌**الحكم الشرعي للعقد:**

بما أن هذا العقد لم يكن موجودا في غير مدينة حلب فالحكم كان يختلف من مدينة إلى أخرى ففي دمشق وكنا قد سألنا علماء مدينة دمشق عن حكم هذا العقد عام 2004 فأفتوا بالتحريم والدليل على ذلك أنهم يعتبرون هذا العقد هو نفس صورة عقد الرهن الموجودة في كتب الفقه والتي تنص على عدم جواز المرتهن (الدائن) الانتفاع بالعين المرهونة لأنه من باب (كل قرض جر نفعا فهو ربا) ولن أفصّل كثيرا في مسألة انتفاع المرتهن (الدائن) في العين المرهونة فهذه محلها كتب الفقه.

📌أما في مدينة حلب فقد كان الموضوع محل جدل بين العلماء وقد أفتى الكثير من علماء مدينة حلب في الجواز وأذكر ممن أفتى في الجواز : فضيلة الدكتور إبراهيم السلقيني رحمه الله مفتي مدينة حلب الأول، وكنا قد أخذنا منه ورقة مختومة وموقعة في الجواز في عام 2009 أو 2008 (لم أعد أذكر التوقيت بالضبط ولكن عندما ثار جدل كبير حول الموضوع أحببنا أن نأخذ منه ورقة موثقة في هذا الموضوع فحصلنا عليها) الشيخ يوسف هنداوي فكّ الله أسره عالم حلب في الفقه الحنفي وقد نُقل ذلك عنه ولم أسمعها منه مباشرا.

ويوجد عدد من المشايخ والمفتين ودكاترة كلية الشريعة في جامعة حلب ممَّن أفتى بالجواز ولكن لن أذكر أسماءهم بسبب المواقف السياسية الحالية وأوضاعهم.

وقد شاع عن بعضهم الجواز بشرط دفع أجرة شهرية للمنزل مثل (100) دولار حتى يصبح العقد عقد إيجار لكن هذا القول ليس محل جدل لأن هذه الصورة إما أن تحول العقد عقد إيجار إن كان الأجر الشهري مبلغا مقبولا يمكن أن يستأجر فيه المنزل عادة فلا إشكال فيه أو أن الموضوع يكون عبارة عن حيلة يلجؤون إليها إن كان المبلغ قليلا ولا حاجة للجوء إلى هذه الحيلة عند من يرى الجواز.

📌**الأدلة على جواز هذا العقد:**

لن أفصل كثيرا في الأدلة وإن كنت أنوي أن أكتب بحثا كاملا في هذا الموضوع لكن سأستعرض سريعا أدلة الجواز:

أولا- هو عقد معاصر استحدثه الناس في مدينة حلب وجرى عرف الناس على العمل به وعرف الناس في المعاملات مقبول في الشرع بسبب حاجتهم له (فالأصل في العبادات الاتباع والأصل في المعاملات الابتداع) بمعنى أنه في المعاملات تظهر معاملات جديدة ومستحدثة وتتغير من زمن إلى آخر وقد أجاز فقهاء الحنفية عقد الاستصناع، وهو عقد مستحدث مخالف لعقد السلم فمن شروط عقد السلم: تسليم رأس المال في مجلس العقد أما في الاستصناع كبناء بناية أو صناعة أثواب لا يتم تسليم رأس المال في مجلس العقد وبالرغم من هذه الصورة المستحدَثة والتي هي مخالفة للسلم الذي ورد على خلاف القياس أصلا فهو بيع المعدوم إلا أن فقهاء الحنفية أجازوه بسبب حاجة الناس له.

ثانيا- قياس هذا العقد على بيع الوفاء الذي أجازه فقهاء الحنفية، وبيع الوفاء هو البيع بشرط أن البائع متى رد الثمن رد المشتري المبيع إليه؛ لأن المشتري يلزمه الوفاء بالشرط وهذا البيع مستحدث أجاز هذا البيع بعض المتأخرين من الحنفية والشافعية وعقد الرهنية موافق تماما لبيع الوفاء والخلاف في الاسم فقط (ولا عبرة في العقود للألفاظ والمباني إنما للمقاصد والمعاني).

ثالثاً- أما من حرم هذا العقد فقد قاسه على عقد الرهن ولا يجوز للمرتهن (الدائن) الانتفاع بالعين المرهونة لأنه قرض جر نفعا.
والجواب عن هذا أنه يوجد فارق بين عقد الرهنية والرهن، فالرهن من عقود الاستيثاق والتي هي تابعة لعقد آخر وهو عقد القرض ومرتبطة به فعقد الرهن في الفقه: هو وثيقة بدين يستوفى منها عند تعذر الأداء وبما أنه وثيقة بدين فهو حبس يحبسه المرتهن (الدائن) عنده حتى يؤدي الراهن (المدين) الدين فإن أدى الراهن الدَّين أعاد المرتهن الرهن، وإن لم يؤد الراهن الدين استوفى المرتهن من الرهن إلا أنه طوال فترة الرهن لا يجوز للمرتهن الانتفاع بالعين المرهونة حتى لا يؤدي ذلك إلى الربا أما عقد الرهنية الشائع في مدينة حلب فهو عقد قائم بذاته ليس تابعا لعقد آخر ولا يقصد منه الاستيثاق في الدين ولا يقصد منه الحبس بل هو عقد مقصود من الطرفين من أجل أغراض كثيرة لسدّ الاحتياجات المختلفة وربما نشأ الخلط في الحكم بسبب التشابه في الاسم بين (الرهن) و (الرهنية).
ختاما هذا العقد قد يختلف فيه الفقهاء، وتختلف فيه الأنظار بين محرم ومبيح كغيره من العقود المستحدثة في هذا العصر كالتأمين والأسهم والوديعة المصرفية والبورصة في عدد من معاملاتها الشرعية، وأحببت نقل وجهة نظر المبيحين بعد جدل كبير حول الموضوع وزدت بعض الأدلة التي رأيتها مناسبة في هذا الباب وسأعمل على بحث موسع ومفصل في قادم الأيام إن شاء الله.

My Answer:

Wa Allahu A'alam هذا من دجل الفقهاء وتنطعهم لاستباحة المحرمات. هو عقد وفاء عرف العقلاء كلهم أنه قرض ربوي البيع فيه للتوثيق .
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf
Professor, Islamic Finance & Economics
monzer@kahf.com; www.kahf.net; www.kahf.com/blog

From: مجد

كتب لي الدكتور .....:
الذي أجزم به هو حرمة عقد الرهن الحلبي بالوصف الذي ذكر ولا مبرر أبدا لإباحته، والله تعالى أغلم.
وكتب لي الدكتور ..... :أرى أنه قرض جرَّ نفعا.
ومن شروط استحداث عقود جديدة: أن لا تكون ذريعة الى الربا كمافي الرهنية.
هناك بديل مشروع يسمَّى البيع مع إعادة الشراء، وقد صدر بشأنه معيار شرعي عن هيئة المحاسبة والمراجعة للمؤسسات المالية الإسلامية خلاصته: أن يبيع المحتاج للسيولة عقارًا او أسهم شركة لديه إلى من لديه سيولة ويقبض ثمن المبيع فيستفيد منه وبعد إتمام البيع يصدر البائع وعدا ببيع الأصل الذي اشتراه بعد مدة محددة، وهي التي تنتهي فيها حاجة الطرف الآخر، ويقدر على دفع ثمن الأصل، فيبرم عقد شراء بالثمن الذي يتفقان عليه، وقد يكون نفس الثمن.
ويختلف هذا عن بيع الوفاء بوجود عقود، أما بيع الوفاء فليس فيه بيع ولا شراء، إنما هو قرض وبمجرد سداده يسترجع المقترض عقاره المرهون عن القرض، وينتفع المقرض بالعقار. ومنع انتفاع المرتهن بالمرهون ليس فيه خلاف.

My Answer:

البيع مع الوعدبالشراء إذا كان الوعد بالشراء بنفس الثمن في نص الوعد أو في العرف أو في الممارسة الفعلية فهو أيضا من دجل الفقهاء واستباحتهم الحرام ولو وجدت عقود وعقود! ألم يفعلوا ذلك في التورق؟

From: Omer
Sent: Friday, August 16, 2019
Subject: Question re Interest bearing trust account
Salam shaykh,
I have a question for you. Previously you answered my questions related to personal injury awards that may or may not be halal for a lawyer to take.
I have another law practice related fiqh question. One of the common practices is having a trust account for holding client funds and taking payment from after work is completed. This trust account must be interest-bearing but the Law Society (the government body that monitors lawyers) takes that interest. So I never see it nor do my clients.
Is it permissible to keep such an interest-bearing trust account? If possible, let me know the varying opinions. I prefer to be strict so as to keep baraka in my rizq. I have avoided it the trust account thus far, but it looks like I will need it, at least temporarily or for occasional use.
Yours truly,
Omer Khayyam

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. Omer

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

This is a kind of strange situation, how come you open an account and some other body claims the interest earned in it? This can only be done by a law not by an asociation…

İf you can continue avoid opening such an account, definitely it is butter or a must because you are the one who opens it and ask for interst on it. İf it is required by law aand you cannot practically practice without it and you can have the customer open it, do that or have the association open it it that. But if that makes it difficult for you to practice your profession, then open it and let its interest go to the association.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

Professor, Islamic Finance & Economics

monzer@kahf.com; www.kahf.net; www.kahf.com/blog

From: Suhaib

Sent: Friday July 5, 2019

Subject: هل المنافع لأساتذة الجامعة من البنك ربا؟

السلام عليكم دكتور منذر أتمنى ان تكون بخير وعافية انا صهيب يوجد لدي سؤال سأله صاحبي مقيم في تركيا مدرس في جامعة تركية. السيناريو هو كل ثلاث سنوات توقع الجامعة مع أحد البنوك المحلية اتفاقية على أن تودع الجامعة أموالها في هذا البنك وأيضاً تكون جميع الحوالات ودفع الرواتب عبر هذا البنك يعني كل ثلاث سنوات تفتح الجامعة باب تقديم المناقصات من قبل البنوك المحلية وتقوم البنوك بتقديم عروضها والامتيازات التي ستعطيها لموظفي الجامعة حتى تحصل على هذه المناقصة وأيضاً من الامتيازات والمنح هي ان يقوم البنك بالوعد بأنه سيعطي لكل موظف في الجامعة ٢٠٠٠ ليرة أو ١٥٠٠ ليرة لمرة واحدة كنوع من الهبة لمرة واحدة وتساعد في كسب المناقصة فالأخ يسأل هل هذه الأموال التي تدفع لمرة واحدة تدخل ضمن الربا ؟ هو يريد فتوى مكتوبة أو قرار شرعي بهذا الخصوص كي يريها لكل من يسأل أو تشكل عليه القضية. أتمنى أن السؤال واضح وأتمنى الحصول على قرار بهذا الخصوص. جزاك الله خيراً دكتور

My Answer:

هذا سؤال يحتاج الى تفصيلات حول أساس هذه المبالغ التي تعطى للعاملين. قد يكون ربا اذا تعلق بمقدار ودائع الجامعة أو بإيداعاتها في الحساب الجاري. وقد لا يكون اذا كان من الدعاية فقط. احصل على تفصيلات اكثر وأيضا عن كيفية وجود هذا الشرط بعقد الجامعة .

From: Suhaib

طيب دكتور ، جزاكم الله خير أظن سيكون صعب الحصول على التفصيلات ولكن هل هناك فتاوى أو قرارات حول هذه المنح المالية التي تعطى لمرة واحدة ؟

My answer:

بكل تأكيد: لا فرق في الربا بين أن يكون نسبة أو مر واحدة أو على دفعات دورية أو غير دورية لأن الربا هو أي زيادة في دين أو قرض. ولكن المسألة هنا فيها عنصران آخران: 1) شخص يأتيه مال برضا من معطيه، لم يطلبه ولم يتعاقد عليه فهل له أن يأخذه؟ و2) وإذا عرف أنه ربا اشترطه له مقرِض في عقد قرضه فهل يحل له أخذه؟ والذي يبدو لي من صيغة السؤال أنه ربا لاشتراطه في عقد قرض لفتح حسابات جارية للجامعة. ولا أراه حراما للموظف أنه لا علاقة له بكيف اكتسبته الجامعة طالما كان اكتسابه جزءا من بدل عمل مشروع متعاقد عليه مع الجامعة.

From: Suhaib

جزاك الله خيراً دكتور الذي فهمت من صاحبي أنه هنا يفتى بجواز أخذ تلك المبالغ وذلك لأنه في المذهب الحنفي يكون الربا بين الدائن والمدين فقط.

My Answer:

هذه الفتاوى لها ظروفها وأحوالها ولا تنطبق على كل الحالات. أنا لا أجزم أنها ربا لو دخلت في عقد العمل مع الموظف رغم هذا التعريف. وما أظن أن حنفيا عاقلا يخالفني. وأيضا معنى هذه القاعدة أن التورق ليس ربا لأنه ليس بين شخصين .

From: Idriss
Sent: Wednesday, June 19, 2019
Subject: Perspective regarding Riba

What do you think of sh. Abdullah al Judai proposed regarding Riba in the following video. Would like to hear from you in sha Allah.

My Answer:

I do not give fatwa on basis of verbal presentation. Ask me a specific question and I will try to answer.
However, Riba that is prohibited in the Qur'an is defined in verse 2:297 as anything above principal in a debt, whether the debt comes from a loan or any other transaction. This is final and clear and has no way of being misunderstood or argued, today, tomorrow or in the past regardless of being done between individuals, organizations or even governments.
Best Regards
Dr. Monzer Kahf

From: Majd
Sent: Monday, June 17, 2019
Subject: قرض يدفع رب العمل فائدته

السلام عليكم ورحمة الله
شخص يعمل في شركة تغير السيارات للموظفين القدامى على أن يأخذ قرضا باسمه بثمن السيارة، على أن تقوم الشركة بسداد القسط كل شهر بوضع القسط في حسابه شهريا على أربع سنوات، لكن إذا ترك العمل قبل انتهاء القسط يكمل هو، وأصل العقد بين الموظف والبنك، والشركة فقط تسدد بإيداع القسط مع الراتب وذلك طالما الموظف في الشركة .
ما الحكم؟

My Answer:

الأخ المكرم مجد
السلام عليكم ورحمة الله وبركاته مثل هذا يحصل في بعض الشركات .
بكل تأكيد شراء السيارة بقرض ربوي أمر محرم إلا لضرورة ولا ضرورة هنا لأن الأمر هو زيادة منافع وهذا ليس ضرورة .
أما الحل فهو أن يناقش الموظف مع الشركة ضرورة مساواته بغيره فيشتري السيارة نقدا وتفع له الشركة أفساطا مماثلة لما تدفعه لزملائه. أو أني يشتريها بعقد إجارة منتهية بالتملك كما هو شائع في البلدان الغربية (وفروق هذا العقد عن الإجارة المنتهية بالتمليك الشرعية قليلة ومعظمها محتمل) وتدفع له الشركة مثل زملائه. أما الشراء بقرض ربوي فلا .
مع أسمى التقدير وأعز التحية
أ. د. منذر قحف تمويل واقتصاد إسلامي

Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf
Professor, Islamic Finance & Economics
monzer@kahf.com; www.kahf.net; www.kahf.com/blog

From: Murtada
Sent: Sunday, April 14, 2019
Subject: Car title loans - asset backed - dropping rates

Salam,

What is the best way to work with you. Is it generally an hourly rate, project based? Would this situation of asset backed lending even have an Islamic exploratory solution?

I will give you an overview of our vision as well as what we have explored so far. feel free to ask questions to see if it is a good fit.

We are finalizing the operating capital VCs currently in the financial lending area. They will be Tier 1 VCs. (*In the next 30-60 days we should have things completed.*)

Our mission is to provide access to capital at the cheapest 'rates' possible. (*Please note I am using rates here as a mathematical term. There is also a separate debate within Islamic circles of whether the whole society is corrupt and why people even need capital, for emergency healthcare. That is a different discussion. We would like to see if we can attempt to bring one societal problem closer to a solution.*)

We have been exploring the area for ~1 year. I know about you because I am an active member of MAC [Muslim Association of Canada], work with youth in our Edmonton center, and I heard the financing of our building here in Edmonton may have been reviewed by you.

1. Our specific interest was to explore the high rates of people in need in the US, specifically **payday loans** [*canada has a different situation*]. However, even on a much lower rate for direct loans, we were not sure how to make anything Shariah compliant. As well, the viability of an actual sustainable business here is much more complex. Ultimately, the business has to stay afloat *and* give out loans at a very affordable rate.
2. We dove into was **auto title loans**, with most competitors having an APR of 140% effectively. We gave out a dozen or so loans as a dry run at a much cheaper rate, generally to people in dire need, successfully. Currently we are exploring the possibility of
3. Other areas of future exploration
    1. Credit cards similar to prepaid ones but secured by the collateral.
    2. Using other collateral, such as mobile phones [*for very small loans*] or homes [*for larger loans*]

If we were to work together, most likely we would end up having you collaborate with our compliance and legal team on a regular basis. I do believe there will be lot of hurdles, and I do recognize it may be challenging at times. However, I would also like to explore societal solutions to this general issue, making things more equitable, decent for customers, within the bounds of the sharia'h.

Murtada

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. Murtada

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

One thing is very clear in Islamic finance: you cannot provide cash for any definite profit. This means that loan contracts do not bring any profit.

The provision of finance to SMEs and start-ups and also pay-day finance can take other venues such as Murabahah and Ijarah services. The name of success of such venture is availability of abundence funding which can be explored through croud funding.
For any business project, I work on either retaining basis, hourly basis or project basis. The choice depends on your business model and plans. For non-profit objectives\projects I work for free.
Wassalam
Best Regards
Dr. Monzer Kahf
From: Murtada
Salam,
Thank you.
I would like to have someone on retainer eventually, because in the VC system, I think there are so many contracts that need reviewing, from shareholder agreements to funding agreements of a business. We may be able to start on a project instead?
You mentioned Murabahah or Ijarah services. What about a project on just determining how to give out cash loans that are collateral backed, if even possible? What would a rough range of such a project be?
The one thing I thought of was that if it is collateral backed, the contractual nature can be one of purchasing their asset and re-selling it at a higher price on a monthly payment term basis. For example, someone needs $3000 - we buy your vehicle worth $10K for $7K, sell it back to you for $11K, and you pay back $4000 over two years at $167/month.
With shareholders, investors for operational money, and owners, staff who need to get paid, cost of operations, ultimately it will have to be a for-profit business. Namely, unless it is run by governments with tax-payer money, I don't see a way to run this without losing a significant amount of $$ -> cost of operations, offsetting risks of default, cost of capital.
Murtada
My Answer:
Dear Br. Murtada
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
I don't see a way for providing cash against payment of a larger sum in the future to be asset backe or collaterized. This is not our Shari'ah. The idea you mentioned of buying an asset and selling it back to seller iscalled Inah and is pure Riba and is prohibited in the very text of the Prophet, pbuh.
You can provide funding for operating (working) capital throigh one of the following means only: Murabahah or Ijarah which create debts and can be collaterized or sharing contracts as calital equity in the business similar to what most contributions of venture capital companies, taking risk of management and markets.
If you exclude the idea of giving cash on assured increment basis, I will be willing to cooperate with you on project basis with the expantion into retainment basis in the future. If you want it to be Shari'ah compliant please remove from your mind giving cash for a larger some of cash in the future.
Wassalam
Best Regards
Dr. Monzer Kahf
From: Murtada
Salam, Thanks.

1. For credit or debit cards, minus cash withdrawals, can it be structured in a way wherein products are purchased on the card, resold to the customer on an annual APR% if paid over a year?

a. On this product, the goal is to disrupt the car title industry, with averages of 300% APR. We are trying to figure out the best way to drop it to 30% or equivalent. If you have suggestions, let me know.
A kind of credit card can be arranged with two conditions: 1) to arrange a way to block its use for cash withdrawal, and 2) to accept definite date of payment and sale price on each purchase. Changing dale of payment or its amount after a sale is done is exactly interest in the full sense. Date of payment can be any date in the short or long future. İt is a process that requires lengthy and detailed documentation but can be done.

b. On a separate product, the goal is to drop regular cards % to 7% APR with home backed. Let me know if you have suggestions.
I don't understand what you mean by this, need explanation with an example.

2. Practically, what is the best way to drop % to 0% on credit cards in USA? The only way we could think of is subsidize the cost & risk with other sources of revenue.
3. Re: Cash loans, we will go away from that. We have to check banking regulations regarding cash withdrawals from cards with our legal teams.

Thank you.
Murtada
My Answer:
Please see my answers in red below your questions:
Monzer Kahf
From: Murtada
Thanks

1. Are there cases of cards like this in the Islamic [or other] world currently? It is easier for us to just contact them possibly and collaborate.

Not that I know. There was an attempt in Bahrain in1999 but did not succeed. It came in my article that is published in the Journal of Islamic econ. By King Abdulaziz U. A year of two ago.

2. Due date of payment- it can be 12 months fixed? What if it is paid earlier? Can they be encouraged by charging less?

Date of payment has to be fixed because it is a sale on Murabahah. Discount may be granted, on a case bu case basis at time of early payment. But cannot be specified in the contract otherwise it becomes Riba.

3. What happens if they miss the 12 months payment? Can late administrative fees be charged?

OT AT ALL.no matter what you name it any return for late payment is Riba.

4. Our credit cards would be backed by collateral - car or home. Generally, we would not repossess, and just write things off. Occasionally, say 10% of write-offs, we may need to in order to ensure we aren't losing. What is the Islamic view on this?

Collaterals are permissible. I do not understand your statement, the highlighted.
Murtada
My Answer:
Dear Br. Murtada
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Please see my answers in red below your questions:
Wassalam

Best Regards
Dr. Monzer Kahf

From: Yaman
Sent: Saturday, May 25, 2019
Subject: Islamic financing consultation
Salam Dr Monzer,
This is Yaman Subei, son of Dr Iyad Subei in Jeddah. Not sure if you remember me :)
Insha'Allah my message finds you in the best health and iman.
I got your email from Baraa and really writing to consult with you on an Islamic financing matter.
I've recently started a medical practice and alhamdulillah. The challenge though is that the business has significant overhead and working capital requirement. Due to early stages of the business, cash flow is volatile given the high dollar requirement. That said, I'm considering opening a line of credit to be used ONLY in emergency situations so the business doesn't go under on a bad month. This would be a temporary draw (weeks) until more capital is injected into the business.

1) Given the riba nature of it, Is it haram to even enter into such contract even if NO amounts were drawn therefore no interest paid? The LOC is not secured.
2) Is it haram If amounts were drawn in an emergency situation on the temporary basis described above?

JAK and many thanks in advance.
Yaman

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. Dr. Yaman
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh and Ramadan Karim Of course I know who you are and and please give lots of Salam to your father.
İn fact, while signing a contract of credit card is permissible even with the clause of interest in it, I see a difference here. A line of credit has only one use, that is to borrow on interest when needed whereas a credit cards has lots of conveniences and it is in your hand to avoid interest even after actual use of it and actual creation of indebtedness. This is why the Fatwa is established that if you are not sure you can pay the full balance, it is Haram to use it beyond what you are sure you can and will pay its full balance. This is not the case in LOC. I wouldn't dare saying it can be permissible. I reather suggest that you find some other way for such cases of temporary cash needs such as liquidating some investments, resorting to leasing equipment instead of buying them, having a partnership with a finance source, and the like.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf
Professor, Islamic Finance & Economics
monzer@kahf.com; www.kahf.net; www.kahf.com/blog

From: Shakeel
Sent: Monday, May 6, 2019
Subject: Buying a property to make it a mosque
As'salamu Alykum,
Our Masjid, in USA, is buying a closed synagogue and they are taking an interest bearing loan of $2.5 Million. Is there any other way of Halal financing?
My Answer:
Mosques must not be purchased with interest-based loans.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf
Professor, Islamic Finance & Economics
monzer@kahf.com; www.kahf.net; www.kahf.com/blog

From: Dr. Mohsen
Sent: Wednesday, April 10, 2019
Subject: Bank's bonus to new customer
As-salamu alakum dear Prof. Monzer,
Hope you are fine.
Please take the time to answer this question:
Sign on bonus for new customer from Bank, is it halal
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.
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Bonuses given by banks for new customers are permissible as long as they are given to all customers, they are then not interest on loans in current accounts. İf they are only given to customers who open new current accounts (which are loans to the bank). The bonus becomes like a pre-paid interest, which is then deserves to be given to charity.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf
Professor, Islamic Finance & Economics
monzer@kahf.com; www.kahf.net; www.kahf.com/blog

From: Imaam …….
Sent: Tuesday, March 12, 2019
Subject: Fwd: Pension plan or mutual funding

Dear Prof. Monzer, Aawb.
Kindly try to send us an answer for this question.
Baraka Allah feekum.
Much appreciated.
Amin

> ---------- Forwarded message ----------
> From: mourad
> Date: Thursday, February 28, 2019
> Subject: Pension plan or mutual funding in شريعة
> To: imam
> Assalam alikom brother,
> I was inquiring about what the شريعةsays about the pension plans in Canada,as i told you before in the mosque here is what i was inquiring about in شريعة. So the pension we have in our company is like this:
> I can contribute 4-10% of the earnings into the plan. The company will match 100% up to 4% of the contributions and then 50% of the additional 6%.
> For example, if I want to contribute 4%, the company will match it at 4% for a total of 8% If I want to contribute 10%, the company will put in 7% for a total of 17%.
> Unfortunately, we are unable to choose investments outside of the Sunlife plan and we can no avoid collecting interests.
> I've attached a summary sheet of our Pension Plan to review and if you can ask other people that you may think have more knowledge in this matter as tou said the other day.
> جزاكم الله خيرا ، اخوكم مراد من المغرب.

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. Imam Dr. Amin
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
The answer to issues related to company\association and private pension plans in Canad and the USA is as followed:

1. There is no doubt that interest as known in today's economies is the same as Riba the is very strongly and firmly prohibited in the Qur'an. It is one of the most severe sins and we Muslims are always called upon to avoid it.
2. Living and working in the west is permissible. Also it is permissible to contribute to pension plan of companies, associations, and private as. These plans have important beneficial aspects to persons and families that need not be neglected including the matching contributions of employerm the tax exemption on earning and the return of investment.
3. It is understandable that many of these schemes have interest issues in their investments. Here is the way of how we sort these issues:
    a. We should advise the managers of these schemes to avoid in their investments any non-permissible issues. Of course in schemes that are managed by the owner (e.g., IRA in the USA) we invest only in permissible shares. When the scheme is run by a committee inside a company, advise it to avoid Haram and to invest in already screec funds such as Amana, Aman and others

in the USA or the Housing Coop in canada (to the best of my knowledge it is qualified to accept retirement and education saving schemes)

b. After giving best advice, things that we cannot avoid of interest must be estimate every year and an equal amount must be given to charity in order to keep all funds in the retirement scheme pure and clean. We do not quit the scheme and loose all its benefits because its managing committee (that is in our hands) invest in some Haram as such investments in Haram are not the main intent of the scheme. We only estimate the Haram part and give an amount equal to it away to charity

4. Funds accumalated in the scheme (all balances) are subject to Zakah every 354 days at the rate of 2.5%. You may deduct from it only the employer's contribution that is not vested yet.

Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf
Professor, Islamic Finance & Economics
monzer@kahf.com; www.kahf.net; www.kahf.com/blog

From: Majed
Sent: February 11, 2019
Subject: بطاقات الخصم

عندنا مركز أسنان، وهذا المركز يقوم بعمل بطاقات عضوية مقابل 100 الف سوري، يدخل فيها الشخص لمدة 6 شهور، ويكتسب من خلالها خصم 30% على أي خدمة يريدها من المركز ، وبعد الستة أشهر يمكن استرجاع المبلغ(100 الف) إذا لم يرغب صاحبها في التجديد. وكل شهر يوزع كوبون بقيمة 6000 ليرة، يمكن استخدامها ضمن خدمات المركز .. فما حكم الاشتراك بهذه الأشياء؟

My Answer:

الأخ المكرم مجد
السلام عليكم ورحمة الله وبركاته .هذا نموذج واضح لقرض جر نفعا. هذه المنافع المادية هي فوائد ربوية على القرض. فالمعاملة غير جائزة في شرعنا .
مع أسمى التقدير وأعز التحية
أ. د. منذر قحف تمويل واقتصاد إسلامي

From: Majed

جزاكم الله خيرا وبارك فيكم استاذنا الدكتور منذر، هذا رأي أخي الدكتور .....:
بل يمكن النظر إليها وتصحيحها على أنها ثمن العضوية لدى المركز، يستفيد المركز من خلالها ولاء العملاء وعدم الذهاب إلي غيره، وهذا شائع في بائعي الخدمات. أما لو كان مقدم الكوبون جهة أخرى تستفيد من المبلغ وتدفع بالمقابل إلى المركز ليقدم حسوماً للمقرضين فهو ربا قرض ولا شك.

My Answer:

لا نوافق ع رأي الدكتور ..... لأن هذا قرض وليس اشتراكا. ثم الاشتراك له فوائد أخرى غير ماد ية مثل أولوية بالمواعيد أو معلومات ترسل بنشرة دورية، إلخ. فهذا قرض محض أما الاشتر اك فجائز لو رافقته منافع أخرى كما ذكرنا. أما أن تكون نقدا بنقد فلا.
أ. د. منذر قحف تمويل واقتصاد إسلامي

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

Professor, Islamic Finance & Economics
monzer@kahf.com; www.kahf.net; www.kahf.com/blog

From: Imaam
Sent: Wednesday, January 2, 2019
Subject: Fwd: Fw: The Differences between Riba and Interest

Dear Prof. Monzer,
As-Salamu `alaikum.
Jazaka Allah khairan for your care and support.
Below is a detailed question sent by a senior community member for which your guidance and opinion are needed. Imam ……

---------- Forwarded message ---------
From: Abdul Aziz
Date: Sat, 22 Dec 2018
Subject: Fw: The Differences between Riba and Interest
To: Muzammil Dr. Amin

Assalamualiakum,
I will appreciate your feedback/comments.
Riba, Usury and Interest
By Shah Nawaz Khan
Giving
Thanks,
Aziz Khan
From: Ghazanfar,
Sent: December 21, 2018 6:20 PM
Subject: The Differences between Riba and Interest
http://www.paklink.biz/articles/interest-riba.html
The Differences between 4800 f The word 'riba' as appearing in Holy Quran is translated in English as 'usury' by some translators chang and as 'interest' by few. In Arabic language, it literally means an "increment" or "excess" but in RS. 50 essence it means unfair advantage or profiteering, which is prohibited by Allah (swt). For instance curren giving RS. 4800 for change of a RS. 5000 currency note would be riba, even though there is would neither interest nor increase. Usury is not only unfair advantage but also excessive and wicked Riba, charge of interest and is condemned by Bible and Quran as also other faiths.
Though The Muslim economists, bankers and insurers who have intensely studied Quranic verses and is neit hadiths find that among most of the ulema (clerics of Islam) and jurists of Islam considerable interes misunderstanding and misconceptions are found about banking interest and insurance. Quran like nor inc Bible prohibits usury and refers it as a kind of Riba.
Usury
only u advan but als exces and w charge interes is conde by Bib Quran also o faiths.
Conventional Bank Interest and Profits. Banks provide a variety of financial services much different than the greedy and professional moneylenders and pawnbrokers of ancient times. Governments and laws lay down stringent requirements for their solvency and paid up capital and monitor and regulate their operations.

When the bank pays you interest on your deposit they pay you out of their overall profits. When the bank charges you interest on the loan they charge it as the substitute for profit that they would otherwise make by investing in share market, real estate etc. Al Azhar's verdict for paying predetermined profit (interest) is apparently based on the principle of pooling the overall profits of the bank on all types of investments plus their own flat fees for account handling, lockers, guarantees, monetary transfers etc. instead of the cumbersome and expensive procedure of sharing profits and losses under each transaction of debt separately. But Al Azhar's plea for Qarze Hasana (loan without interest or obligation to repay) to the poor and needy, is not commercially viable and only philanthropic and charitable institutions could do that or the government can do that on the lines of social security benefits for poor in US and Canada.

Bank interest rate about equal to or less than likely profit on investment of the same amount as loaned cannot technically or logically be regarded as taking unfair or unethical benefit and thus it cannot be treated as usury/riba.

It may be noted that under the sharia compliant modes of financing one often ends up paying higher profits to the lender than the regulated bank interest and the reason is said to be that risk of loss is there for the lenders. In view of the modern risk appraisal methods for granting loans and the laws that protect the interests of the borrowers and lenders it can safely be said that modern banking as regulated by the laws is serving the needs of the business and consumers in much better way and more economically than any other method in history.

The Islamic theological research committee of Egypt's Al-Azhar institute - seen by many as the philosophical center of the dominant Sunni strand of the faith - has in the recent past voted 211 to approve fixed interest rates or pre-determined rate of profit..

But orthodox ulema do not agree and forcefully rejected the Al Azhar verdict. It would be recalled that the judgment of Shariat Bench of Pakistan to abolish the interest dealings in Pakistan was not allowed to be implemented by the Supreme Court of Pakistan and it was directed that first the problem of inflation and reduction in purchasing power money be found. Despite lapse over 5 years there is no solution and the principal value of money as compared with gold, wheat and various other commodities continues to regress.

Interpreting Verses of Holy Quran

004.161: That they took usury, though they were forbidden; and that they devoured men's substance wrongfully;- we have prepared for those among them who reject faith a grievous punishment.

The words "devoured men's substance wrongfully" indicate exploitation. Logically nominal bank interest can not be deemed to be devouring men’s substance wrongfully.

002.278: O ye who believe! Fear Allah, and give up what remains of your demand for usury, if ye are indeed believers.

002.279: If ye do it not, Take notice of war from Allah and His

Messenger: But if ye turn back, ye shall have your capital sums: Deal not unjustly, and ye shall not be dealt with unjustly.

In verse 2.279 the words 'Deal not unjustly' refer to exploitation

003.130

YUSUFALI: O ye who believe! Devour not usury, doubled and multiplied; but fear Allah; that ye may (really) prosper.

PICKTHAL: O ye who believe! Devour not usury, doubling and quadrupling (the sum lent). Observe your duty to Allah, that ye may be successful.
SHAKIR: O you who believe! do not devour usury, making it double and redouble, and be careful of (your duty to) Allah, that you may be successful.
In verse 3.130 the words doubled and quadrupling are important in arriving at the definition of Riba. Does it mean that until the riba reaches the level of double and manifold it can be taken? Probably not but it does indicate excessive charge.
The Nature of Usury at the dawn of Islam
In the following extract from Imam Malik's Mutawat the practice of usury as prevalent at the dawn of Islam is described.
Book 31, Number 31.38.84:
Malik related to me that Zayd ibn Aslam said, "Usury in the Jahiliyya was that a man would give a loan to a man for a set term. When the term was due, he would say, 'Will you pay it off or increase me?' If the man paid, he took it. If not, he increased him in his debt and lengthened the term for him "
Malik said, "The disapproved of way of doing things about which there is no dispute among us, is that a man should give a loan to a man for a term, and then the demander reduce it and the one from whom it is demanded pay it in advance. To us that is like someone who delays repaying his debt after it is due to his creditor and his creditor increases his debt." Malik said, "This is nothing else but usury. No doubt about it."
Please note that the above hadith does not distinguish between loan of cash or goods.
Malik spoke about a man who loaned one hundred dinars to a man for two terms. When it was due, the person who owed the debt said to him, "Sell me some goods, whose price is one hundred dinars in cash for one hundred and fifty on credit." Malik said, "This transaction is not good, and the people of knowledge still forbid it."
Malik said, "This is disapproved of because the creditor himself gives the debtor the price of what the man sells him, and he defers repayment of the hundred of the first transaction for the debtor for the term which is mentioned to him in the second transaction, and the debtor increases him with fifty dinars for his deferring him. That is disapproved of and it is not good. It also resembles the hadith of Zayd ibn Aslam about the transactions of the people of the Jahiliyya. When their debts were due, they said to the person with the debt, 'Either you pay in full or you increase it.' If they paid, they took it, and if not they increased debtors in their debts, and extended the term for them."
Please note that the length of terms is not indicated but in those days the period did not usually exceed one year or so for which almost 50% excess is excessive. Further it appears that repayment of loan in installments was rarely practiced.
The Differences between
Riba, Usury and Interest - Part 2
By Shah Nawaz Khan
Different Kinds of Riba
As we shall see later in this paper there are different types of riba. The following hadiths describe the nature of different kinds of Riba, which is Profiteering by unethical means is a kind of more like unfair and excessive increase - more like extortion or unethical Riba! Riba is also unethical or unjust gain in profiteering or in some cases as voluntary or agreed recompense or exchange or barter. Selling an item for appeasement for a favor. more than itÃ¢â‚¬â„¢s actual weight is Riba. Barter

of the same type of product Ã‚Â A) Profiteering by unethical means is a kind of Riba! with obligation for paying larger quantity is Volume 3, Book 48, Number 841: Sahih Bukhari: Narrated 'Abdullah bin Abu Riba. Taking goods on credit on the Aufa: promise of paying larger quantity in the Ã¢â‚¬Å“A man displayed some goods in the market and took a false oath barter is also regarded as riba or usury. But that he had been offered so much for them though he was not offered that Bank interest rate regulated by the amount Then the following Divine Verse was revealed:-- "Verily! Those who government is not regarded as riba by a purchase a little gain at the cost of Allah's covenant and their oaths . . . Will minority of scholars.
get painful punishment." (3.77) Ibn Abu Aufa added, "Such person as described above is a treacherous Riba-eater (i.e. eater of usury).Ã¢â‚¬Â In this hadith the eating of usury refers to profiteering by unethical trick.
Ã‚Â B) Voluntary Gift to appease the debtor is a kind of Riba!
Volume 5, Book 58, Number 159 (Sahih Bukhari): Narrated Abu Burda:
Ã‚Â Ã¢â‚¬Å“ When I came to Medina. I met Abdullah bin Salam. He said, "Will you come to me so that I may serve you with Sawiq (i.e. powdered barley) and dates, and let you enter a (blessed) house that in which the Prophet entered?" Then he added, "You are In a country where the practice of Riba (i.e. usury) is prevalent; so if somebody owe you something and he sends you a present of a load of chopped straw or a load of barley or a load of provender then do not take it, as it is Riba." In this hadith we find the voluntary submission of gifts to please the creditor is being described as riba! But in another hadith we find that voluntary payment of excess on redemption of loan was not treated as usury.
C) The barter of two different qualities of the same product is a kind of riba!
Volume 3, Book 38, Number 506 (Sahih Bukhari): Narrated Abu Said alKhudri:
Ã‚Â Once Bilal brought Barni (i.e. a kind of dates) to the Prophet and the
Prophet asked him, "From where have you brought these?" Bilal replied, "I
had some inferior type of dates and exchanged two Sas of it for one Sa of Barni dates in order to give it to the Prophet; to eat." Thereupon the Prophet said, "Beware! Beware! This is definitely Riba (usury)! This is definitely Riba (Usury)! Don't do so, but if you want to buy (a superior kind of dates) sell the inferior dates for money and then buy the superior kind of dates with that money."
Ã‚Â The barter of two different qualities of the same product is being treated as riba and the right method is advised as selling and buying different qualities of product with money..
Ã‚Â D) Prohibition of trade of alcohol and Riba
Sahih Bukhari Volume 6, Book 60, Number 66: Narrated 'Aisha: Ã¢â‚¬Å“When the last Verses of Surat-al-Baqara were revealed, the Prophet read them in the Mosque and prohibited the trade of alcoholic liquors. "If the debtor is in difficulty, grant him time till it is easy for him to repay.."
(2.280)Ã¢â‚¬Â
This hadith indicates that the alcoholics those days used to buy liquor on credit and were harassed by the lenders. Thus the last verse may have helped the debtors in trouble and the trade of liquor was abolished.
Ã‚Â
E) Selling an item for more than itÃ¢â‚¬â„¢s actual weight is Riba. . Imam Malik's Muwatta - Book 31, Number 31.16.28:
Ã¢â‚¬Å“Yahya related to me from Malik that Yahya ibn Said said, "The Messenger of Allah, mayAllah bless him and grant him peace, ordered the two Sads to sell a vessel made of either gold or silver

from the booty. They either sold each three units of weight for four units of weight of coins or each four units of weight for three units of weight or coins. The Messenger of Allah, may Allah bless him and grant him peace, said to them, 'You have taken usury, so return it.' "

F) Barter of the same type of product with obligation for paying larger quantity is Riba.

Volume 3, Book 34, Number 344 (Sahih Bukhari): Narrated Az-Zuhri from Malik bin Aus: that the latter said, "Who has change?" Talha said, "I (will have change) when our store-keeper comes from the forest." Ã‚Â Narrated 'Umar bin Al-Khattab: Allah's Apostle said, "The bartering of gold for silver is Riba, (usury), except if it is from hand to hand and equal in value/amount, and wheat grain for wheat grain is usury except if it is form hand to hand and equal in amount, and dates for dates is usury except if it is from hand to hand and equal in amount, and barley for barley is usury except if it is from hand to hand and equal in amount." (See Riba-Fadl later in this paper).

Taking goods on credit on the promise of paying larger quantity in the barter is also regarded as usury. Similarly lending money on the condition of paying back larger amount is riba. Although the words money or coins are not indicated in such hadiths that appear to have lead most ulema to classify the bank interest however small it is, as usury and prohibited. However, by considering the verses of Holy Quran for avoiding unjust dealings, and since the details and occasion of the transaction are not indicated, it is possible that Hazrat Umar may have regarded the excess demanded as unjust as is evident from the following hadiths

Ã‚Â

F) Definite Verdicts about of all kinds of Riba were not there!

Sahih Bukhari Volume 7, Book 69, Number 493: Narrated Ibn 'Umar:

Ã‚Â 'Umar delivered a sermon on the pulpit of Allah's Apostle, saying, "Alcoholic drinks were prohibited by Divine Order, and these drinks used to be prepared from five things, i.e., grapes, dates, wheat, barley and honey.

Alcoholic drink is that, that disturbs the mind." 'Umar added, "I wish Allah's Apostle had not left us before he had given us definite verdicts concerning three matters, i.e., how much a grandfather may inherit (of his grandson), the inheritance of Al-Kalala (the deceased person among whose heirs there is no father or son), and various types of Riba(1) (usury) ."

G). Riba in Different Sense.

Book 41, Number 4858 of Sunan Abu Dawud. Narrated Sa'id ibn Zayd: The Prophet (peace_be_upon_him) said: The most prevalent kind of usury is going to lengths in talking unjustly against a Muslim's honour. Ã‚Â Book 23, Number 3454: of Sunan abu Dawud. Narrated AbuHurayrah: The Prophet (peace_be_upon_him) said: If anyone makes two transactions combined in one bargain, he should have the lesser of the two or it will involve usury.

Terms coined Muslim Jurists

Much of the terms coined in Arabic by Muslim Jurists for different kinds of riba were intended to be based on Quran and Sunnah but literal approach rather than due regard to the logic and the underlying principles warrant review by Ijtehad. And their

verdicts for equating the conventional banking interest with the ancient practice of the wicked moneylenders and pawnbrokers of the past do not appear to be based on logic and reason and indicates their imperfect understanding of the modern monetary and financial systems and the new forms of credit that are helping in growth of commerce and industry as well as in reducing poverty and un-employment.

Quran constantly ask us to use reason in such matters and

to continue exploring new avenues of knowledge. .

The Controversial Definition of Riba

In the orthodox Islamic Fiqh the term riba means an unjustified increment or addition in borrowing or lending money, paid in kind or in money over and above the quantity or amount of loan or credit, as a condition imposed by the lender or voluntarily by the borrower. Riba defined for cash loans is called in Fiqh riba al-duyun (debt interest).

Riba is also an unjustified increment gained by the seller or the buyer if they exchanged goods of the same kind in different quantities. This is called "riba al-fadl" or "riba-al-buyu" (trade interest). All such terms have been coined by Ulema.

According to orthodox Ulema the term nasi'ah means to postpone, defer, or wait and refers to the time that is allowed for the borrower to repay the loan in return for the addition or the premium. Hence Riba al-Nasi'ah refers to the interest on the loan. Ulema opine that it is in this sense that the term Riba has been used in the Qur'an in the verse 2.275: Ã¢â‚¬Å“Those who devour usury will not stand except as stand one whom the Evil one by his touch Hath driven to madness. That is because they say: "Trade is like usury," but Allah hath permitted trade and forbidden usury. Those who after receiving direction from their Lord, desist, shall be pardoned for the past; their case is for Allah (to judge); but those who repeat (The offence) are companions of the Fire: They will abide therein (for ever)Ã¢â‚¬Â . Ã‚Â Orthodox Ulema maintain that the prohibition of Riba al-Nasi'ah essentially implies that the fixing in advance

of a positive return on a loan (interest) as a reward for waiting is not permitted by Islam. It makes no difference whether the return is a fixed or variable percent of the principle or an absolute amount to be paid in advance or on maturity, or a gift or service to be received as a condition for the loan.

However, investment of money in business project sharing profit and loss is permitted even if the return on principle can be either positive or negative depending on the final outcome of the business, which is not known in advance, it is allowed provided that it is shared in accordance with the principles of justice laid down in Islam.

Ayatullay Khamena's Verdict Ã¢â‚¬â„¢ Ayatullay Khamena'i is very explicit in his ruling (fatwa) that paying interest (riba), whether to Muslims or nonMuslims, is prohibited. He adds that such a transaction can not be made lawful even with the permission of the al-hakim as-shar'i. Thus, under normal circumstances paying interest is prohibited unless one can substantiate that he/she is compelled (mudtarr). However, the contract for the principal amount remains valid and has to be honored. With respect to receiving interest (riba), Ayat. Khamena'i allows it so long as it is from the non-Muslims.

Ã‚Â Source: "Durar-ul-Fawa'id...," p. 108, 111, 113, 115.

http://al-islam.org/organizations/aalimnetwork/msg00088.html The difference between Riba and interest can be summarized as follows: Ã‚Â 1. Interest is time related and is a reasonable payment for use of money borrowed. Usury is excessive, wicked or illegal charge of interest. Riba is not only usury but also unethical gain in exchange of goods on credit or in barter, which has been prohibited in Islam.

2. Riba is not necessarily time related; it can be on spot or in any time frame. Interest depends on time like rent. Interest could be per day, per month and usually per annum.

3. Riba is the "excess", not the "decrease". Giving short change for a coin or currency note is riba, Riba will remain riba, however small or big the excess may be. Interest rate can be employed in discounting or arriving at the present value of future liability.

Ã,Â 4. Riba is entailed in barter of two different types or qualities of goods even on the spot from hand to hand. Interest does not play any part in barter on the spot..
Ã,Â 5. On a loan given for business on profit or loss sharing basis the profit is earned by the sleeping partner without doing work and such transaction is admissible under Sharia, even though the lender gets the benefit of higher return if the profit is high due to ingenuity of the entrepreneur. In interest transaction the lender cannot get more than the agreed rate of interest Ã¢â‚¬â€œ usually regulated by the government. Normally the enterprises that obtain loan from banks make much greater profits than the interest that they have to pay to the bank.
It is wrong to say that giving credit on interest does not entail risk. The cases of defalcations are not un-common and bankruptcy laws had to be enacted that protect the interests of the lender as well as borrowers who may be shareholders of a bankrupt company. Ã,Â 6.Orthodox Ulema generally say that money is medium of exchange and not by itself product for trading and the money is a store of value and any exchange of the same product must be equal even with delayed return.. But this does appear to be possible in trading of Foreign currencies and the fiat currency system where the flaw of erosion of purchasing power of money as compared to gold, commodities and land is inherent. But they have not been able find any solution for inflation and do not understand the system of Special Drawing Rights (SDRs) that was introduced as international reserve asset, created by the International Monetary Fund in 1969 to supplement the existing official reserves of member countries for exchange of currencies. Continued in next part.
The Differences between
Riba, Usury and Interest - Part 3
By Shah Nawaz Khan
Banking is a Trade
Islam does not prohibit profits in trade but prohibits exploitation or unethical means in trading. Banking is a trade and financial service, much
"Religious jurisprudence means different than the concept of Baitul Maal, money lenders and pawn brokers change, and it is illogical to remain of ancient times. At the dawn of Islam there were no banks and goldsmiths frozen while the world changes around and merchants accepted deposits for safekeeping or gave loans on harsh us," Sheikh Saber Talaab, head of the
terms. Now research committee secretariat, was bank has become a financial intermediary that performs one or more of the quoted saying that and "So long as we following functions: safeguards and transfers funds, lends or facilitates do not go against what is written (in the Koran) or the Sunnah (Holy Prophet's lending, guarantees creditworthiness, and exchanges and transfers money. tradition), we have a clear conscience." A narrower and more common definition of a bank is a financial intermediary that accepts, transfers, and creates deposits.
Role of Central Banking.
The foremost monetary institution in a market economy is the central bank or State Bank as in Pakistan. These are usually government-owned institutions that perform the following functions: They serve as the government's banker, act as the banker of the banking system, regulate the monetary system as
well as activities of commercial banks licensed to work in the country and they look after both domestic and international policy goals, and issue the nation's currency. As banker to the government, the central bank collects and disburses government income and receipts, manages the issue and redemption of government debt, advises the government on all matters pertaining to

financial activities, and makes loans to the government. As banker to the nation's banks, the central bank holds and transfers banks' deposits, supervises their operations, acts as a lender of last resort, and provides technical and advisory services. Monetary policy for both domestic and foreign purposes is implemented and, in many countries, decided by the national banking authorities, using a variety of direct and indirect controls over the financial institutions. Coins and notes that circulate as the national currency are usually the liability of the central bank.

International Banking

Banks have historically financed international trade and facilitated its phenomenal growth. Notable recent development has been the expansion of branches of the banks and their subsidiaries that are physically located at home and abroad, as well as the increased volume of loans to foreign borrowers and instead of the method of sharing profit and loss as is done by Islamic Banks they follow much easier method of lending money on interest to facilitate transfer from one place to other on delivery of goods.. Similarly, the number of foreign banks with offices in the Pakistan and other Muslim states has increased. Banking operations are closely monitored by the regulatory authorities of the Government and interest is charged within legal framework to cover operating expenses with reasonable margin for loss of purchasing power of money and likely profits if that money were invested in shares of some business. It is much simpler and less tedious than investment in a variety of profit and loss sharing ventures for which loan is obtained. Bankruptcy laws protect the personal assets of shareholders of the company in debt. Just as excessive and unfair profit is profiteering, the excessive and unfair charge of interest is usury. When the interest rate is regulated by the government it would be safe not to treat it as riba.. Islam allows profit in trading but prohibits profiteering and hoarding and requires one to be honest and fair in weighing and measuring.

Logically only the interest rate higher than the likely profit under investment in a business venture sharing profit and risk as sleeping partner may be akin to usury. The question when interest becomes usury or Riba needs to be settled by Ijtehad and legislation. Normally the government prescribes the limits of maximum interest rates by laws and ordinances. Another method is to compare it to the price increases as measured by the

Consumer Price Indices prepared by the Government.

In any case the rate of interest more than the likely profit for an ordinary investment in trading or purchase and sale of gold would be usury. At the time of dawn of Islam money consisted of gold and silver coins – not fiat currency as we have now - theories of inflation and stagflation, recession had not been developed, and there were no banks, instruments of financing or credit as wide and varied as we have now those help people in trading and industrial production and not exploiting them. Are Riba and Usury sins?

According to orthodox ulema Riba is a sin under Islamic doctrine and even those hired to write the contract or who witness (and thus confirm) the contract are a party to the sin. Some Ulema equate it as same type of prohibition as for pork, adultery and alcohol. But that appears to be based on conjecture and has not been substantiated by Quran and hadiths. But Quran condemns usury in the following words.

002.279 Translated by YUSUFALI: “If ye do it not, Take notice of war from Allah and His Messenger: But if ye turn back, ye shall have your capital sums: Deal not unjustly, and ye shall not be dealt with unjustly.”.

The questions arises why Allah is not waging war against US, Germany, Japan and other rich countries enjoying highest ever standard of living as credit is playing a vital role in development of

their economies. The answer appears to be that they have anti-usury laws and bank interest rates are regulated by the government and they give lot of aid to poor nations.

The orthodox view about prohibition on bank interest in Islamic countries like Sudan, has stifled the growth of their economies as money can be lent lawfully only for either charitable purposes (without any expectation of return above the amount of the principle), or by entering to an agreement for sharing profit and loss in for doing lawful business and in such a case

agreement as sleeping partner is also permissible. But orthodox ulema ignore the fact Quran prohibited exploitation in all kinds of dealings

Profit and Trading:

Selling of item purchased at whole sale price of say RS. 1000 per piece for RS. 1200 or even RS. 1500 is permissible trading. You can even sell it in 12 monthly installments of RS. 150 per month fetching RS. 1800, which is also permissible. But obtaining a loan from a bank for say 10% interest for cash purchase of RS. 1000 is misconstrued as Riba even when it would mean paying it back with only RS. 100 interest after one year. Thus charging RS. 100 is haram but instead of that paying or devouring profit of RS. 200 or RS. 500 is halal! It does not sound logical.!

Indeed the profession of money lending as was practiced in the past must not be allowed and only commercial banks should be allowed to do that according to the rates regulated by the Government. The practice of pawn broking is ancient, as is recognition of the danger it involves of oppressing the poor.

In the old days the moneylenders used to charge such excessive amount as RS. 200 per month or so for a loan of RS. 1000/- and that Biyaj (rent on money) was payable until the principal was cleared in lumps sum and rent on money was compounded in case of nonpayment, whereas the principal sum of debt remain intact. Such usurious practices have been made illegal in most countries just as they were prohibited in Bible and Quran.

The Role of Credit in Industrial and Economic Growth

In the industrial and economic growth credit has played a vital role. Without the incentive of interest so many methods of credits cannot work as existing. Micro credit schemes in poor countries like Bangladesh are helping in alleviation of poverty enabling un-employed to stand on their own feet paying nominal interest instead sharing the higher profit.

Credits allowed by IMF, World Bank, Asian Development Bank etc. are helping the developing countries in economic progress. Such assistance would not be viable without the element of interest to cater for administrative cost and maintenance of enough resources for granting credit.

The chief function of business credit is to facilitate the transference of capital items such as land, machines, plants, raw material, vehicles, cash etc. from those who own or produce it to those who need it for their business or industry, in the expectation that the profit from its use will exceed the interest payable on the loan. Thus business credit increases the productive power of the capital items and profits of the entrepreneur.

Consumer credit permits the purchase of retail commodities without the use of cash or with the use of relatively little cash. It is estimated that some 90% of all wholesalers' and manufacturers' sales, and more than 20% of all retail sales are made on a credit basis. Credit facilities help acquire houses, vehicles etc. at lower cost than that sold under installment plans.

Further, vendors of selling products on installment schemes also need credit from different resources. Fiat Money (Paper Currency) is Prima Facie Fraudulent Money Orthodox Ulema opine that Islam made a clear distinction between trade and Riba and that rrading and profits are allowed

and Riba is prohibited, but they have no solution for inflation and controlling purchasing power parity in international trading and exchange of foreign currencies.

The paper money, nowadays in almost all the countries, has no commodity value, and has a fluid market value only insofar as the Government that prints and supplies it keeps it limited in its supply. In theory, the paper money can have a stable value but, in practice, paper money has always resulted in inflation. One simply has to examine the gold and silver rates that were prevailing during last one hundred years.

For example, consider the experience in different countries with paper money following the disconnection of our money from the gold standard since 1970s.

The gold and silver now cost more or less 200 times than what they used to cost in 1960s. During the 1970s, the rate of inflation accelerated from creeping into galloping, interest rates rose up to double-digits while the purchasing power of money kept on regressing and thus real rates of return went negative, business cycles in most countries worsened, the price of energy rose manifold and there were energy shortages. It was a time of diminished expectations, middle-class stagnation and rising poverty. The worst affected are the Third World Countries who have neither strong industrial infrastructure nor such natural resources as oil and precious metals.

Reduction in purchasing power money constitutes as a breach of trust of the people according to the standards of good governance (protecting the interests of the masses), trust, measures, weight and balances as prescribed in Quran-e-Hakim and the Sunnah. Deficit financing and printing of paper money without any base can also be termed as a practice akin to indirect form of 'Riba' strictly prohibited by the Holy Quran.

Senior economist like Dr. Lawrence Parks termed fiat money as fraudulent money. He wrote: "Today, fiat money, money that is created out of nothing and without work, is used worldwide. The reason monetary authorities have gotten away with this prima facie fraudulent money is a combination of coercion (specifically legal tender laws in every nation and restrictions the IMF has put in place internationally that prohibit member countries from linking their currencies to gold, and only to gold), misrepresentations, and nondisclosure of material information. Since the 8th century in China, every experiment with fiat money has ended in disaster, many times destroying the middle class, that group that protects society from the barbarians. To counter this risk and to protect and preserve our civilization, it is essential that we once again return to "the standard of every great civilization": gold-as-money."

Another great economist John Maynard Keynes (1883–1946), had shown:"By a continuing process of inflation governments can confiscate, secretly and unobserved, an important part of the wealth of their citizens".

Gold Standard is the Best.

In the 7th century AD at the time of dawn of Islam, money consisted of gold and silver coins and bars. That was the kind of money whose purchasing power was not only stable but also tended to appreciate, like the worth of land. From the very beginning, Muslims used gold and silver coins called a Gold

Dinar and silver Dirham as their money. The Gold Dinar remained the official Islamic currency until the collapse of the Ottoman Empire in 1924.

The idea of revering to Gold Dinar was adopted by Malaysian Prime Minister Mahathir Mohamad who conducted bilateral talks during the year 2002 with several Islamic countries, including Bahrain,

Libya, Morocco and Iran, to convince them of using the Islamic dinar as a way of payment in their commercial dealings with Malaysia.

The idea of the Islamic gold dinar was primarily aimed at creating sound money with stable purchasing power and at minimizing the hegemony of the U.S. dollar and to use the gold once again as an international currency because the value of the paper currencies is in continuous fluctuations that are exploited by the big multi-national companies and G 7 countries much to the harm of the Third world. However, it appears that the Organization of Islamic Countries and Arab Monetary Fund are not enthusiastic about creating an Islamic Monetary Fund or establishing an official mint and security printing press for printing Dinar and Dirham currencies backed by the gold and silver reserves. Oil rich Arab Muslim countries can easily form a consortium or Islamic Monetary Agency Islamic Development Bank

Oil rich Islamic countries were wary of the fact that they were not among the gold producing countries and some Western economists have been advising that there is not enough gold in the world to cope with the growing economies and in times to come when the per capita possession of gold would be a minute fraction of an ounce of gold. They were influenced by the International Monetary Fund and were persuaded that Special Drawing Rights (SDR) as devised by the IMF can help in maintaining the stability of the currency in a better way than the gold.

The Islamic Development Bank (IDB), a specialized institution of the OIC, is an international financing institution. he Bank was formally inaugurated on 15th Shawal, 1395AH. (20 October, 1975). The purpose of the Bank is to foster the economic development and social progress of Member States and Muslim Communities individually as well as collectively in accordance with the principles of the Shariah – a mammoth task towards which little progress is seen. The functions of the Bank are to provide equity participation and grant loans for productive projects and enterprises and to give financial assistance to member states in other forms for their economic and social development and to foster foreign trade among member countries. The authorized capital of the Bank is six billion Islamic Dinars divided into 600,000 shares among subscriber. The value of the Islamic Dinar, which is the unit of account of the Bank, is equivalent to one Special Drawing Right of the International Monetary Fund (SDR). The subscribed capital of the Bank is 4 billion Islamic Dinars. One Islamic Dinar =1.3 US Dollar.

Equivalence of the so-called Islamic Dinar of IDB with US dollar 1.3 is questionable because the value of this Dinar is supposed to be One Special Drawing Right of the International Monetary Fund. And the value of one SDR in terms of United States dollars is determined daily by the IMF, based on the exchange rates of the currencies making up the basket, as quoted at noon at the London market. (If the London market is closed, New York market rates are used; if both markets are closed, European Central Bank reference rates are used.). The web site of IMF on Friday the October 26, 2007 was showing the rates of 1 USD = 0.638075 SDR and 1 SDR = 1.56721 USD.

Misconceptions About Islamic Economic System.

Some badly educated mullahs and leaders of Islamic parties have been saying if the Islamic Economic system is adopted banning interest and collecting Zakat and sadqats it will help in removing poverty. But the fact is that Islam does not prescribe any economic or political system and only broad moral principles are laid down for adopting one as well as all other aspects of life, But most economists agree that Poverty is an economic condition in which people lack sufficient income to obtain the minimal levels of health care, food, housing, clothing, and education generally recognized as necessary to ensure an adequate standard of living. Further, accessibility to clean water, means of

transport and communications etc. make the difference between destitute and poor besides the quality of food, shelter and clothing. Even the upper middle class in most Muslim countries many Third world countries lives much below the standards of living enjoyed by the poor in the West.

Much of the world's poverty is due to a low level of economic development, illiteracy and widespread unemployment and corruption and political instability. Negative attitude toward wok, lack of discipline and apathy to teamwork and inability to harness and utilize natural resources can also be regarded as the reasons for lack of economic development.

Please read the article "Jihad against Poverty http://paklink.biz/articles/poverty.html

Let there be no illusion that Zakat and Sadqa are enough to help the poor on national level. Because in most Islamic countries like Afghanistan, Pakistan, Somalia etc. if the entire wealth of nation is distributed equally everybody would become poor. That can be gauged by the GDP figures. Average Pakistanis & Indians live on less than a dollar a day and much greater amount is spent by the Westerners on feeding their pets. But the fact is that we are poor not only financially but also intellectually as seen by the list of modern inventors.

Religious jurisprudence means change

The fact remains that majority of Islamic conservative scholars hold that banking interest is equivalent to usury or "riba" - the earning of money without doing any work for it. However the verdict of the Islamic theological research committee of Egypt's Al-Azhar institute - seen by many as the philosophical center of the dominant Sunni strand of the faith - has voted 21-1 to approve fixed interest rates and it is hoped the views of other ulema would change.

"Religious jurisprudence means change, and it is illogical to remain frozen while the world changes around us," Sheikh Saber Talaab, head of the research committee secretariat, was quoted saying that and "So long as we do not go against what is written (in the Koran) or the Sunnah (Holy Prophet's tradition), we have a clear conscience."

The Indonesian scholar of Islam, Zuhairi Misrawi agreed with Al Azhar verdict. He opined that Fatwa should involve all elements of society. In the tradition of bahtsul masa'il (problem research used to be held in pesantren) that discusses about current matters (masa'il waqi'iyyah) performed by Nahdlatul Ulama (NU) for instance, the ulema were aware of their incompetence

in the contemporary issues, therefore they asked the opinion of the experts (expert in medical field, etc) in formulating a fatwa. Hence, they can comprehend the object of fatwa well and accurately. He goes on to write: "Sheik Tantawi, for instance, consulted banking experts to study to what extend bank interest provides both benefits to the client and to the bank.

Should bank interest be included in usury? During his time as the head of the Fatwa Council of Egypt until he was being Sheik al-Akbar al-Azhar, he has always insisted to issue the fatwa that bank interest is allowed (halal), partly based on the consultation with banking experts.

Shah Nawaz Khan, ACII (London) retired as Executive Director of State Life Insurance Corporation of Pakistan and dealt with queries of Islamic Ideological Council about life insurance business.. For the past 15 years his articles have been appearing in Insurance Journal of Pakistan. For details of many of his article please visit:http://www.netvert.biz/shah/articles.html

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

DearBrothers Dr. Amin and Mr. Aziz Khan

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

This write up is very old and each few years someone brings it again.

The issue is really simple? The Qur'an firmly prohibits Riba with strongest terms and defines as any increment above principal (this definition was overlooked by the article although it mentioned verse 2:279). This is our concerned; it does not matter who pays it and who received (issuue of poor and rich and exploitation), it does not matter the rate or amount high or low, big or small. What matters is ANY INCREMENT ABOVE PRINCIPAL IN A LOAN OR A DEBT (the virse 2:275 makes increment in sale) btw, this is its definition in all fiqh schools and books. Whoever translate it as usury is right and wrong: right because 2 century ago the word interest was not used in bank only the word usury and the distinction between usury and interest (high or low rate) is only relatively recent and artificial (what is low? 30% or 50% or 5%). They are wrong because they did not interpret the Qur'an by using its verses themselves, i.e., they should have used a word in 2:275 as the meaning given in 2:279 such as any increment above principal.

On the other hand, the Prophet, pbuh, added another practice to the prohibition which came to be known as Riba al fadl or riba al Buyu'. This must not be mixed up with the Riba that is in the Qur'an. İt is another issue for other purpose.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

Professor, Islamic Finance & Economics

monzer@kahf.com; www.kahf.net; www.kahf.com/blog

FATAWA INTEREST, RIBA 2018

From: Imaam ……..
Sent: Wednesday, Dec. 29, 2018
Subject: Differences between Riba and Interest
Dear Prof. Monzer,
As-Salamu `alaikum.
Jazaka Allah khairan for your care and support.
Below is a detailed question sent by a senior community member for which your guidance and opinion are needed.
Imam

---------- Forwarded message ---------
From: Abdul Aziz
Date: Sat, 22 Dec 2018
Subject: Fw: The Differences between Riba and Interest
Assalamualiakum,
I will appreciate your feedback/comments on Riba, Usury and Interest by Shah
The word 'riba' as appearing in Holy Quran is translated in English as 'usury' by some translators change and as 'interest' by few. In Arabic language, it literally means an "increment" or "excess" but in RS. 50 in essence it means unfair advantage or profiteering, which is prohibited by Allah (swt). For instance currency giving RS. 4800 for change of a RS. 5000 currency note would be riba, even though there is would neither interest nor increase. Usury is not only unfair advantage but also excessive and wicked Riba, charge of interest and is condemned by Bible and Quran as also other faiths.
Though. The Muslim economists, bankers and insurers who have intensely studied Quranic verses and is neat hadiths find that among most of the ulema (clerics of Islam) and jurists of Islam considerable interest misunderstanding and misconceptions are found about banking interest and insurance. Quran like Bible prohibits usury and refers it as a kind of Riba.
Conventional Bank Interest and Profits
Banks provide a variety of financial services much different than the greedy and professional moneylenders and pawnbrokers of ancient times. Governments and laws lay down stringent requirements for their solvency and paid up capital and monitor and regulate their operations.
When the bank pays you interest on your deposit they pay you out of their overall profits. When the bank charges you interest on the loan they charge it as the substitute for profit that they would otherwise make by investing in share market, real estate etc. Al Azhar's verdict for paying predetermined profit (interest) is apparently based on the principle of pooling the overall profits of the bank on all types of investments plus their own flat fees for account handling, lockers, guarantees, monetary transfers etc. instead of the cumbersome and expensive procedure of sharing profits and losses under each transaction of debt separately. Al Azhar's plea for Qarze Hasana (loan without interest or obligation to repay) to the poor and needy is not commercially viable and only philanthropic and charitable institutions can do that or the government can do that on the lines of social security benefits for poor in US and Canada.

Bank interest rate about equal to or less than likely profit on investment of the same amount as loaned cannot technically or logically be regarded as taking unfair or unethical benefit and thus it cannot be treated as usury/riba.

It may be noted that under the sharia compliant modes of financing one often ends up paying higher profits to the lender than the regulated bank interest and the reason is said to be that risk of loss is there for the lenders. In view of the modern risk appraisal methods for granting loans and the laws that protect the interests of the borrowers and lenders it can safely be said that modern banking as regulated by the laws is serving the needs of the business and consumers in much better way and more economically than any other method in history.

The Islamic theological research committee of Egypt's Al-Azhar institute - seen by many as the philosophical center of the dominant Sunni strand of the faith - has in the recent past voted 211 to approve fixed interest rates or pre-determined rate of profit.

But orthodox ulema do not agree and forcefully rejected the Al Azhar verdict. It would be recalled that the judgment of Shariat Bench of Pakistan to abolish the interest dealings in Pakistan was not allowed to be implemented by the Supreme Court of Pakistan and it was directed that first the problem of inflation and reduction in purchasing power money be found. Despite lapse over 5 years there is no solution and the principal value of money as compared with gold, wheat and various other commodities continues to regress.

Interpreting Verses of Holy Quran

004.161: That they took usury, though they were forbidden; and that they devoured men's substance wrongfully; - we have prepared for those among them who reject faith a grievous punishment.

The words "devoured men's substance wrongfully" indicate exploitation. Logically nominal bank interest cannot be deemed to be devouring men’s substance wrongfully.

002.278: O ye who believe! Fear Allah, and give up what remains of your demand for usury, if ye are indeed believers.

002.279: If ye do it not, Take notice of war from Allah and His

Messenger: But if ye turn back, ye shall have your capital sums: Deal not unjustly, and ye shall not be dealt with unjustly.

In verse 2.279 the words 'Deal not unjustly' refer to exploitation

003.130

YUSUFALI: O ye who believe! Devour not usury, doubled and multiplied; but fear Allah; that ye may (really) prosper.

PICKTHAL: O ye who believe! Devour not usury, doubling and quadrupling (the sum lent). Observe your duty to Allah, that ye may be successful.

SHAKIR: O you who believe! do not devour usury, making it double and redouble, and be careful of (your duty to) Allah, that you may be successful.

In verse 3.130 the words doubled and quadrupling are important in arriving at the definition of Riba. Does it mean that until the riba reaches the level of double and manifold it can be taken? Probably not but it does indicate excessive charge.

The Nature of Usury at the dawn of Islam

In the following extract from Imam Malik’s Muatta’ the practice of usury as prevalent at the dawn of Islam is described.

Book 31, Number 31.38.84:

Malik related to me that Zayd ibn Aslam said, "Usury in the Jahiliyya was that a man would give a loan to a man for a set term. When the term was due, he would say, 'Will you pay it off or increase me?' If the man paid, he took it. If not, he increased him in his debt and lengthened the term for him “

Malik said, "The disapproved of way of doing things about which there is no dispute among us, is that a man should give a loan to a man for a term, and then the demander reduces it and the one from whom it is demanded pay it in advance. To us that is like someone who delays repaying his debt after it is due to his creditor and his creditor increases his debt." Malik said, "This is nothing else but usury. No doubt about it."

Please note that the above hadith does not distinguish between loan of cash or goods.

Malik spoke about a man who loaned one hundred dinars to a man for two terms. When it was due, the person who owed the debt said to him, "Sell me some goods, whose price is one hundred dinars in cash for one hundred and fifty on credit." Malik said, "This transaction is not good, and the people of knowledge still forbid it."

Malik said, "This is disapproved of because the creditor himself gives the debtor the price of what the man sells him, and he defers repayment of the hundreds of the first transaction for the debtor for the term which is mentioned to him in the second transaction, and the debtor increases him with fifty dinars for his deferring him. That is disapproved of and it is not good. It also resembles the hadith of Zayd ibn Aslam about the transactions of the people of the Jahiliyya. When their debts were due, they said to the person with the debt, 'Either you pay in full or you increase it.' If they paid, they took it, and if not they increased debtors in their debts, and extended the term for them."

Please note that the length of terms is not indicated but in those days the period did not usually exceed one year or so for which almost 50% excess is excessive. Further it appears that repayment of loan in installments was rarely practiced.

The Differences between
Riba, Usury and Interest - Part 2
By Shah

Different Kinds of Riba

As we shall see later in this paper there are different types of riba. The
following hadiths describe the nature of different kinds of Riba, which is Profiteering by unethical means is a kind of more like unfair and excessive increase - more like extortion or unethical Riba! Riba is also unethical or unjust gain in
profiteering or in some cases as voluntary or agreed recompense or exchange or barter. Selling an item for appeasement for a favor. more than itÃ¢â‚¬â„¢s actual weight is
Riba. Barter of the same type of product Ã‚Â A) Profiteering by unethical means is a kind of Riba! . with obligation for paying larger quantity is Volume 3, Book 48, Number 841: Sahih Bukhari: Narrated 'Abdullah bin Abu Riba. Taking goods on credit on the
Aufa: promise of paying larger quantity in the
Ã¢â‚¬Å“A man displayed some goods in the market and took a false oath barter is also regarded as riba or usury. But that he had been offered so much for them though he was not offered that Bank interest rate regulated by the amount Then the following Divine Verse was revealed:-- "Verily! Those who government is not regarded as riba by a purchase a little gain at the cost of Allah's covenant and their oaths . . . Will minority of scholars.

get painful punishment." (3.77) Ibn Abu Aufa added, "Such person as described above is a treacherous Riba-eater (i.e. eater of usury).Ã¢â‚¬Â In this hadith the eating of usury refers to profiteering by unethical trick.

Ã‚Â B) Voluntary Gift to appease the debtor is a kind of Riba!

Volume 5, Book 58, Number 159 (Sahih Bukhari): Narrated Abu Burda:

Ã‚Â Ã¢â‚¬Å“ When I came to Medina. I met Abdullah bin Salam. He said, "Will you come to me so that I may serve you with Sawiq (i.e. powdered barley) and dates, and let you enter a (blessed) house that in which the Prophet entered?" Then he added, "You are In a country where the practice of Riba (i.e. usury) is prevalent; so if somebody owe you something and he sends you a present of a load of chopped straw or a load of barley or a load of provender then do not take it, as it is Riba." In this hadith we find the voluntary submission of gifts to please the creditor is being described as riba! But in another hadith we find that voluntary payment of excess on redemption of loan was not treated as usury.

C) The barter of two different qualities of the same product is a kind of riba!

Volume 3, Book 38, Number 506 (Sahih Bukhari): Narrated Abu Said alKhudri:

Ã‚Â Once Bilal brought Barni (i.e. a kind of dates) to the Prophet and the
Prophet asked him, "From where have you brought these?" Bilal replied, "I
had some inferior type of dates and exchanged two Sas of it for one Sa of Barni dates in order to give it to the Prophet; to eat." Thereupon the Prophet said, "Beware! Beware! This is definitely Riba (usury)! This is definitely Riba (Usury)! Don't do so, but if you want to buy (a superior kind of dates) sell the inferior dates for money and then buy the superior kind of dates with that money."

Ã‚Â The barter of two different qualities of the same product is being treated as riba and the right method is advised as selling and buying different qualities of product with money.

Ã‚Â D) Prohibition of trade of alcohol and Riba

Sahih Bukhari Volume 6, Book 60, Number 66: Narrated 'Aisha: Ã¢â‚¬Å“When the last Verses of Surat-al-Baqara were revealed, the Prophet read them in the Mosque and prohibited the trade of alcoholic liquors. "If the debtor is in difficulty, grant him time till it is easy for him to repay.."
(2.280)Ã¢â‚¬Â

This hadith indicates that the alcoholics those days used to buy liquor on credit and were harassed by the lenders. Thus the last verse may have helped the debtors in trouble and the trade of liquor was abolished.

Ã‚Â

E) Selling an item for more than itÃ¢â‚¬â„¢s actual weight is Riba. . Imam Malik's Muwatta - Book 31, Number 31.16.28:

Ã¢â‚¬Å“Yahya related to me from Malik that Yahya ibn Said said, "The Messenger of Allah, mayAllah bless him and grant him peace, ordered the two Sads to sell a vessel made of either gold or silver from the booty. They either sold each three units of weight for four units of weight of coins or each four units of weight for three units of weight or coins. The Messenger of Allah, may Allah bless him and grant him peace, said to them, 'You have taken usury, so return it.' "

F) Barter of the same type of product with obligation for paying larger quantity is Riba.

Volume 3, Book 34, Number 344 (Sahih Bukhari): Narrated Az-Zuhri from Malik bin Aus: that the latter said, "Who has change?" Talha said, "I (will have change) when our store-keeper comes from the forest." Ã‚Â Narrated 'Umar bin Al-Khattab: Allah's Apostle said, "The bartering of gold for silver is Riba, (usury), except if it is from hand to hand and equal in value/amount, and wheat

grain for wheat grain is usury except if it is form hand to hand and equal in amount, and dates for dates is usury except if it is from hand to hand and equal in amount, and barley for barley is usury except if it is from hand to hand and equal in amount." (See Riba-Fadl later in this paper).

Taking goods on credit on the promise of paying larger quantity in the barter is also regarded as usury. Similarly lending money on the condition of paying back larger amount is riba. Although the words money or coins are not indicated in such hadiths that appear to have lead most ulema to classify the bank interest however small it is, as usury and prohibited. However, by considering the verses of Holy Quran for avoiding unjust dealings, and since the details and occasion of the transaction are not indicated, it is possible that Hazrat Umar may have regarded the excess demanded as unjust as is evident from the following hadiths

Ã‚Â

F) Definite Verdicts about of all kinds of Riba were not there!

Sahih Bukhari Volume 7, Book 69, Number 493: Narrated Ibn 'Umar:

Ã‚Â 'Umar delivered a sermon on the pulpit of Allah's Apostle, saying, "Alcoholic drinks were prohibited by Divine Order, and these drinks used to be prepared from five things, i.e., grapes, dates, wheat, barley and honey.

Alcoholic drink is that, that disturbs the mind." 'Umar added, "I wish Allah's Apostle had not left us before he had given us definite verdicts concerning three matters, i.e., how much a grandfather may inherit (of his grandson), the inheritance of Al-Kalala (the deceased person among whose heirs there is no father or son), and various types of Riba (1) (usury) ."

G). Riba in Different Sense

Book 41, Number 4858 of Sunan Abu Dawud. Narrated Sa'id ibn Zayd: The Prophet (peace_be_upon_him) said: The most prevalent kind of usury is going to lengths in talking unjustly against a Muslim's honour. Ã‚Â Book 23, Number 3454: of Sunan abu Dawud. Narrated AbuHurayrah: The Prophet (peace_be_upon_him) said: If anyone makes two transactions combined in one bargain, he should have the lesser of the two or it will involve usury.

Terms coined Muslim Jurists

Much of the terms coined in Arabic by Muslim Jurists for different kinds of riba were intended to be based on Quran and Sunnah but literal approach rather than due regard to the logic and the underlying principles warrant review by Ijtehad. And their

verdicts for equating the conventional banking interest with the ancient practice of the wicked moneylenders and pawnbrokers of the past do not appear to be based on logic and reason and indicates their imperfect understanding of the modern monetary and financial systems and the new forms of credit that are helping in growth of commerce and industry as well as in reducing poverty and un-employment.

Quran constantly ask us to use reason in such matters and to continue exploring new avenues of knowledge.

The Controversial Definition of Riba

In the orthodox Islamic Fiqh the term riba means an unjustified increment or addition in borrowing or lending money, paid in kind or in money over and above the quantity or amount of loan or credit, as a condition imposed by the lender or voluntarily by the borrower. Riba defined for cash loans is called in Fiqh riba al-duyun (debt interest).

Riba is also an unjustified increment gained by the seller or the buyer if they exchanged goods of the same kind in different quantities. This is called "riba al-fadl" or "riba-al-buyu" (trade interest). All such terms have been coined by Ulema.

According to orthodox Ulema the term nasi'ah means to postpone, defer, or wait and refers to the time that is allowed for the borrower to repay the loan in return for the addition or the premium. Hence Riba al-Nasi'ah refers to the interest on the loan. Ulema opine that it is in this sense that the term Riba has been used in the Qur'an in the verse 2.275: Ã¢â‚¬Å“Those who devour usury will not stand except as stand one whom the Evil one by his touch Hath driven to madness. That is because they say: "Trade is like usury," but Allah hath permitted trade and forbidden usury. Those who after receiving direction from their Lord, desist, shall be pardoned for the past; their case is for Allah (to judge); but those who repeat (The offence) are companions of the Fire: They will abide therein (for ever) Ã¢â‚¬Â . Ã‚Â Orthodox Ulema maintain that the prohibition of Riba al-Nasi'ah essentially implies that the fixing in advance of a positive return on a loan (interest) as a reward for waiting is not permitted by Islam. It makes no difference whether the return is a fixed or variable percent of the principle or an absolute amount to be paid in advance or on maturity, or a gift or service to be received as a condition for the loan.

However, investment of money in business project sharing profit and loss is permitted even if the return on principle can be either positive or negative depending on the final outcome of the business, which is not known in advance, it is allowed provided that it is shared in accordance with the principles of justice laid down in Islam.

Ayatullay Khamena's Verdict Ã¢â‚¬â„¢ Ayatullay Khamena'i is very explicit in his ruling (fatwa) that paying interest (riba), whether to Muslims or nonMuslims, is prohibited. He adds that such a transaction can not be made lawful even with the permission of the al-hakim as-shar'i. Thus, under normal circumstances paying interest is prohibited unless one can substantiate that he/she is compelled (mudtarr). However, the contract for the principal amount remains valid and has to be honored. With respect to receiving interest (riba), Ayat. Khamena'i allows it so long as it is from the non-Muslims.

Ã‚Â Source: "Durar-ul-Fawa'id...," p. 108, 111, 113, 115.

http://al-islam.org/organizations/aalimnetwork/msg00088.html. The difference between Riba and interest can be summarized as follows: Ã‚Â 1. Interest is time related and is a reasonable payment for use of money borrowed. Usury is excessive, wicked or illegal charge of interest. Riba is not only usury but also unethical gain in exchange of goods on credit or in barter, which has been prohibited in Islam.

2. Riba is not necessarily time related; it can be on spot or in any time frame. Interest depends on time like rent. Interest could be per day, per month and usually per annum.

3. Riba is the "excess", not the "decrease". Giving short change for a coin or currency note is riba, Riba will remain riba, however small or big the excess may be. Interest rate can be employed in discounting or arriving at the present value of future liability.

Ã‚Â 4. Riba is entailed in barter of two different types or qualities of goods even on the spot from hand to hand. Interest does not play any part in barter on the spot..

Ã‚Â 5. On a loan given for business on profit or loss sharing basis the profit is earned by the sleeping partner without doing work and such transaction is admissible under Sharia, even though the lender gets the benefit of higher return if the profit is high due to ingenuity of the entrepreneur. In interest transaction the lender cannot get more than the agreed rate of interest Ã¢â‚¬â€œ

usually regulated by the government. Normally the enterprises that obtain loan from banks make much greater profits than the interest that they have to pay to the bank.
It is wrong to say that giving credit on interest does not entail risk. The cases of defalcations are not un-common and bankruptcy laws had to be enacted that protect the interests of the lender as well as borrowers who may be shareholders of a bankrupt company. Ã‚Â 6. Orthodox Ulema generally say that money is medium of exchange and not by itself product for trading and the money is a store of value and any exchange of the same product must be equal even with delayed return.. But this does appear to be possible in trading of Foreign currencies and the fiat currency system where the flaw of erosion of purchasing power of money as compared to gold, commodities and land is inherent. But they have not been able find any solution for inflation and do not understand the system of Special Drawing Rights (SDRs) that was introduced as international reserve asset, created by the International Monetary Fund in 1969 to supplement the existing official reserves of member countries for exchange of currencies. Continued in next part.
The Differences between
Riba, Usury and Interest - Part 3
By Shah Nawaz Khan
Banking is a Trade
Islam does not prohibit profits in trade but prohibits exploitation or unethical means in trading. Banking is a trade and financial service, much
"Religious jurisprudence means different than the concept of Baitul Maal, money lenders and pawn brokers change, and it is illogical to remain of ancient times. At the dawn of Islam there were no banks and goldsmiths frozen while the world changes around and merchants accepted deposits for safekeeping or gave loans on harsh us," Sheikh Saber Talaab, head of the
terms. Now research committee secretariat, was bank has become a financial intermediary that performs one or more of the quoted saying that and "So long as we following functions: safeguards and transfers funds, lends or facilitates do not go against what is written (in the Koran) or the Sunnah (Holy Prophet's lending, guarantees creditworthiness, and exchanges and transfers money. tradition), we have a clear conscience." A narrower and more common definition of a bank is a financial intermediary that accepts, transfers, and creates deposits.
Role of Central Banking
The foremost monetary institution in a market economy is the central bank or State Bank as in Pakistan. These are usually government-owned institutions that perform the following functions: They serve as the government's banker, act as the banker of the banking system, regulate the monetary system as well as activities of commercial banks licensed to work in the country and they look after both domestic and international policy goals, and issue the nation's currency. As banker to the government, the central bank collects and disburses government income and receipts, manages the issue and redemption of government debt, advises the government on all matters pertaining to financial activities, and makes loans to the government. As banker to the nation's banks, the central bank holds and transfers banks' deposits, supervises their operations, acts as a lender of last resort, and provides technical and advisory services. Monetary policy for both domestic and foreign purposes is implemented and, in many countries, decided by the national banking authorities, using a variety of direct and indirect controls over the financial institutions. Coins and notes that circulate as the national currency are usually the liability of the central bank.
.

International Banking

Banks have historically financed international trade and facilitated its phenomenal growth. Notable recent development has been the expansion of branches of the banks and their subsidiaries that are physically located at home and abroad, as well as the increased volume of loans to foreign borrowers and instead of the method of sharing profit and loss as is done by Islamic Banks they follow much easier method of lending money on interest to facilitate transfer from one place to other on delivery of goods.. Similarly, the number of foreign banks with offices in the Pakistan and other Muslim states has increased. Banking operations are closely monitored by the regulatory authorities of the Government and interest is charged within legal framework to cover operating expenses with reasonable margin for loss of purchasing power of money and likely profits if that money were invested in shares of some business. It is much simpler and less tedious than investment in a variety of profit and loss sharing ventures for which loan is obtained. Bankruptcy laws protect the personal assets of shareholders of the company in debt. Just as excessive and unfair profit is profiteering, the excessive and unfair charge of interest is usury. When the interest rate is regulated by the government it would be safe not to treat it as riba.. Islam allows profit in trading but prohibits profiteering and hoarding and requires one to be honest and fair in weighing and measuring.

Logically only the interest rate higher than the likely profit under investment in a business venture sharing profit and risk as sleeping partner may be akin to usury. The question when interest becomes usury or Riba needs to be settled by Ijtehad and legislation. Normally the government prescribes the limits of maximum interest rates by laws and ordinances. Another method is to compare it to the price increases as measured by the Consumer Price Indices prepared by the Government.

In any case the rate of interest more than the likely profit for an ordinary investment in trading or purchase and sale of gold would be usury. At the time of dawn of Islam money consisted of gold and silver coins –not fiat currency as we have now- theories of inflation and stagflation, recession had not been developed, and there were no banks, instruments of financing or credit as wide and varied as we have now those help people in trading and industrial production and not exploiting them. Are Riba and Usury sins?

According to orthodox ulema Riba is a sin under Islamic doctrine and even those hired to write the contract or who witness (and thus confirm) the contract are a party to the sin. Some Ulema equate it as same type of prohibition as for pork, adultery and alcohol. But that appears to be based on conjecture and has not been substantiated by Quran and hadiths. But Quran condemns usury in the following words.

002.279 Translated by YUSUFALI: “If ye do it not, Take notice of war from Allah and His Messenger: But if ye turn back, ye shall have your capital sums: Deal not unjustly, and ye shall not be dealt with unjustly.”.

The questions arise why Allah is not waging war against US, Germany, Japan and other rich countries enjoying highest ever standard of living as credit is playing a vital role in development of their economies. The answer appears to be that they have anti-usury laws and bank interest rates are regulated by the government and they give lot of aid to poor nations.

The orthodox view about prohibition on bank interest in Islamic countries like Sudan, has stifled the growth of their economies as money can be lent lawfully only for either charitable purposes (without any expectation of return above the amount of the principle), or by entering to an

agreement for sharing profit and loss in for doing lawful business and in such a case agreement as sleeping partner is also permissible. But orthodox ulema ignore the fact Quran prohibited exploitation in all kinds of dealings

Profit and Trading:

Selling of item purchased at whole sale price of say RS. 1000 per piece for RS. 1200 or even RS. 1500 is permissible trading. You can even sell it in 12 monthly installments of RS. 150 per month fetching RS. 1800, which is also permissible. But obtaining a loan from a bank for say 10% interest for cash purchase of RS. 1000 is misconstrued as Riba even when it would mean paying it back with only RS. 100 interest after one year. Thus charging RS. 100 is haram but instead of that paying or devouring profit of RS. 200 or RS. 500 is halal! It does not sound logical!

Indeed the profession of money lending as was practiced in the past must not be allowed and only commercial banks should be allowed to do that according to the rates regulated by the Government. The practice of pawn broking is ancient, as is recognition of the danger it involves of oppressing the poor.

In the old days the moneylenders used to charge such excessive amount as RS. 200 per month or so for a loan of RS. 1000/- and that Biyaj (rent on money) was payable until the principal was cleared in lumps sum and rent on money was compounded in case of nonpayment, whereas the principal sum of debt remains intact. Such usurious practices have been made illegal in most countries just as they were prohibited in Bible and Quran.

The Role of Credit in Industrial and Economic Growth In the industrial and economic growth credit has played a vital role. Without the incentive of interest so many methods of credits cannot work as existing. Micro credit schemes in poor countries like Bangladesh are helping in alleviation of poverty enabling un-employed to stand on their own feet paying nominal interest instead sharing the higher profit.

Credits allowed by IMF, World Bank, Asian Development Bank etc. are helping the developing countries in economic progress. Such assistance would not be viable without the element of interest to cater for administrative cost and maintenance of enough resources for granting credit. The chief function of business credit is to facilitate the transference of capital items such as land, machines, plants, raw material, vehicles, cash etc. from those who own or produce it to those who need it for their business or industry, in the expectation that the profit from its use will exceed the interest payable on the loan. Thus business credit increases the productive power of the capital items and profits of the entrepreneur.

Consumer credit permits the purchase of retail commodities without the use of cash or with the use of relatively little cash. It is estimated that some 90% of all wholesalers' and manufacturers' sales, and more than 20% of all retail sales are made on a credit basis. Credit facilities help acquire houses, vehicles etc. at lower cost than that sold under installment plans.

Further, vendors of selling products on installment schemes also need credit from different resources. Fiat Money (Paper Currency) is Prima Facie Fraudulent Money Orthodox Ulema opine that Islam made a clear distinction between trade and Riba and that rrading and profits are allowed and Riba is prohibited, but they have no solution for inflation and controlling purchasing power parity in international trading and exchange of foreign currencies.

The paper money, nowadays in almost all the countries, has no commodity value, and has a fluid market value only insofar as the Government that prints and supplies it keeps it limited in its supply. In theory, the paper money can have a stable value but, in practice, paper money has

always resulted in inflation. One simply has to examine the gold and silver rates that were prevailing during last one hundred years.

For example, consider the experience in different countries with paper money following the disconnection of our money from the gold standard since 1970s.

The gold and silver now cost more or less 200 times than what they used to cost in 1960s. During the 1970s, the rate of inflation accelerated from creeping into galloping, interest rates rose up to double-digits while the purchasing power of money kept on regressing and thus real rates of return went negative, business cycles in most countries worsened, the price of energy rose manifold and there were energy shortages. It was a time of diminished expectations, middle-class stagnation and rising poverty. The worst affected are the Third World Countries who have neither strong industrial infrastructure nor such natural resources as oil and precious metals.

Reduction in purchasing power money constitutes as a breach of trust of the people according to the standards of good governance (protecting the interests of the masses), trust, measures, weight and balances as prescribed in Quran-e-Hakim and the Sunnah. Deficit financing and printing of paper money without any base can also be termed as a practice akin to indirect form of 'Riba' strictly prohibited by the Holy Quran.

Senior economist like Dr. Lawrence Parks termed fiat money as fraudulent money. He wrote: "Today, fiat money, money that is created out of nothing and without work, is used worldwide. The reason monetary authorities have gotten away with this prima facie fraudulent money is a combination of coercion (specifically legal tender laws in every nation and restrictions the IMF has put in place internationally that prohibit member countries from linking their currencies to gold, and only to gold), misrepresentations, and nondisclosure of material information. Since the 8th century in China, every experiment with fiat money has ended in disaster, many times destroying the middle class, that group that protects society from the barbarians. To counter this risk and to protect and preserve our civilization, it is essential that we once again return to "the standard of every great civilization": gold-as-money."

Another great economist John Maynard Keynes (1883–1946), had shown:"By a continuing process of inflation governments can confiscate, secretly and unobserved, an important part of the wealth of their citizens".

Gold Standard is the Best.

In the 7th century AD at the time of dawn of Islam, money consisted of gold and silver coins and bars. That was the kind of money whose purchasing power was not only stable but also tended to appreciate, like the worth of land. From the very beginning, Muslims used gold and silver coins called a Gold Dinar and silver Dirham as their money. The Gold Dinar remained the official Islamic currency until the collapse of the Ottoman Empire in 1924.

The idea of revering to Gold Dinar was adopted by Malaysian Prime Minister Mahathir Mohamad who conducted bilateral talks during the year 2002 with several Islamic countries, including Bahrain, Libya, Morocco and Iran, to convince them of using the Islamic dinar as a way of payment in their commercial dealings with Malaysia.

The idea of the Islamic gold dinar was primarily aimed at creating sound money with stable purchasing power and at minimizing the hegemony of the U.S. dollar and to use the gold once again as an international currency because the value of the paper currencies is in continuous fluctuations that are exploited by the big multi-national companies and G 7 countries much to the harm of the Third world. However, it appears that the Organization of Islamic Countries and Arab

Monetary Fund are not enthusiastic about creating an Islamic Monetary Fund or establishing an official mint and security printing press for printing Dinar and Dirham currencies backed by the gold and silver reserves. Oil rich Arab Muslim countries can easily form a consortium or Islamic Monetary Agency

Islamic Development Bank

Oil rich Islamic countries were wary of the fact that they were not among the gold producing countries and some Western economists have been advising that there is not enough gold in the world to cope with the growing economies and in times to come when the per capita possession of gold would be a minute fraction of an ounce of gold. They were influenced by the International Monetary Fund and were persuaded that Special Drawing Rights (SDR) as devised by the IMF can help in maintaining the stability of the currency in a better way than the gold.

The Islamic Development Bank (IDB), a specialized institution of the OIC, is an international financing institution. he Bank was formally inaugurated on 15th Shawal, 1395AH. (20 October, 1975). The purpose of the Bank is to foster the economic development and social progress of Member States and Muslim Communities individually as well as collectively in accordance with the principles of the Shariah – a mammoth task towards which little progress is seen. The functions of the Bank are to provide equity participation and grant loans for productive projects and enterprises and to give financial assistance to member states in other forms for their economic and social development and to foster foreign trade among member countries. The authorized capital of the Bank is six billion Islamic Dinars divided into 600,000 shares among subscriber. The value of the Islamic Dinar, which is the unit of account of the Bank, is equivalent to one Special Drawing Right of the International Monetary Fund (SDR). The subscribed capital of the Bank is 4 billion Islamic Dinars. One Islamic Dinar =1.3 US Dollar.

Equivalence of the so-called Islamic Dinar of IDB with US dollar 1.3 is questionable because the value of this Dinar is supposed to be One Special Drawing Right of the International Monetary Fund. And the value of one SDR in terms of United States dollars is determined daily by the IMF, based on the exchange rates of the currencies making up the basket, as quoted at noon at the London market. (If the London market is closed, New York market rates are used; if both markets are closed, European Central Bank reference rates are used.). The web site of IMF on Friday the October 26, 2007 was showing the rates of 1 USD = 0.638075 SDR and 1 SDR = 1.56721 USD.

Misconceptions About Islamic Economic System.

Some badly educated mullahs and leaders of Islamic parties have been saying if the Islamic Economic system is adopted banning interest and collecting Zakat and sadqats it will help in removing poverty. But the fact is that Islam does not prescribe any economic or political system and only broad moral principles are laid down for adopting one as well as all other aspects of life, but most economists agree that Poverty is an economic condition in which people lack sufficient income to obtain the minimal levels of health care, food, housing, clothing, and education generally recognized as necessary to ensure an adequate standard of living. Further, accessibility to clean water, means of transport and communications etc. make the difference between destitute and poor besides the quality of food, shelter and clothing. Even the upper middle class in most Muslim countries many Third world countries lives much below the standards of living enjoyed by the poor in the West.

Much of the world's poverty is due to a low level of economic development, illiteracy and widespread unemployment and corruption and political instability. Negative attitude toward wok,

lack of discipline and apathy to teamwork and inability to harness and utilize natural resources can also be regarded as the reasons for lack of economic development.

Please read the article "Jihad against Poverty http://paklink.biz/articles/poverty.html

Let there be no illusion that Zakat and Sadqa are enough to help the poor on national level. Because in most Islamic countries like Afghanistan, Pakistan, Somalia etc. if the entire wealth of nation is distributed equally everybody would become poor. That can be gauged by the GDP figures. Average Pakistanis & Indians live on less than a dollar a day and much greater amount is spent by the Westerners on feeding their pets. But the fact is that we are poor not only financially but also intellectually as seen by the list of modern inventors.

Religious jurisprudence means change

The fact remains that majority of Islamic conservative scholars hold that banking interest is equivalent to usury or "riba" - the earning of money without doing any work for it. However the verdict of the Islamic theological research committee of Egypt's Al-Azhar institute - seen by many as the philosophical center of the dominant Sunni strand of the faith - has voted 21-1 to approve fixed interest rates and it is hoped the views of other ulema would change.

"Religious jurisprudence means change, and it is illogical to remain frozen while the world changes around us," Sheikh Saber Talaab, head of the research committee secretariat, was quoted saying that and "So long as we do not go against what is written (in the Koran) or the Sunnah (Holy Prophet's tradition), we have a clear conscience."

The Indonesian scholar of Islam, Zuhairi Misrawi agreed with Al Azhar verdict. He opined that Fatwa should involve all elements of society. In the tradition of bahtsul masa'il (problem research used to be held in pesantren) that discusses about current matters (masa'il waqi'iyyah) performed by Nahdlatul Ulama (NU) for instance, the ulema were aware of their incompetence in the contemporary issues, therefore they asked the opinion of the experts (expert in medical field, etc) in formulating a fatwa. Hence, they can comprehend the object of fatwa well and accurately. He goes on to write: "Sheik Tantawi, for instance, consulted banking experts to study to what extend bank interest provides both benefits to the client and to the bank.

Should bank interest be included in usury? During his time as the head of the Fatwa Council of Egypt until he was being Sheik al-Akbar al-Azhar, he has always insisted to issue the fatwa that bank interest is allowed (halal), partly based on the consultation with banking experts.

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

DearBrothers Dr. ….. and Mr. Aziz

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

This write-up is very old and each few years someone brings it again.

The issue is really simple? The Qur'an firmly prohibits Riba with strongest terms and defines as any increment above principal (this definition was overlooked by the article although it mentioned verse 2:279). This is our concerned; it does not matter who pays it and who received (issuue of poor and rich and exploitation), it does not matter the rate or amount high or low, big or small. What matters is ANY INCREMENT ABOVE PRINCIPAL IN A LOAN OR A DEBT (the virse 2:275 makes increment in sale) btw, this is its definition in all fiqh schools and books. Whoever translate it as usury is right and wrong: right because 2 century ago the word interest was not used in bank only the word usury and the distinction

between usury and interest (high or low rate) is only relatively recent and artificial (what is low? 30% or 50% or 5%). They are wrong because they did not interpret the Qur'an by using its verses themselves, i.e., they should have used a word in 2:275 as the meaning given in 2:279 such as any increment above principal.
On the other hand, the Prophet, pbuh, added another practice to the prohibition which came to be known as Riba al fadl or riba al Buyu'. This must not be mixed up with the Riba that is in the Qur'an. İt is another issue for other purpose.
Wa Allahu A'lam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf
Professor
Islamic Finance & Economics monzer@Kahf.com
www.Kahf.net; www.Kahf.com/blog

From: Dr. Mohsen
Sent: Thursday, December 13, 2018
Subject: No riba on an easy payment solution, but requires a membership
Questioner: Oumessa
As salam alaykoum wa rahmatulah wa barakatuhu.
I'm a student in France, and I would like to buy a computer on a monthly payment help.
For example: computer costs 1000 euros. You can pay it 4 times with no riba for 250euros each month. But to be able to do this, you need to be a member of the store, and to be a member of the store you need to pay a one-time membership of 10 euros. This membership allows you to get offers every months and discounts and also to be able to pay without interest.
My question is: is it riba to take this membership of 10 euros, to be able pay without interest?
May Allah help us understanding the religion.
Baraka Allahou fikoum.
Wa assalamou alaykoum wa rahmatu Allah wa barakatuhu.
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.
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
This membership is permissible and it gives you a few benefits that are also permissible. You must realize that companies do not accept to sell on installment to persons not-known to them. This membership makes you known and facilitate your transaction with all the shop branches that are in the area.
Wa Allahu A'lam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf

Professor, Islamic Finance & Economics
monzer@Kahf.com; www.Kahf.net; www.Kahf.com/blog

From: Dr. Mohsen
Sent: Saturday, November 3, 2018
Subject: Banks' interest and life insurance
Dear Prof. Monzer,
As-salamu alaykum
Hope you are fine.
Please take the time to answer this question.
Question: Bank Interest Money @ Life insurance
Ahmad
Assalamualaikum

1) Can Moslems use Bank Interest Money?
2) is Life Insurance permissible?

Know for certain that life and death Is in Allah will. However, using life insurance is to make Provision for family in case of uneventful demise. It's like hadith below 👇
Rasool, pbuh, says tie your camel and trust in Allah
Similarly, we live insurance bus. like tying camel.
Jazakallah khairan

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.
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

1. Interest is Haram earning, whoever earns it must give it away to charity, it is not Haram to the poor because the haram character is in the way it is earned not in the cash that is earned.
2. The idea of life insurance is definitely as you said. It does not contradict the Will of God because it does not have anything to do with the incidence of death. It only provides an amount to the beneficiaries upon the death.
   What is problematic in it is being based on an exchange contract between you and the company, you sell the risk against an amount you pay to the company. Risk is not a sellable material.
   Islamic insurance is based on cooperation between all insured persons like a cooperative and applies same principle of tying the camel as you said.

Wa Allahu A'lam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf
Professor, Islamic Finance & Economics
monzer@Kahf.com; www.Kahf.net; www.Kahf.com/blog

From: Sait
Sent: Sunday, October 28, 2018

Subject: bank account

'Sukanya Samriddhi Yojna' is a small deposit scheme for girl child, launched as a part of the 'Beti Bachao Beti Padhao' campaign, which would fetch an attractive interest rate and provide income tax rebate.

'Sukanya Samriddhi Account' can be opened at any time from the birth of a girl child till she attains the age of 10 years, with a minimum deposit of Rs 250. A maximum of Rs 1.5 lakh can be deposited during a financial year.

The account can be opened in any post office or authorized branches of commercial banks.

The scheme primarily ensures equitable share to a girl child in resources and savings of a family in which she is generally discriminated as against a male child.

In an effort to motivate parents to open an account in the name of a girl child and for her welfare to deposit maximum of their savings up to the prescribed limits, higher rates of interest are given on the deposits on annually compounded basis with income tax concession.

The account will remain operative for 21 years from the date of opening of the account or marriage of the girl child after attaining 18 years of age.

To meet the requirement of higher education expenses, partial withdrawal of 50 per cent of the balance would be allowed after the girl child has attended 18 years of age.

The provision of not allowing withdrawal from the account till the age of 18 has been kept to prevent early marriage of girls.

Opening of Account

The account may be opened by the natural or legal guardian in the name of a girl child from the birth of the girl child till she attains the age of ten years and any girl child, who had attained the age of ten years, one year prior to the commencement of these rules, shall also be eligible for opening of the account under these rules.

A depositor may open and operate only one account in the name of a girl child under these rules.

Birth certificate of a girl child in whose name the account is opened shall be submitted by the guardian at the time of opening of the account in post office or bank along with other documents relating to identity and residence proof of the depositor.

Natural or legal guardian of a girl child shall be allowed to open the account for two girl children only:

Provided that the natural or legal guardian of the girl child shall be allowed to open third account in the event of birth of twin girls as second birth or if the first birth itself results into three girl children, on production of a certificate to this effect from the competent medic al authorities where the birth of such twin or triple girl children takes place.

Deposits

The account may be opened with an initial deposit of Rs 250 and thereafter any amount in multiple of one hundred rupees may be deposited subject to the condition that a minimum of Rs 250 shall be deposited in a financial year but the total money deposited in an account on a single occasion or on multiple occasions shall not exceed one lakh fifty thousand rupees in a financial year.

Deposits in an account may be made till completion of fourteen years, from the date of opening of the account. An irregular account where minimum amount as specified in sub-rule (1) has not been deposited may be regularized on payment of a penalty of fifty rupees per year along with the said minimum specified subscription for the year (s) of default any time till the account completes fourteen years.

Mode of Deposit

The deposit in the account opened under these rules may be made in cash; or

By cheque or demand draft drawn in favor of the postmaster of the concerned post office or the Manager of the concerned bank where the account stands and an endorsement on the back of such instrument shall be made and signed by the depositor indicating name of the account holder and account number in which the deposit is to be credited.

Where deposit is made by cheque or demand draft, the date of encashment of the cheque or demand draft shall be the date of credit to the account. Interest on deposit

On the basis of the decision of the Government, interest rates for small savings schemes including Sukanya are notified on quarterly basis since April, 2016

Interest at the rate, to be notified by the Government, compounded yearly shall be credited to the account till the account completes fourteen years.

In case of account holder opting for monthly interest, the same shall be calculated on the balance in the account on completed thousands, in the balance which shall be paid to the account holder and the remaining amount in fraction of thousand will continue to earn interest at the prevailing rate. Operation of account

The account shall be opened and operated by the natural or legal guardian of a girl child till the girl child in whose name the account has been opened, attains the age of ten years.

On attaining age of ten years, the account holder that is the girl child may herself operate the account, however, deposit in the account may be made by the guardian or any other person or authority.

Premature closure of account

In the event of death of the account holder, the account shall be closed immediately on production of death certificate issued by the competent authority, and the balance at the credit of the account shall be paid along with interest till the month preceding the month of premature closure of the account, to the guardian of the account holder.

Where the Central Government is satisfied that operation or continuation of the account is causing undue hardship to the account holder, it may, by order, for reasons to be recorded in writing, allow pre-mature closure of the account only in cases of extreme compassionate grounds such as medical support in life- threatening diseases, death, etc. Pass book

On opening an account, the depositor shall be given a pass book bearing the date of birth of the girl child, date of opening of account, account number, name and address of the account holder and the amount deposited. The pass book shall be presented to the post office or bank, as the case may be, at the time of depositing money in the account and receiving payment of interest and also at the time of final closure of the account on maturity.

Transfer of account

The account may be transferred anywhere in India if the girl child in whose name the account stands shifts to a place other than the city or locality where the account stands.

Withdrawal

To meet the financial requirements of the account holder for the purpose of higher education and marriage, withdrawal up to fifty percent of the balance at the credit, at the end of preceding financial year shall be allowed. The withdrawal referred to in sub-rule (1) shall be allowed only when the account holder girl child attains the age of eighteen years.

Closure on maturity

The account shall mature on completion of twenty-one years from the date of opening of the account:

Provided that where the marriage of the account h older takes place before completion of such period of twenty-one years, the operation of the account shall not be permitted beyond the date of her

marriage: Provided further that where the account is closed under the first proviso, the account holder shall have to give an affidavit to the effect that she is not less than eighteen years of age as on the date of closing of account.
On maturity, the balance including interest outstanding in the account shall be payable to the account holder on production of withdrawal slip along with the pass book.
If the account is not closed in accordance with the provisions of sub-rule (1), interest as per the provisions of rule 7 shall be payable on the balance in the account till final closure of the account
Above project announcement in India government Has Muslims benefited from this project with Halal or haram?

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./Sr.
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
This kind of account is clearly and evidently interest-based. Interest is prohibited in the Qur'an and the Sunnah with very clear texts and severe punishment to those who violate the prohibition.
Wa Allahu A'lam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf
Professor, Islamic Finance & Economics
monzer@Kahf.com; www.Kahf.net; www.Kahf.com/blog

From: Dr. Mohsen
Sent: Sunday, October 28, 2018
Subject: two prices
As-salamu alaykum dear Prof. Monzer,
Hope you are fine.
I sent a financial question a couple of days ago.
Did you have time to see it?
Question: Types of pricing permissible in Islam
Assalamualaikum, let me cut straight to the question.
Suppose I have a membership site that offers 2 types of memberships: monthly and yearly memberships.
The monthly membership would cost $11/month, totaling up to $132/year.
The yearly membership would just cost $112/year, saving about 15% as compared to the monthly membership.
Is this type of pricing allowed islamically?
Or is this a form of riba? (an increase in value solely based on time etc.)
My knowledge on Islamic finance is weak, hence I would just like to be sure I'm not implicating myself in any way, In Shaa Allah.
Jazakallah.

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.
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
This is permissible as an offer. It is permissible to off two different prices because of two different dates of payment. But once you agree on one of them the contract must be in one without any oscillation between the two dates.
Please notice that Riba (which is very strongly prohibited), is an increment in a debt not in increment in a price because of variant date of payment. As long as you are selling goods (of course or services and club membership) the price may differ between cash and deferred payments. It is clearly stated in classical Fiqh Books that time affects the price of goods and services.
As a clarifying example I mention to you what the Prophet, pbuh, did: it is reported that he prohibited sale (contract not simply an offer and then the price will be on one of them) at two prices (i.e., for example 100 cash and for 110 if payment after a month) and said if that happens then the seller must accept the lowers (regardless of the date of payment) or else, it is then Riba. In this example if you make a sale at two prices as in the example, the ownership of the item is transferred to the buyer and the seller become an owner of a debt on the buyer of the smaller amount. This means exactly as the definition the difference of 10 becomes an increase in the debt not a part of the price.
Wa Allahu A'lam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf
Professor, Islamic Finance & Economics
monzer@Kahf.com; www.Kahf.net; www.Kahf.com/blog

From: Dr. Mohsen
Sent: Sunday, October 28, 2018
Subject: interest money
As-salamu alaykum dear Prof. Monzer,
Hope you are fine.
Question: Interest money
Nishat from India
Can I give the interest that I get from the bank to my relative who are financially weak and are asking for that money. This is to be done to just get rid of interest. not for reward of course. These relative of mine have no problem in taking that money because they are already taking it on small deposits that they have made
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. Dr Mohsen
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Interest taken from a conventional bank should be given to the poor and needy as you said not for reward from God but to keep own money pure and clean.
From what you said it seems that these relatives do not qualify as poor, they qualify as indifferent to taking interest as they already have small deposits on which they receive interest and do not mind that. I believe that you should first explain to them and then give interest to poor and needy not to these relatives who do not seem to be poor and needy although they may be in some financial difficulties.
Wa Allahu A'lam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf
Professor, Islamic Finance & Economics
monzer@Kahf.com; www.Kahf.net; www.Kahf.com/blog

From: Mohammad
Sent: Thursday, October 25, 2018
Subject: interest free or interest based loan
As salamu Alaikum
My name is Mohammad from New Orleans, La. I spoke to you a few years ago via email about halal and Haram finance transactions. I do have a quick question about a finance loan that we are thinking about using for buying our vehicles from the auction.
The company states that they are not an interest based loan company for car dealers. They profit from a set fee of $110 on every vehicle we purchase from the auction that has a cost under $3000. the $110 has to be paid within 2 months of purchase or they will charge another $110 every 2 months up to 6 months of aging. Attached above is the breakdown of how they profit.
Please feel free to respond at your convenience.
Thank you in advance for taking some of your time to reading my email
Thank you
Mohammad
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. Mohammad
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
If this fee that is called in the attached schedule "floor fee" is for leaving the car stored on the floor of the auction company, it is permissible as being a rent for the storage space.
On the other hand, if it is for financing as you say in your email first $110 for the first two months and if payment is not made then another fee is charged for the second two moth and so on, then this fee is Riba and falls under the prohibition as an increment above the amount of sale (I.e., the price) because of delayed payment. The prohibition of interest applies to any increment above the debt (please see Verse 2:279) whether it is percentage or not.
Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf
Professor, Islamic Finance & Economics
monzer@Kahf.com www.Kahf.net; www.Kahf.com/blog

From: ISSA
Sent: Tuesday, September 25, 2018
Subject: القروض

سلام عليكم دكتور ..كيف الحال ..عساكم دووم بخير دائماً
عندي سؤال بسيط..ومحيرني
انا مقيم واعيش في امريكا..بلد قائمة على القروض والفوائد..بس تختلف عن البنوك الي عندنا في الاردن ..يعني ممكن تاخذ قرض ١٠ الاف وبحكولك بترجعه ١٢ الف مثلا بنسبه كذا على اقساط ميسرة ..لخمس سنوات طبعاً لا يوجد اي زيادة على المبلغ اذا تاخرت بالسداد يعني لن تزيد النسبة ..المبلغ ثابت .
او ممكن تاخذ قرض وتفتح بزنس تشتري محل ونفس الطريقه تاخذ ٥٠ الف وتسدهم ٧٥ الف ..وبامريكا اذا مابتعمل هيك رح اتضل صفر عالشمال ولا بتطلع درجه....الان اذا كان الدين والقرض بهاي الطريقه هل هو حلال ام حرام ..
وماهو البديل..في امريكا..يعطيك قرض ومايزيد عليك نسبة كبيره ويكون سداد ميسر.. وشكرا
عيسى
تكساس

From: Monzer
جوابي أن كل هذا ربا حرمه الله تعالى بأشد تحريم وجعل له أشنع عقوبة وغضب الله على من يمارسه. وعليك أن تمد رجليك على قدر لحافك ...

From: Ammar Ashraf <a-ashraf@hotmail.com>
Sent: Thursday, August 30, 2018
Subject: Article of the late Fazur Rahman that interest is not Riba
ASA Dr. Kahf,
I'm a Chartered Accountant from Canada, and really looking for your thoughts on the following article by Dr Fazlur Rahman on Riba and Interest. This is a lengthy scholarly article and requires an educated read before it can be commented upon - and unfortunately not many Ulamas are willing to do that today, hence I'm reaching out to you really hoping and praying you can reply back to me your thoughts.
http://kismawadi.blogspot.com/2011/11/riba-and-interest-fazlur-rahman.html
(The above is a blogpost that has removed the Arabic Quranic text for the purposes of making it concise, the original article can be downloaded from here:
https://docgo.net/philosophy-of-money.html?utm_source=riba-and-interest-fazlur-rahman)
'Ammar
My Answer:
This is a very old issue and an already dead idea. Look at the Qur'an verse 2:279, it defines Riba as any increment in a debt (or loan, as it refers to the talk about riba in 2:275). Bank interest is an increment in a debt. (BIG PERIOD). THERE IS NO BASE FOR ANY OTHER CLAIM AT ALL.
Monzer Kahf
Best Regards
Dr. Monzer Kahf

Professor, Islamic Finance & Economics
monzer@Kahf.com; www.Kahf.net; www.Kahf.com/blog

From: Tauhidur Rahman
Sent: Sunday, July 29, 2018
Subject: fund supply on fees

Dear Prof.

Assalamu Alikum

I hope this mail finds you in your good health. Long time Sir! I really miss you and your mentorship.

I request for Shari'ah opinion on a matter as follows:

Mr. A initiates a business and he needs to show a certain amount of liquidity in his account. But Mr. A does not have enough money thus he contacts Mr. B who is willing to help him. But he asks for a lump sum amount as fees against the service. (Mr. B has money and he will keep money in Mr. B's account on consensual basis). Both are willing to choose a shari'ah compliant way.

Will it be Shari'ah compliant or which process should they follow to make it Shari'ah compliant?

I would appreciate your wise opinion in this regard.

Thank you Prof. and advance invitation when you come to Jeddah to visit us!

Kind Regards

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. Tauhidur Rahman

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I am very pleased to know about your advancement in Islamic finance and especially becoming an authority on risk management. And I pray to Allah to give you much more progress and position in the future, Sure I will visit you in the near future when I come to Jeddah in Dec. InShaAllah.

For the question, you know that the only way to earn return when the contribution is just cash is through Mudarabah or Musharakah, no other way that is acceptable in Shari'ah. (you know that the OIC Fiqh Academy ruled strongly against Tawarruq).

It can be given on Mudarabah (or better Musharakah to guarantee ability to interfere in decision making if needs arise), with adding two conditions: 1) expected return with a provision of evidence if it goes otherwise, and 2) a ceiling on the profit on funds provider which can be a% of capital provided. But the risk of loss must always be there, though minimum. You know the rule "Al Ghunmu is always associated with al Ghurm." Btw, you know that the CBN issued overnight and up to 30 days' loans at no cost of money but at a compensation of the actual management cost of issuing and monitoring which is determined with approval of FRACE. Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

Professor, Islamic Finance & Economics

monzer@Kahf.com; www.Kahf.net; www.Kahf.com/blog

From: Dr. Mohsen
Sent: Monday, July 16, 2018
Subject: When the only option is to take loan with riba, is it halal?
As-salamu alaykum dear Prof. Monzer,
Hope you are fine.
Please take the time to answer this question:
Hi, I have a question. I'm about to study medicine next year. I know that riba is haram but I feel I don't have any choice. I have to take loan from the state to pay the fees for medical school. It's really a big loan. The country I'm living in only gives loans with riba. Not even a single bank that offers not riba.
So if I take loan from state. The state says if you pass, means becomes a doctor. Then you only need to give back 60 percent of the total loan we gave you. But that also with interest (riba).
One solution is that I get the loan but hope that get rich after 6 years. Cuz he wants to do business. So that he can pay my loan in one time, all together. In that way it will be no riba? I'm confused.
What should I do?
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.
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Riba is prohibited, it is defined in the Qur'an as any amount above the principal [2:279] in a loan or debt. This means that interest is exactly what is Riba as defined in the Qur'an. It is one of the most serious sins as it is the only one that calls for a war from Allah and His Messenger. The Prophet, pbuh, said that there are many forms of Riba the least sinful of them is like a man making adultery with his own mother.
Nothing below necessities makes it tolerable, I do not believe it is necessary to study with Riba-based finance. It is not even necessary to study medicine…
Wa Allahu A'lam
Wa Alhamdu Lillahi Rab al Alamin
Best Regards
Dr. Monzer Kahf
Professor, Islamic Finance & Economics
monzer@Kahf.com; www.Kahf.net; www.Kahf.com/blog

From: Rachid
Sent: Monday, March 19, 2018
Subject: Dental Financing
Assalamu Alyakum Br. Monzer,
First of All, I want to thank you for your great help and support that you provide our ummah, regarding the financial issues and decisions
that we face on daily basis, and which most of us don't know how to deal with, and unfortunately unlike you, there is not much support from our Muslim scholars in this regard, so may Allah bless you and all your family InShaAllah. My question to you is regarding Dental Financing, I want to make a surgery to implant a tooth and the price of the surgery plus crown, do cost in the thousands. so I came across this company called Dental Card, which do finance all types of dental care, once my application is approved, they will issue me a card that I can use with my "pre-approved" dentist, who would bill directly Dental

Card for the rendered services, and Dental Cad will later debit my bank account on monthly basis, accordingly the financing term we agree on, and they will charge an interest for this.
my question to you, is this service provided by dental Card Riba based?? or it is permissible as there is a service provided from the dentist and they are paying the dentist directly??
Your answer will be highly very helpful and highly appreciated!!
Jazakka Allah Khair!!
Easy Steps to Apply for Financing
Dental card can pre-approve an approximate amount. This allows you the flexibility to choose your dentist, service provider, procedure, product purchase or procedure date with the comfort of knowing that financing has been confirmed.
①
Submit your application online in confidence, call us at 1-888-689-9876, or fax your completed application to 1-888-689-9862.
- Choose how much money you would like to finance.
- Choose to finance the whole procedure, or just a portion.
- Choose your ideal terms: 6 months, 1, 2, 3, 4, 5, or 6 years.

②
Dental card will notify you of the credit decision by phone.
- Sign and return the required documents and a void cheque to Dental card.

③
Dental card sends payment automatically to your dentist or service provider.
- Your monthly payment is electronically debited from your chequing account.

Rachid

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. Rachid
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Thank you for the words you said and I pray to Allah to make me deserve what you said about me.
As to whether this is interest, from the point of view of Shari'ah, it is interest (Riba), no doubt about it. They give you cash which you determine its amount or % of the value of the service you will buy and they say that money on your behalf to your creditor who become your creditor upon providing you with the dental service. Don't you see a similarity with mortgage finance where the lending bank pays the approved amount directly to the seller?
Can this be adjusted to be given in a Shari'ah compliant way? YES, similar to what we do in mortgage, the finance provider buys the service, or any part of % of it, on you request and sells it to you. The difference may look to be the formality, but it goes a lot beyond that by strictly always linking any finance to goods and services rather than to set payments and debt transfers.
Now we come to this case of financing the acquisition of dental services by this way which is interest-based in countries where no Islamic finance is available. My opinion is that it is permissible in application of the principle of necessity and this is individualized. If this service is necessary for you (we are not talking about life and death necessity but about necessity for our body to function normally, in contrast

with purely beautification surgeries) and you cannot manage its payment in permissible ways such as help from friends and family and previous savings, it becomes permissible to use this kind of finance.
Wa Allahu A'lam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf

FATAWA INTEREST RIBA LOANS 2017

From: Basil
Sent: Wednesday, December 20, 2017
Subject: Online trading/ Treasury bills/Retirement package
Question:
Assalamu alaykum Doctor...
In the name of Allah, the most beneficent, the most Merciful,
My name is Basil from the ------. I have quiry regarding the online trading/ Treasury bills/Retirement package. Are they allowed in Islam?
I hope you can give me clear ideas on those important things. By the way I got your email from the website @kahf.net
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. Basil
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
In our religion Riba is prohibited. Riba is defined as as an increment conditional in a debt. This means: any contract that contains Riba is void and any income which comes as an increment in a debt is not permissible.
Accordingly, treasury bills earn you Riba (interest), they are not permissible to buy or to earn their income.
Same applies to any retirement package, any interest part of its income must be given away to Muslim charity for distribution to poor and needy.
Wa Allahu A'lam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Professor Dr. Monzer Kahf
Islamic Finance & Economics

From: Maha
Sent: Saturday, December 02, 2017
Subject: Permisibility of mortgage
Question:
Assalamu alaikum,

Please could you help me out in explaining to my parents about mortgage? I have seen so many different opinions everywhere and I really need to know properly. Is it haram? Why is it haram? What's the basis of your opinion? Is it really interest? What's the difference between the interest nowadays and ribaa? I would really like a detailed reply with sources so that I can once and for all settle this debate.
JazakAllah.

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. Maha
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
You have rushed too many questions that in reality require several lectures, please forgive me being very brief.

1. Interest and Riba: the Qur'an is clear in the prohibition of Riba and its distinction from sale [2:275]. It is also very clear in the definition of Riba [2:279] "But if ye repent ye shall have your principal: Deal not unjustly, and ye shall not be dealt with unjustly." Which means that any increment above principal is Riba in loans not in sale. The result is Riba=interest.
2. Clearly then all and any transaction founded on the idea of a loan with interest is not permissible. Likewise is extending an already existing debt (even if it is not resulting from a loan on interest) to a new maturity for and increase, this increase is Riba and prohibited.
3. Clearly also what is prohibited is any increment in a debt or loan, but finance is not prohibited. This means if finance is done through sale or lease it becomes permissible but it is prohibited if it is done through interest-based loan. This the basis of Islamic banking and finance today.
4. The difference may on the surface looks trivial. But in reality is very big and very important. When you finance through sale or leasing, there will be a cap on the size of finance in the society and there will be no finance on purely debts. Imagine that about 10 out of each 11 dollars of finance today are pure debts and take place between banks. There are many other important differences too that need more discussions
5. Mortgage is based on an interest loan to buy house.
6. Having an owned house, in comparison with renting, makes a big difference to the extent that it can be considered a very high and strong need (although not a matter of life and death) and the rule in Shari'ah is that: whenever there are important needs, you may relax the prohibition to the extent that removes any hardship.
7. Accordingly, while there is no doubt that interest-based mortgage is Haram, this prohibition may be relaxed in case of need provided of course there is no Islamic finance available with affordable conditions. This is the essence of a Fatwa issued by the Second international conference of Shari'ah scholars held in Detroit in the fall of 1999.

If you have any more questions please come back with them.
Wa Allahu A'lam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards

Professor Dr. Monzer Kahf
Islamic Finance & Economics

From: Aamir
Sent: Saturday, December 02, 2017
Subject: Loan from personally owned holding company
Question:
السلام عليكم ورحمة الله وبركاته
Hope you are in the best of health.
I have a personal corporation ("holding company") that I usually park company in for investments, etc.
My accountant set this up for me for tax purposes.
I am now trying to withdraw a large sum of money from it for a purchase.
After doing the math with my accountant, if I withdraw the money all at once there will be a large tax implication (50%+ tax).
The solution we came up with is:

- Take the payment as a loan instead from my own company
- The loan will be at a "fair market value" interest rate (2% - 5%)
- This interest I must pay from myself to my company
- I settle the loan with my company over the next 4-5 years to minimize the tax (doing it all in 1 year will be too much tax)
- I can later withdraw this "interest revenue" from my company as a dividend once the loan has been settled -- since I have full ownership of the company. Is paying interest in this scenario Islamically permissible?

Some more details:

- I am the only owner of this company and there are no employees; it's my corporation and I am also the lender
- There will be no paperwork or contract for this
- All that will happen is a payment will be made once a year to show the tax authorities that I am paying a fee/interest for taking the loan if they come for an audit

Any explanation would be highly appreciated.
May Allah bless your family.
جزاك اللهُ خيرًا
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. Aamer
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
This is perfectly permissible. What the tax authority call interest on this loan is not interest from the point of Shari’ah, it is rather a transfer from one account of yours to another account of yours because you are the sole owner of the company.
Wa Allahu A'lam
Wa Alhamdu Lillahi Rab al Alamin

Wassalam
Best Regards
Professor Dr. Monzer Kahf
Islamic Finance & Economics

From: Abdul-Jalil
Sent: Wednesday, November 22, 2017
Subject: USURY(RIBB)
Question:
Asalamu Allaykum Prof. Monzer,
Please I am forwarding to you a request for fatwa from a friend I mentioned to you before.
Thank you:
Salaam Alaikum Sheikh.
Please my name is Murijan, and Jalil is a very good friend of mine. I discussed with him a few weeks ago the below issue, and he suggested I send an email for onward forwarding to you for both professional and spiritual guidance.
The issue of Interest (usury) and the Islamic position regarding it has been bordering my mind for some time now, and I have sought out to get clarification to enhance my own understanding of it. My concerns are in the form of questions, and please permit me to put them below;
1) Please is there any condition under which interest (usury) may be allowed? For instance, in Ghana, it is very difficult to finance capital projects in the form of land and housing with one's personal savings, but at the same time, the Quranic warning on interest is quite stern and direct. The majority of people in Ghana use bank facilities to acquire land, and only a few are able to raise their own funds to do so. Of those who acquire the lands, 100 % are at risk of losing the lands unless they develop the lands quickly. Given that there are no Islamic banks in the country, our only option is to opt for a bank loan or some other form of Interest bearing facility, in an attempt to either acquire, or secure the lands we acquire. Can you help clarify things to myself and others who may be in such situations, what our options are?
2) What is your advice for people like me, who want to avoid paying rent for a long time, and making good financial decisions for themselves and family, whilst staying Halal.
Thank you very much Sheikh, Jazaak'Allahu khairan
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 Brs. Abdul Jalil and Murijan
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
The Fatwa of the Fatwa council of Europe and before it the Fatwa of the Second international Shari'ah scholars conference Held in Detroit, MI in the US both attended by Shaikh al Qaradawi, for Muslim minorities in the western countries that considers having own house, even under interest if Islamic finance is not available. May apply to the cases you mentioned in Ghana. The only difference is that such Fatwa may hinder establishment of Islamic finance in countries where Muslims are focused although minorities, such as most African countries and India.

Applying it in your case is an individual matter that you decide on not me. If you feel that similar needs exist in your Muslim community and your specific case is one of them the Fatwa state that it is then permissible to acquire a house to live in, not for investment, on interest based mortgage if Islamic finance does not exist.
Wa Allahu A'lam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Professor Dr. Monzer Kahf
Islamic Finance & Economics

From: Mujahid
Sent: Tuesday, October 31, 2017
Subject: Aircraft Financing
Question:
Assalamu alaikum Ammo Monzer,
Insha'Allah you and your family are doing well. Yasir and I were talking about a question that keeps coming up in discussions between the shabab and he suggested (jazakum Allahu khairan) that I reach out to you for some guidance.
Here's the situation:
- Alhamdulillah, I accepted a new position last week which requires me to travel extensively - about twice a week. I'm trying to make the commute go by faster so I can minimize the amount of time I'm spending away from my family, so I'm looking to buy a small airplane for the travel - insha'Allah.
- The company I am working with pays me travel reimbursement, which over about two years will pay for the cost of the airplane. They won't buy me an airplane directly, but they will pay for expenses (mileage)
- There are so many aircraft financing companies available, but all work on the same standard premise of down payment, then principal + interest
- The aircraft I'm looking to buy is about $25,000, and I'll only have part of that when I start the new job
- I could always just use my car for travel, although it would take longer and would be much more tiring on me
The question:
- What are some options for financing this airplane?
Thoughts:
- I could ask the airplane seller if he is willing to owner-finance it, in which case I'll pay him ~$27k over the course of two or three years. This would be structured like a 'bay al-ajal' contract, which I really know very little about
- La Riba has car financing, and I'm not sure if they are willing to finance airplanes, plus I understand that your opinion of them is very negative
- I already have a 401k loan out, but I can pull out a bit more to help pay for the airplane. In this case, I'm paying interest back to myself. Is this Islamically ok?
Jazakallahu khairan for your help.

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 Nephew Mujahid,
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
MaShaAllah, it is so nice to hear from you.
Taking a loan from you 401K and paying interest to your own account is not considered interest in the eye of Shari'ah. This is the best if you can do it, otherwise I do not see any necessity that may justify taking and interest-based loan. Try the seller if it accepts to sell it to you on instalments instead of getting a loan for it.
Wa Allahu A'lam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Professor Dr. Monzer Kahf
Islamic Finance & Economics

From: Mujahid
Sent: Wednesday, November 01, 2017
Subject: Aircraft Financing
Question:
Wa alaikum assalam Ammo Monzer,
Jazakallahu khairan for your time and advice. You and your family have had such a wonderful impact on our lives and we are very much indebted to you for your kindness and hospitality. Thank you for addressing my question. If you don't mind, I have a few follow up questions:
- In the case where I cannot get the seller to finance for me or I cannot get enough money from my 401k, is there an Islamically-acceptable alternative to getting an aircraft or car loan?
- I have heard of some people 'pre-loading' the interest for car loans, where they compute how much interest they would have paid and simply add that to the principal so that the contract says 0% interest. Is this a legitimate method? For instance, for a $20k car that is financed over a period of 5 years with $3k of interest paid, the contract states that the sale price will be $23k with 0% interest.
Jazakallahu khairan, thank you again for your time.
Answer:
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 nephew Mujahid
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Thank you for your very kind email,

For the first point there are the University bank in Detroit area and the Devon bank in Chicago area, check them on line if they offer car or similar finance.
For the second point, we need to realize first that finance is not free. This applies to Islamic banks and to all other finance providers. This means that if a seller accepts to include the interest in a price and show the sale as a zero interest, it is OK and you may take it.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Professor Dr. Monzer Kahf
Islamic Finance & Economics

From: Idriss
Sent: Friday, October 27, 2017
Subject: Buy a car on credit from the owner
Question:
Salaamou alaikoum Professor, is it allowed to buy a car on installments with interest in the following case.
Let's say I want to buy a car from Volkswagen. They provide me with the option to buy and pay in installments with interest. The Financial Services entity pays the Sales entity and I as a consumer will be dealing with the financial services entity for a period of 5 years. Both entities fall under the same Group.
Is this acceptable Islamically?
Barakallahu feek
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. Idriss
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
If the contract says interest, can it be other than interest? This is what is practiced by all car dealers in the US because agencies of consumer protection worked very hard to force car dealers to avoid exploitation of customers by mixing the two functions together.
Wa Allahu A'lam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Professor Dr. Monzer Kahf
Islamic Finance & Economics

From: Idriss
Sent: Saturday, October 28, 2017
Subject: Buy a car on credit from the owner
Wa alaikoum salaam Professor,

It sure is interest, but will it be classified as Riba. Because both the financial entity and the sales entity fall under the same Group. Isn't this the same as bay3 bi taqseed wa ziyadati thaman?

Answer:

Did you buy on installment or you bought for a cash amount plus financing at interest? If you bought for a cash amount plus an interest, it is then interest, any interest is Riba except when you take money from one pocket and put it in another pocket, if some calls it riba (interest) this is not riba because of being within same entity (legal or natural person).

Best Regards

Professor Dr. Monzer Kahf

Islamic Finance & Economics

From: Idriss

Sent: Tuesday, October 31, 2017

Subject: Buy a car on credit from the owner

I haven't bought yet. The Financial Services Company says they will buy the car from the supplier and sell it to me. They will hold legal ownership until the last installment is paid by me. In a regular mortgage legal ownership resides with the consumer, but in this case it resides with the financial services company.

Can I conclude that this is a sharia-compliant sell agreement?

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. Idriss

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Holding the title is between you and the seller. It may have some insurance implications that you must check before doing it. If there is a sale on instalments agreement between you and the company, it does not matter who hold the title (only from the point of view of Shari'ah) because holding the title only means security for payment not real ownership as the sale contract transfer ownership.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Professor Dr. Monzer Kahf

Islamic Finance & Economics

From: Dr. Mohsen

Sent: Tuesday, October 17, 2017

Subject: about interest

Question: How to purify a payment made as an interest?

As-Salamu alaykum dear Prof. Monzer,

His Some from Ethiopia

Asselamu aleikum,

I am going to ask a clarification based on the answer you gave to a question on Ethiopian Housing system. First, let me tell you that currently there is no Islamic bank in Ethiopia... the government disallowed and banned Islamic bank in the country. Moreover, such housing system is only operated by the government. In fact there are real states by the private companies...; however, their price is 4 or 5 times higher than that of the government. Because of such financial systems in Ethiopia, the Muslim is being marginalized in the country.

Saying this, let me come to my burning question. The Ethiopian government prepared a housing scheme in which the beneficiary pays 40% primarily and 60% is covered by a loan (from the bank). Actually you can also pay 100% at initial if you can afford. Once the house is transferred to the beneficiary, one must pay the remaining 60% in 1 – 17 years with interest. Some other criteria (in order to be eligible for the scheme) include: one must have no a house or land for building a house, or government owned house, you cannot register more than once, you have to pay a 7.5% interest of the total cost for the initial 2 years by the time you receive the house, the houses are to be transferred to the beneficiaries within 18 months, etc.

I entered a contract agreement with the government 4 years back to own a condominium house within 18 months for 250,000 Birr. In the agreement it says ... the earlier you deposit the estimated full cost, the better chance of getting the house earlier (though this is by a lottery method). So I primarily paid the full cost in order to avoid riba (the 7.5% of the initial 2 years and the later interests) and also to get the house early. However, the reckless government construction system and the bureaucracy took more than 4 years and the initially estimated price now hiked up to more than 605,000. I recently won the lottery (to be one of the first house owner by a lottery method) and headed to the Bank to pay the remaining amount (i.e., 605,000 - 250 000 = 355,000 extra cost than the one we agreed on initially). (Mind you here… out initial agreement is only 250 000 birr, to be transferred to the beneficiaries within 18 months.) Here comes my point: when I paid the 355,000 Birr, the bank also forced me to pay an interest for the initial 2 years. I argued for a long time not to pay… because I didn't borrow money from the bank. I just deposited all (full) amount I was asked at one installment 4 years back. The bank's main argument point was a phrase (article) in the contact agreement which read as: "you have to pay a 7.5% interest of the total cost for the initial 2 years by the time you receive the house." However, I and many others who didn't borrow argued that this article should not be applicable to those who paid the full cost primarily in one installment. But finally we paid it hopelessly ... because there is no way we can have a house again if we miss this chance. I totally paid 695000 (meaning nearly 91000 Birr is the interest).

So my question is this still a riba? If so, how can I clear (purify) this as it was because of a fraudulent transaction article?

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.

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I am sorry to hear all these unfortunate negative treatment by the government of Ethiopia. It is unfortunate that Muslims in your country could not stand up to defend their rights.

For this incidence of being forced to pay interest by a fraudulent article in the contract if the bank is a government bank, I see it as a part of the price of the house not an added interest. If the bank is private, it seems that you and some other persons like you should sue the bank for exhorting this amount from you and force it by court to return it to you.
Further, when you are forced to pay interest, outside all your effort to avoid it, I do not believe that you will be sinful by that. And just make Istighfar and add good deeds that will wipe out the bad things. Hasanat always do away with Sayy'at
Wa Allahu A'lam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Professor Dr. Monzer Kahf
Islamic Finance & Economics

From: Muaaz
Sent: Tuesday, October 17, 2017
Subject: Dubai Islamic Bank Loan
Question:
Assalaam o alykum sir,
Jazakallah for looking into this, here are the details

- After necessary Credit & Shari'a approval, the customer will submit Application for Personal Finance (PF)
- After evaluating the application, the bank will purchase specified goods (e.g. cotton, meat) from a commodity supplier on spot payment basis.
- The goods will be identified (i.e. the location and warehouse details) & disclosed to the bank by the broker.
- The Bank, after getting the title to and possession of the goods, will sell the goods to Customer on deferred payment basis (***A loan arrangement in which the borrower is allowed to start making payments at some specified time in the future. Deferred payment arrangements are often used in retail settings where a person buys and receives an item with a commitment to begin making payments at a future date.***).
- The possession (constructive) of goods will be given through a DO/DC in favor of Customer.
- The DO/DC issued will give absolute right to the beneficiary to possess the goods or to liquidate the same by selling it to the ultimate buyer.

I am living in Pakistan and i want to avail loan facility from Dubai Islamic Bank. Here are the terms, conditions and details of this loanhttps://www.dibpak.com/consumer-financing/personal-finance/
In above link they state that they provide loan to people after some goods sale/purchase. I could not clear myself whether it is halal in Islam or not. Can i avail Dubai Islamic Bank loan facility?
Regards & Jazakallah.
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. Muaaz
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
As described, this is exactly the transaction about which the OIC Fiqh Academy said (in its meeting of 2009 in Sharja): it is pure Riba because there is a collusion for "personal finance" i.e., getting cash now for a larger amount of debt payable in the future. Also the Fiqh Academy of the Muslim World League in Makkah said it is exactly a riba transaction because the commodity is not intended for its own sake, it is only used as a vehicle to get cash against a larger amount of debt which is the Riba transaction.
Wa Allahu A'lam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Professor Dr. Monzer Kahf
Islamic Finance & Economics

From: Yasir
Sent: Wednesday, October 11, 2017
Subject: Is cash discount ribah?
Dear Sir,
I am a trader and sell mostly consumer durable goods. I buy products from suppliers and pay them after usually 14 days to a month time. For some suppliers i pay them upfront and ask for a 1-2 cash discount. Is this haram?
Kindly guide
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. Yasir
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
This cash discount, as you described it, is permissible and Halal to take.
What you should avoid is to make a <u>contract in two prices</u> such as: if I pay after a month the price is X and if I pay tomorrow (or in y number of days) then the price is X-2%. In this case the difference is Riba and you should always, if that happens in a contract, pay early and take the discount, otherwise you will be paying Riba (equal to X- [X-2%]).
Wa Allahu A'lam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Professor Dr. Monzer Kahf
Islamic Finance & Economics

From: Shamma

S**ent:** Saturday, October 07, 2017
Subject: Permisibility of income from preparation of documents
Assalamu Alaikum, Dr Monzer Kahf,
I would request your assistance with regard to the following matter:
In arranging finance for his clients, a relative of mine always attempts to obtain finance from Islamic banks and financial institutions. However, sometimes, the special needs of the client cannot be fulfilled by Islamic banks and financial institutions. In such situation if my relative after exhausting the options offered by Islamic institutions fails and thereafter, arranges finance from conventional banks, would his earnings as a consultant be permissible? (As consultant, he would be required to negotiate with the financial institution, prepare documents on behalf of the client, i.e., do the preparatory work leading to the drawing up of the loan contract.) Hoping to hear from you soon.
Massalam
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. Mahfuz,
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Preparation of documents for a Riba-based contract, under all circumstances, including the one you mentioned in itself is not permissible let alone that its income is also not permissible. If there are Islamic finance institutions and Islamic finance is not available from them, then there is no need for such a finance, one should not go to conventional.
Wa Allahu A'lam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Professor Dr. Monzer Kahf
Islamic Finance & Economics

From:----------
Sent: Tuesday, October 03, 2017
Subject: Question
Salam dear Prof. Dr. Monzer,
Hope you are fine.
I am wondering if you have time for this question:
We all know that it's haram to take riba but I have two questions for you which is troubling to all those Muslims studying about business:

1. How can I create wealth without interest? And I'm talking about millions of dollars which I can earn by interest.
2. If riba is haram and it destroys the income then how on earth billionaires earning interests are so rich?

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.
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Wealth is neither created by interest nor by lending. Where did you get this non-economic idea from? Wealth is created only by hard work to create new products, processes, methods and markets not by loans. This is the area where the millions are created definitely not in banks or by banks. You need to know more about business and economics.
For the second questions, definitely there are way of acquiring wealth some of them are moral and some others may not be so. Many of the Arab princes have wealth but they got it by exploitation and theft from the society. Many others got it from gambling and casinos (like |Mr. Trump) but also many others got it from hard work in creating wealth through producing thins and methods that benefit humanity like Gates or Jobs These are realities in the world.
ARE BANKS USEFUL? Certainly YES, and they helped many people in creating wealth but also they do a lot of harm. Where is the analysis? Is the "interest" that helps or the extension of credit i.e., the finance? It is the latter and can finance be offered on basis other than interest? Yes. Then we can achieve the objective of helping in wealth creation without the evil of interest and its devastating financial effects and crises. This is what Islamic finance all about. Banking on the basis of real assets and real wealth creation.
Wa Allahu A'lam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Professor Dr. Monzer Kahf
Islamic Finance & Economics

From: Imran
Sent: Saturday, September 30, 2017
Subject: Opinion re providing legal advice (leasing company)
Question:
Dear Professor Monzer Kahf,
Assalamu Alaikum,
I'm a lawyer who's been engaged by a client for assistance regarding obtaining financing from either a leasing company or a bank within a very short period of time to fund the purchase of a commercial building. While there are many Islamic banks and at least one Islamic leasing institution in Bangladesh, they are not as swift as some of the more conventional banks/leasing companies in the country in providing their service (which is problematic for my client). In this situation I would request your opinion as to whether it would be sinful for me to do the following:
1. Advising client to obtain financing from a particular leasing company which is not Shariah compliant and assisting him in the preparation of the relevant security documents. (I will not be issuing, signing or witnessing any of the finance documents containing the 'interest ' clauses).
2. I read in an earlier fatwa of yours that a lease agreement which contains a default clause (requiring payment of interest) is not necessarily haram for the person receiving the loan as he

does not intend to default when obtaining the loan. In this particular case, my client is well off and inshallah will be able to repay the instalments in time. Also, there is no question of not transferring ownership of the building to the client upon payment of the instalments. In such situation, is it sinful for me to act as a legal adviser/consultant in helping him obtain the finance from the conventional leasing company by drafting the security documents (but not the lease agreement, which would be a standard document) and negotiating with the leasing company on his behalf?

3. Would your response be any different in case of the client obtaining financing from a conventional bank with my assistance?

I'm suffering from a serious mental dilemma and would appreciate your early reply.

May Allah reward you for your great service.

Jazakallahu Khairun

Wassalam

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. Imran

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I know that most conventional lease contracts are close to the Islamic. If the only problem is the interest in case of delinquency and your client is sure that he will not delay any payment, e.g., he may make arrangement of automatic payment from his bank. I do not think the contract with the conventional lease company or a conventional bank is not permissible. If the contract is permissible, it is also permissible to help negotiating sad drafting it.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Professor Dr. Monzer Kahf

Islamic Finance & Economics

From: Imran

Sent: Saturday, October 07, 2017

Subject: RE: Opinion re providing legal advice (leasing company)

Question:

Assalamu Alaikum, Professor Kahf,

I hope you are well by the grace of the Almighty.

As a lawyer practising commercial law, I receive instructions from conventional banks and Islamic financial institutions alike. I would be grateful if you could respond to the following questions:

2. Before granting loans, banks obtain advice from lawyers as to whether the prospective loanee's documents are in order. On the basis of legal advice, banks decide whether to grant loans. In that case, should a lawyer's opinion be treated as preparatory to drawing up the Riba contract? If so, are the earnings permissible?

My Answer is definitely YES. This is specifically a part of writing the Riba contract as contract is not done normally without legal check of its language and ideas. It is Haram to give such an opinion to a Riba-based contract and its earning is equally haram

3. Is it permissible to represent conventional banks/financial institutions in matters not directly related to the business of Riba, for instance, a property or a landlord/tenant dispute? Do you agree with the agreement that even if I represent a conventional bank in a land dispute, I would be facilitating sin and transgression (Surah Maidah, verse 2) and hence my earnings would be doubtful/prohibited?

We should draw a fine line here. Representing a conventional bank to recover principal of an interest loan is permissible but not to recover the interest, also permissible in non-interest matters as landlord tenant dispute. There should be no doubt that avoiding interest-based institutions in total is better and it is more Taqwa, this is the implication of verse 5:2.

Jazakallau Khairun for your great service.

Ma'assalam

Imran

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. Imran

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Please see above

Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Professor Dr. Monzer Kahf

Islamic Finance & Economics

From: Ali

Sent: Saturday, September 30, 2017

Subject: Advice regarding financial issue

Question:

AssalamuAlaikum Brother Monzer

I need some advice. I owe money to a bank. My brother and I bought a house to rent out but my brother took a standard mortgage instead of a landlord mortgage. After I found out we sold the house a few years later and want to pay back the difference which is about £1000. Now I cannot pay the bank directly so do I give this money to charity or take out a product from the bank such as a loan or credit card and pay the amount that is owed.

Your advice is greatly appreciated.

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. Ali
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
I don't understand how come you owe the bank but the bank does not know that you owe it? if you owe the bank you must pay to it not to charity. Paying to charity does not fulfill your obligation or pay your liability both in Shari'ah and in law. Payment to charity is Sadaqa or giving money that is not owned by anybody but not debt to another person, natural or legal.
Wa Allahu A'lam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Professor Dr. Monzer Kahf
Islamic Finance & Economics

From: Ali
Sent: Sunday, October 01, 2017
Subject: Re: Advice regarding financial issue
Thank you for responding
The reason I owe the bank money is that many years ago my brother took out a mortgage on the house we rented but instead of getting a landlords mortgage which incurs a higher fee, he got a standard mortgage without telling me. There was a difference of about £1000 over the course of the years until we sold the house. Now the only ways I see of paying this money which belongs to the bank is to own up and say we did wrong or to take out a credit card with the bank and pay interest on it till the amount is paid.
Answer:
Taking a residence loan instead of landlord loan is permissible and you do not owe the bank anything. Ask your brother to make istghfar for the incorrect info he gave the bank then. Go ahead and make some studies of Halal and Haram, read for instance the translation of the book al Halal and al Haram of shaikh al Qaradawi, it is available in the market. You can also make charity any time, it is better for you and your family.
Best Regards
Professor Dr. Monzer Kahf
Islamic Finance & Economics

From: Ali
Sent: Monday, October 02, 2017
Subject: Re: Advice regarding financial issue
Thank you Brother Monzer
I hope you understood what I meant. We bought a house to rent out. In the uk when you buy a house to rent out you need to take a landlords mortgage rather than a residence mortgage. If your advice is based on this then that is fine. Please let me know.
Answer:
The difference is to pay more interest to the Bank. Interest is not permissible anyway and paying more of it is not a virtue.
Best Regards

Professor Dr. Monzer Kahf
Islamic Finance & Economics

From: Dr. Mohsen
Sent: Monday, September 18, 2017
Subject: Percentage charge on credit card
Question:
As-Salamu alaykum dear Prof. Dr. Monzer,
We received the following question:
I am wondering if you have time to answer it.
Yasir amin from India
Assalamu Alaikom,
I have a credit card which i use on a merchant POS where in the merchant provides me with the money after i swipe my credit card deducting a charge of 1.5 percent which he is supposed to pay to the bank.I am not paying any interest on the card but i am paying the fees that the merchant is supposed to pay to the bank. Is it allowed?
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. Yasir
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
I believe what you pay, the 1.5%, is Riba and this transaction is not permissible. Riba in an increment between the cash and the future debt. This definition is exact for the 1.5% difference between the cash you take now and the debt you creae that is payable after about 30-55 days on the assumption that you pay within the grace period. This is in spite of the fact that what the merchant pay to the credit card company is permissible because for the merchant it is a fee for the services the company provides him
Wa Allahu A'lam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Professor Dr. Monzer Kahf
Islamic Finance & Economics

From: Yasir
Sent: Wednesday, September 13, 2017
Subject: Credit card
Question:
Dear brother asalamalikum,
I am a businessman and i have a merchant Point of sale machine with me whereby i accept credit cards from my customer. For credit card transaction bank charges me 1.5 percent of the transacted amount. I also happen to have a credit card of my own. Sometimes when i am in urgent need of funds i swipe the credit card on my own POS machine. Next day funds are

credited to my bank account which i then withdraw and use. For this transaction a pay a charge of 1.5 percent toward the bank. Is it allowed as per Islam?

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. Yasir

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I do not think that this 1.5% charge is interest. There is a clear decision by the OIC Fiqh Academy that this charge on merchants is permissible, being for the service provided by the credit cards companies/issuers to merchants. This charge is the same when you yourself is the customer.

But I can see a strong Shubhah of Riba in it when you use it fakely without buying but simply for needing cash. I suggest that you should avoid doing that as it is a de facto increment on the cash you get in your bank account; this is the definition of Riba!

Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Professor Dr. Monzer Kahf

Islamic Finance & Economics

From: Imaam Rahma Mosque

Sent: Sunday, September 10, 2017

Subject: Education fund account

Question:

Dear Prof. Monzer,

As-Salamu `alaikum.

A question came to me a couple of days ago from a Syrian Refugee. The government here offers educational fund for their kids where they are requested to match money equal to what the government will put. For example, if the Syrian saves 100 $ for one kid, the government will match the same amount. There are certain withdrawal limitations to such education fund account.

Is this kind of fund halal or not?

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. Imam of Rahma Mosque

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Of course saving for education and any other future use is Halal, rather encouraged in our religion.

The matching government contribution is beautiful and an excellent gesture on the part of the Canadian government, it in fact applies to all people in Canada not only the refugees.

Restrictions imposed by the government on the use and early withdrawal of funds are also permissible and in fact they aim at using the funds for education of children. These restriction do not make any dent in the concept of ownership, so the balances of such funds remain owned by the savers and remain subject to Zakah provided the conditions of Hawl and Nisab are fulfilled.
The issue of investing these funds is important, we should invest them in equity-based mutual funds with the least of bonds and Haram shares and still we should apply the purification principle by estimating the Haram part of dividends and capital gain and dispose that part to Muslim charities.
Wa Allahu A'lam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Professor Dr. Monzer Kahf
Islamic Finance & Economics

From: Mariem
Sent: Wednesday, August 23, 2017
Subject: Global Iman Fund
Question:
Salam o Alakoum
May Allah bless you and reward you for all that you do to educate Muslims.
I have a RRSP through TD Waterhouse & a small amount of interest has accumulated what should I do? I can't pull out the funds without a penalty. I did although donate the amount of interest accumulated as Sadaqa. Is this correct? What do you think about investing in the fund below to avoid any further interest accumulation?
I am seeking your help what do you think about this Mutual Fund? Global Iman Fund supposed to be Sharia Compliant. Below is the questions I posed to them also below is a response.
Thank you for your time.

From: Mariem
Sent: August 22, 2017
Subject: Global Iman Fund
Hello,
I am wanting to invest in your global Iman fund but want to make sure it is 100% Sharia complaint.
After a brief review I noticed 1 of the top 10 holdings was VISA INC.? & that Cibc Mellon is the custodian on the fund. Even though CIBC Mellon mat by a different entity than CIBC they still both deal with RIBA. So does CIBC get a portion of the MER fee? Just doesn't make sense to me how a fund can claim to be sharia compliant when VISA is in the top 10 holdings & one of the 5 big banks is included somehow as a custodian within the fund.
Please explain thank you

> From: Customer Services Global Growth <customerservices@globalgrowth.ca>
> Sent: August 22, 2017

Subject: RE: Global Iman Fund

Hi Mariem,

Thank you for your inquiry, please see below response from our Portfolio Manager with respect to Visa inc. holdings in the Global Iman Fund:

"The equity universe for our UBS Sharia Friendly Equity strategy is the Dow Jones Islamic Market Titans 100 Index. We invest only in companies of this equity index. All equity related Sharia compliance tests are done by the Dow Jones who have their own Sharia Supervisory board (currently 4 Sharia scholars) for screening securities for inclusion in the Index.

Visa is included in the DJ Islamic Market Titans 100 Index. It is not a conventional financial services company, such as banking and insurance business and is more of a hybrid in Diversified Financials/ Information Technology sector, as it a Digital Payments Technology company."

In terms of your concern with CIBC Mellon being our custodian their fees are very insignificant in comparison to the total assets of the fund. Typically, any investment in the fund (holdings or indirect) of less than 5% is considered negligible.

In addition, we have been endorsed by the Islamic Finance Advisory Board effective July 10, 2017 (see attachment).

Please feel free to contact me should have any additional questions or concerns.

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. Mariem

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

What you did for the earned interest that you cannot withdraw now without penalty is correct. Always we should give equal amounts to charity of any interest that becomes ours.

For the Iman fund below, it looks OK to invest in it because it is committed to the DJ Islamic market index. But you should always remember that the DJ Islamic indexes are based of tolerance not on purity of any Haram, i.e., they invest in shares that have the least of Haram in a specific market, no more than 5% interest and some other financial criteria. Every accounting period the management of the fund is required to calculate the percentage of Haram in the shares they invest in (if they do not send you such a report please ask them for it). In other words, it is definitely better, from Shari'ah point of view to invest in this Iman fund, but you are still required to give to charity the percentage of purification out of its return.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Professor Dr. Monzer Kahf

Islamic Finance & Economics

From: Irfan

Sent: Monday, August 21, 2017

Subject: Regarding taking interest loan on from bank under necessity

Question:

Dear Respected Shaikh,

Assalam-u-Alaikum!

My name is Irfan, and I originally hail from Srinagar city of Jammu & Kashmir State controlled by India. I work in a petrochemical company currently.

I am having debt over me, which I was not able to pay off since more than one year. My salary is not that much that I spend on my family and also save to waive off my debt. Now, the people have started asking me money back. I can understand their problems and needs. I am living under stress these days, and do not know how to pay the debt back.

My question: In such circumstances, can I apply for bank loan which deals with interest?

I could have found someone else for asking him the money, but the same problem will be repeated. I won't be able to return the debt soon. On contrary bank will deduct my PMI, and will have time for returning the amount. I know it is *Haraam*, but I think it falls under the category of *Hajiyyat* for me.

Kindly guide me whether I should apply for it or not? I would be grateful for your wise advice.

May Allah Increase us in our Eemaan and give us good health, Aameen!

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. Irfan

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I do not believe that there is any necessity in this case. My suggestion is to approach creditors and start giving them installments similar to what you are thinking of giving to a bank. it seems that you need to reconsider arrangement of your own finance rather than taking a loan.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Professor Dr. Monzer Kahf

Islamic Finance & Economics

From: Dr. Mohsen

Sent: Thursday, August 17, 2017

Subject: Financial question

As-salamu alaykum dear Prof. Dr. Monzer,

I wish you and your family a happy and blessed days of Dhul-Hijja.

I am wondering if you have time to answer this question:

SHAKOOR from India

Studying on loan money including intrest

Asalamu alikum. My father sent me for pursuing b.tech to outside the state. During initial year e provided me fee from his earnings, but later he took a student loan for me as load of money for

my fee wasn't affordable. Is it permissible for me to continue my study on interest paying loan? Will it lead me to any disaster in here world and hereafter?

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. Shakoor

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I believe that student interest-based loans are as prohibited as any other interest (Riba) loan. Of course cases of necessities are exceptions. If you are in a case of necessity the situation may be different.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Professor Dr. Monzer Kahf

Islamic Finance & Economics

From: Ozair

Sent: Wednesday, July 26, 2017

Subject: Your Workshops in Rahman Masjid, Edmonton

Question:

As-Salaamu Alaikum Dr. Kahf,

I hope you are well.

We met last weekend at Rahman masjid.

If you remember, I introduced me and my father as someone who lived in your 171 Howard Street property in New Brunswick, NJ in the 90s.

I had registered for the workshops but I could not attend as my parents were visiting me and I had to take them to places.

I would like your advice.

I am investigating investing in these two funds:

1. UBS Global Iman Fund

https://www.theglobeandmail.com/globe-investor/funds-and-etfs/funds/summary/?id=75940

2. Investors Real Property Fund

https://secure.globeadvisor.com/gi/db/gaf.fund_pro?fundname=Investors+Real+Property-A

I have the following questions:

1. A small part of the second fund is held in government bonds the income of which is haram. How can I purify my investment from it?

You may need to check also on the stock because if they are stocks of real estate companies, there is a high likelihood they may not pass the financial Shari'ah criteria of their income, leveraging and use of asset. Also the cash and other which is another small % may be interest generating.

The purification calculation in a simple way is the % of use of funds. So assuming that all stocks are permissible and do not need any purification, take 1-77= 23% of its distributed income and capital gain as the purification %.
This fund does not seem a good investment anyway even financially!
2. How would I calculate zakaat on these two investments?
2.5% of the declared price on the day when your Zakah is due multiplied by number of units that you own
3. What percentage of my investment should I invest in precious metals?
I do not suggest investment in precious metals, why do you want that? When you buy them you need to take actual delivery and pay storage fees.
4. Are there other halal investment options in Canada, I can look into to diversify my portfolio?
You may like to check with the Islamic Housing Cooperative (which is in Ontario), it has been doing well in the past and it is authorized to take RRSP and RESP.
Also check with the Royal Bank, I heard that it offered a shari'ah compliant fund. you may like to consult with advisors like Riad Assaf of Edmonton and Khalid Sultan of London, Ontario (I heard the latter Manages Shari'ah compliant portfolios). But also do not take my words because I am not an expert, check for yourself and investigate.
JAK
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. Ozair
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
It is nice to hear from you, certainly I remember you,
Please see above for my answers in red:
Wa Allahu A'lam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Professor Dr. Monzer Kahf
Islamic Finance & Economics

From: Ozair
Subject: Re: Your Workshops in Rahman Masjid, Edmonton
Question:
As-Salaamu Alaikum,
JAK for the answers
I would like to know that if I get no risk RESPs based on fixed interest, how can I purify it as my children will only get the money once they are 18?
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. Ozair
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
If you have a choice to benefit from the government contribution into the RESP without investing in interest-based investments, it is then prohibited to invest in interest-based accounts regardless of the purification issue. The purification applies only to when you are under necessity to place fund on interest, it is not a choice.
Wa Allahu A'lam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Professor Dr. Monzer Kahf
Islamic Finance & Economics

From: Dr. Mohsen
Sent: Tuesday, July 11, 2017
Kind regards,
Dr. Mohsen
Subject: Interest or higher deferred price?
Question: Riba vs 12 months same as cash for 2x the price
Ahmad from US
Is it better to pay 12% interest rate on a home project for one year or get twelve months same as cash? Prices the one project with the interest is 5000= 5600 the other project is 9000 with no interest which is better?
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. Ahmad,
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Your numbers do not match, if a house is for 5000 now, it cannot by all means be 9000 if payment is one year, this comparison does not make sense, Definitely interest is Haram unless in case of necessities which make it tolerable while sale/purchase at any market-determined price is permissible. Remember that Ghabn (excessive pricing) is also Haram.
Wa Allahu A'lam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Professor Dr. Monzer Kahf
Islamic Finance & Economics
==========

My answer:
Dear Br. Dr. Mohsen
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Please receive the answers above
Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Professor Dr. Monzer Kahf
Islamic Finance & Economics

From: Zachariah
Sent: Tuesday, July 04, 2017
Subject: Is Indexation of loans equivalent to Riba?
Question:
Dear Dr Monzer Kahf
Assalaamu-alaykum wrtb
I pray that this email finds you well with the Blessings of Allah (swt).
I am currently researching the topic "Is indexation of loans (with inflation e.g., CPI) equivalent to Riba"? And have written the following summary on the topic of student loans:
https://www.academia.edu/33730728/Is_it_permissible_for_a_Muslim_to_take_a_government_student_loan_like_HECS-HELP_in_Australia
I have since come across the following by Dr Khalid Bin Abdullah Al Mosleh:
http://www.ahlalhdeeth.com/vb/archive/index.php/t-87777.html
I would greatly appreciate your thoughts on the topic and Dr Al-Mosleh's position in particular.
I have seen you state previously that the scholars who claim that indexation is not Riba are in the minority.
Thanking you in anticipation and hoping to hear from you at the earliest convenience.
Answer:
Please give a clear summary of a specific question. I do not answer questions on bases of inputs on the internet alone.
Best Regards
Professor Dr. Monzer Kahf
Islamic Finance & Economics

From: Zachariah
Sent: Tuesday, July 04, 2017
Subject: RE: Is Indexation of loans equivalent to Riba?
Question:
Dear Dr Kahf
Assalaamu-alaykum wrtb
Thank you very much for your prompt response.
In Australia, the government provides a student loan for university study which is indexed each year according to the Consumer Price Index (CPI).
My questions are as follows:

1. Is this indexation of the loan equivalent to Riba?
2. Dr Khalid Bin Abdullah Al-Mosleh states that it is not Riba based on the hadith of the Prophet (s): Narrated Abdullah ibn Umar: "I used to sell camels at al-Baqi for dinars and take dirhams for them, and sell for dirhams and take dinars for them. I would take these for

these and give these for these. I went to the Apostle of Allah (peace be upon him) who was in the house of Hafsah. I said: Apostle of Allah , take it easy, I shall ask you (a question): I sell camels at al-Baqi'. I sell (them) for dinars and take dirhams and I sell for dirhams and take dinars. I take these for these, and give these for these. The Apostle of Allah (peace be upon him) then said: There is no harm in taking them at the current rate so long as you do not separate leaving something to be settled." (Sunan Abu Dawud, 22:3348)

a. Is the use of this hadith in this way a valid justification for Dr Al-Mosleh's position?

3. Is it correct to say that the majority of scholars consider indexation of loans equivalent to Riba, while the minority state otherwise?

Thanking you in anticipation and hoping to hear from you at your earliest convenience.

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. Zachariah

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

The Definition of Riba as given in the Qur'an (2:279) is any increment in a loan or debt. Does it apply to indexation of loans? This is why the OIC Fiqh Academy, when discussing the issue, ruled that loans should be paid in same currency in which they were given and any increment is forbidden. If they are paid in any other currency, the exchange rate (price of the other currency) must be that of the day of payment as known from the famous Hadith of Ibn Umar.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Professor Dr. Monzer Kahf

Islamic Finance & Economics

From: rila2004

Sent: Friday, June 09, 2017

Subject: Fixed monthly income on Investment

Question:

To Dr. Monzer Kahf,

Assalamau Alaikum, Ramadan Kareem

I have invested an amount here in Sri lanka in an Govt. registered private Investment Company, which agreed to pay me a fixed monthly return of not less than 15% , stated to be under WAKALA type of deal , certified by some Islamic Ulemas as sharia compliant. This Investment company as far as I know and understand do invest in sharia compliant businesses such as Printing Co., Sale of Rice, Pampers, shocks, real estate, etc. and not in any un-Islamic ventures. Is it ok to accept this fixed monthly income?

Looking forward to your kind reply please.

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. Rila

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Wakalah is of course a general contract that allows the agent to undertake any action authorized by the contract.

Accordingly, Wakalah investment itself does not warrant any special characteristics of income. It can be fixed or variable depending on what does the Wakil undertake. If the Wakil uses an already prepared or negotiated Ijarah finance that gives 15% he then can guarantee a fixed income.

Unfortunately, what is common nowadays in many Islamic companies and banks under the name of Wakalah investment or Wakalah Istithmar is Wakalah based on Tawarruq which is as follows: they take your money and on your behalf buy metal from the London metal, immediately sell it to themselves, for say 5 years, at 15% per annum and then immediately sell the metal in same market for cash which they use in their business. You then become creditor to the company for your principal plus the annual 15%. This kind of arrangement is described by the OIC Fiqh Academy (2009) and by the Fiqh Academy of the Muslim World League (2007) as Haram and pure Riba because it is simply, as apparent, fake, unreal and the metal buy and sell is used as a vehicle to hide an interest-based loan. Unfortunately, this has been approved by several Shari'ah advisers who are paid for Fatwa by Islamic companies and Banks.

I am afraid this is is what this transaction is based on.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Professor Dr. Monzer Kahf

Islamic Finance & Economics

From: Dr. Mohsen

Sent: Saturday, June 03, 2017

Subject: 2 questions on interest

Question:

As-slamau alaykum dear Prof. Monzer,

I wish you and your family a happy and blessed Ramadan.

I am wondering if you have time to answer these two questions.

==========

Safina from Great Britain

Hello My husband like to take bank loans and credit cards, but i don't like to do haram things that Islam says not to do. His not listening to me and I'm suffering emotional depression because of him. I'm confused what to do, is there any choice for me? What do I have to do please give me a solution, thanks.

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. Safina
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
I am not bet qualified to give you an answer to this issue. You apparently know what is Haram and Halal in this regard.. Let me just make some clarification: taking interest-based loans is definitely not permissible except under pressure of necessities. If he takes the loan under necessity, this may not be Haram. Also if one pays within the grace period, using credit cards is not Haram because there is no interest generated when you pay on time.
I suggest two things: 1) nicely and gently continue advising him about the importance of abiding by the rules of our religion, they really are the best, and 2) try to consult a professional Muslim family relations specialist/therapist who may help you much better than I can do.
Wa Allahu A'lam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Professor Dr. Monzer Kahf
Islamic Finance & Economics
==========
Adel from ID
Question: accrued interest on a bank account
Assalamu'alaykum. I have a question regarding bank account. I made a bank account to keep my money and other transactions. However, the account accrues some interest which I don't want. So I give charity with the intention of getting rid of the money. I still keep my money over there because I cannot find an Islamic bank. Is this permissible? May Allah bless 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 Br. Adel
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Nowadays, wherever we live we need to deal with banks one way or the other and if there are no Islamic banks around, we will have nochoice other than conventional banks.
What you are doing (giving away the amount of interest accrued to Muslim charity for distribution to the poor and needy) is the exact right thing to do and InShaAllah you will be rewarded for keeping your own money pure although deposited in conventional banks.
Wa Allahu A'lam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Professor Dr. Monzer Kahf
Islamic Finance & Economics
Kind regards,
Dr. Mohsen

My Answer:
Dear Br. Dr. Mohaen
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Ramadan Karim to you and your family and the family of about Islam,
Please receive the answers, next time please tell me the country of the questioner as it may have a bearing on the answer.
Wa Allahu A'lam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Professor Dr. Monzer Kahf
Islamic Finance & Economics

From: مجد مكي
Sent: Thursday, June 01, 2017
Subject: رأي الشيخ زيدان ابو المكارم رحمه الله بربا الفضل:
Question:

امرأيكم؟

يرأالشيخزيدان ابو لمكارم رحمه الله بربافلضل:

لمذالشيخ الازهري رأيفلأصح عفيكتاب لمبعوان ا) مذهب بلن عباسفإلىلربا(و وهو رأيجديربالاهتمام، الأ ه في لصل القولفي مسألة لربفلفضل إلىلقائل بحرمته(، وهي مسألة لفلسنة افلى لصن افلسنة لقولهي ما دون خطأ فلي لم ذاهب الاربعة تخاتار ب عض هلمخرو ج من هذه لأخذ بظ امرالحديث، وهو حص رلربافي هذه ي ه ال صن افدون غيره.

ي رج لشيخ بلأو لكارم أن أحاديث افلسنة حيحة، لكنها فسو خ بحديث بن عباس عن اسامة بن زيد أن لنبي صلى الله عليه وسلم قال: لا ربا فلنسيئة، في عض دفأخذ بن عباس هذا القول، أو هو مروي عن بن عمر و اسامة بأن إنما ربا فلنسيئة بن مسعود وزيد بن ارقم، وكذلك عن ابي لشعثاء وعطاء وطاووس وسعيد بن جبير وغيرهم.

ويرجح لشيخ هذا عدة قرائن:

الاولى: ان اسامة بن زيد كان لصيقاً برسول الله صلى الله عليه وسلم في أواخر أيامه بدليل ملازمته له حين ذهب إلى لذي جزه النبي صلى الله عليه وسلم آخر عمره.

لثانية: ان النبي صلى الله عليه وسلم لم يشف في حديث الا لى لجواز في الخروج ثم رجوع بالفضل قال: اذا اردت أن تشتري فبع ثم ابتع، أو نحو هذه.

يقول لشيخ فهل كان النبي صلى الله عليه وسلم يشرع حكماً لم يحصل عليه في حياته لكون الخروج لى لشرع لجاهلي ظاهري الفلوطة؟ الله اعلم.

لثالث: ان لحديث لم يتضمن شرعية حكم دلا فلا طلاع من حيث الصول الشرع من بيان قتضى رسول عبد آخر أو في لنوع لل من فهو في لكم.

ولا يتعارض لن أخي لكريم حسب أن الرجل يجيز ربا الفضل لمخالفته موافي خلاف طريق لاصن افلسنة وإلى لثبوت لك ه الفقهاء، لكنه يصرح: بأن الاصل في لربا هو لآيات القرآنية إطلاقها وشمولها، الربا في الاصل للزيادة، ولها صور واشكال متعددة، وطول زمان:

الاول: ان لايكون للزيادة مقابل هي لبدل ، أي: عدل لمتقوم في لبدلي نلتمس او يالمروي.

لثاني: لزيادة مقابل لأجل لنسيئة(، وذلك لأ أل جل لمتقوم قسط في لشرع.

ثم يقول لشيخ: دون أن يحرم ذلك في طعوم أو لا أن في طعوم أو لاحاد جنس أو مقدار في لكيل أو وزن أو في الوقت أو اد خار ام ما على لمتقوم مطلقا.

ي رج لشيخ الصورة الاولى أما لربا في الأصل فإنما حرم، الأه إنما لظلم ولفساد ولخراب، في درجاته: لغش ، والاحتكار، ولنجش، ولتطفيف في الميزان، لغرر ولقمار، لربوي لكبان، لربوي نسيئة، لربوي أما لم قبض.

وبناء على ذلك يشير لشيخ على أنه ي قلنسعر لمثل(، فضروري قيد لعدل لتجار ولمستهلك على حد سواء، وبين ذلك لظلم لدول لرأسمالية لدول لنامية، فلذلك بشراء موارده لخام بخس لأثمان ثم تصنيعها يبيعها له بأغلى لأثمان.

شيخنا المشرف خبأوض عن حل وقتر حل فحاقرب ا، وهي: مع اقتراب الوقوبات التي ذكره االقرآن، كم صادرة إما إزاد إعلى رأس المله، وقوامات ه التي تدعى الامر، وأسري سبيل وكاس الي ة ا) ولم تكن زأثرئ تفاي إع هده(، وقصي ص إجه از الخ وم يلك سعي ر الع ادل.
صر الحرئيس لي لمودة

Answer:
لا وافق على كل ما ذكرتموه عن كل هؤلاء وب خص ت همة النهي، وال عي اذب الله سبحانه وتعالى يم ال لا الجلة وكذا طام تقالسعي ر الى علة فيالأل صن افلال ستة هي القوي ة وشب هها، والقوي ة قد تستض من رب لسرعة وقد لا تتض نه وحتى ع دم تض نه فاعتب ارها م مم في ال مع ال ت وتحتاج إلى شروط خص قب ها.
وحيث التمر لا يجيب والتمر لا جم عيبي أرال علة هي الغن لأن الفرق بين التمر الرديء والتمر الجيد عترفب ه شرعا وع ال على خال ف الفرق بين لا هين لا حال والآجل)لاحظ م أن الثمن لا حال والآجل لأن الثمن لسلعة لا يجوز في الي كن معرف لسعر لا تحقيق إلا بالي ع الفعلي، كم من الغرر في "الصاع بالصاعين والصاع بالثلاثة" . .

Best Regards
Professor Dr. Monzer Kahf
Islamic Finance & Economics

From: Majd
Sent: Saturday, June 10, 2017
Subject: فتوى حول كفالة القرض المصرفي
Question:

بطاقة الرسالة المحمولة:
لموضوع فتوى حول القرض المصرفي
السلام عليكم انا موظف كويتي في متشفى وطلقت وزارة الصحة قرض عبارة عن عشرة روبات تأتي ديديكون بفائدة ومن شروطه موقوم موظف اخر بالكفالة القرض وزي لي حال ما انا قوم بالكفالة وانا اوضح لك ون طرف بعاملة بي وبين طرف ثاني لست طرف فقط لكل شروط وإذا عجز لاجراء جراح للوالد بحاجة لرأي الشرعي حتى ارد عليه

Answer:

الأخ الكريم مجد
السلام عليكم و رحمة الله وبركاته
واضح أن القرض الربوي محرم، وأن كالته محرمة أيضا فهي نوع وثيقة أقوى من الشهادة التي تكلم عن رسول الله صلى الله عليه وسلم صاحبها.
فإن كان مزيدا مع ذور احقا بحيث يحتاج إلى القرض الربوي لعملية الجراحية ولم تتوفر له مصادر أخرى فالكالة جائزة وهي عمل بر مأجور بإذن الله تعالى. وإلا فالكالة محرمة.
مع أسمى التقدير وأعز التحية
أ. د. منذر قحف
تمويل وتقتصاد إسلامي
كلية الدراسات الإسلامية
جامعة حمد بن خليفة
الدوحة - قطر

Best Regards
Professor Dr. Monzer Kahf
Islamic Finance & Economics

From: Ismail **Sent:** Monday, May 08, 2017
Subject: Re: purchase a share of house
Assalamu Alaykum dear brother,
I pray you are well. I wanted to know the permissibility in the following scenario:

Abdullah buys a house for 100, 000 on mortgages. He pays mortgage and pays interest on it for many years. Now there is only 20, 000 left to pay for the house. Junaid approaches Abdullah and says, "Hey I will help you pay the remaining 20,000 now. This way you will not pay any more interest and be free from mortgage. However I want 5 percent share of house value because 20,000 divided by 100,000 is 5 percent. So any rental income or if you sell the house, I get 5 percent.
Can Junaid do this? I.e. permissible?
Barak Allahu feek.

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. ISMAIL
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
In the question's information as mentioned below. Abdullah owns the house and owes a debt to the bank of 20000. Junaid is giving a debt to Abdullah to pay the debt to the bank. this payment is a pure loan and must not gain anything from it. Any gain from this loan is pure Riba which is definitely prohibited.
There is no way Junaid can gain from this payment to the best of my knowledge. As the property is owned in full by Abdullah. The only way for Junaid to earn from his 20000 is to buy a real good/asset and either sell it for profit or lease it for rent. (BTW, 20000 out of 100000 is 20% not 5%).
Wa Allahu A'lam
Wa Alhamdu Lillahi Rabb al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf

From: Ismail
Jazaka Allah Khair. That was very helpful. And thank you for correcting my 5 percent mistake !
Can I ask how this is different from having shares of the house?
Abdullah has bought 80 percent of the house from the bank. Junaid approaches Abdullah and says I will buy the remaining 20 percent of the house. So now they both have share in the house - Abdullah 80 and Junaid 20. Whatever profit is accumulated is distributed according. Is this still impermissible?
Barak Allahu feek.

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. Ismail
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

What you said does not describe any transactions in the real world and practice of human beings. Banks in America and all other countries (except Islamic banks of course) do not sell houses.
Abdullah bought the house from a seller and to do so took an interest-based loan from the bank. he own the house in full and he owes the bank a debt. (interest is an increment in a debt). When Junaid pays the bank he pays the debt of Abdullah. He does not buy a part of the house. Paying to the creditor the debt of a person makes the payer a creditor to that person. Any increment given to the creditor on a debt is interest=Riba.
Wa Allahu A'lam
Wa Alhamdu Lillahi Rabb al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf

From: Dr. Mohsen/www.aboutislam.net
Sent: Tuesday, May 02, 2017
As-Salamu Alaykum dear Prof. Monzer,
Hope you are fine.
I am wondering if can take the time to answer the attached 2 questions.
Kind regards,
Dr. Mohsen

Question: Student Loans

Assalam Alaykum,
I live in Australia, and we can have the government pay our unit fees whilst we study. When we graduate, we then pay the government 125% of what they paid for us during our studies.
Is this considered interest or just a profit? We never get the money; the government just pays the unit on our behalf. And then we pay the government at a later date. If we got given the money and then had to pay back 125% I know that would definitely be interest, but I am wondering if it is also interest in this case.
Thank you.
Anees

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. Anees
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
As stated this is interest and it makes no difference whether the money is paid to you or on your behalf to any other party. another example is in bank loans for house purchase, the bank pays directly to the seller on behalf of the buyer, and it is of course interest.
On the other hand, I know that the system of students loans in the UK has much more details most of them make it permissible. If you give me the exact details of the student loans in Australia I can give you exact opinion on it.
Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf

From: HINDA
Sent: Monday, April 24, 2017
Subject: Is home purchasing a form of Riba Al-Fadhle and is it permissible?

Assalamu Alaykum Dr Kahf.

I am e-mailing you from Kitchener Ontario. I have come across a lecture within my community addressing Riba. Two kinds of Riba were discussed in this talk (Riba Al-Fathli and Riba Al-Nasi'ah). The respected sheikh acknowledged the challenges of financial dealings in a non-Muslim country. However, he said it was permissible to participate financially in the west. He talked about the conditions of "Hajah", if it expands becomes Darurah. He offered different perspectives regarding Riba in general, including Jumhur al Ulama (who say "NO" to both kinds of Riba) and a perspective of Imam Abu Hanifa and his students (Mohamed ibnal Hassan shaibani, Sophiyan thawri, Ibraheem Nakai etc.). The Sheikh denounced Riba Al-Nasi'ah and stated it was not permissible. However, he supported Riba Al-Fathli even in the case of mortgaging. He gave an example of $1000 loan with the agreement of giving back $1500 in a year (both parties agree to it). Thus, he explains... there is no Corruption…it's a peaceful transaction ..etc.

PS: I am paraphrasing his discussion so there is room that I may have misunderstood (even though I followed up with a phone call to the Sheikh). He explained Riba Al-Fathli is permissible in such dealing as mortgaging with the bank.

Thus, I appreciate the Sheikh tackling this topic because I find within our community this is a topic least discussed (except Aug 2016 when you came to Kitchener Masjid). The Sheikh presented his argument and supported it with hadiths and examples form the Sahabah. Personally I am a complete novice in Fiqh affairs and in economics and finance; a complete illiterate. However, I have never been more confused as I am today regarding Riba! I know you're an expert in this field. I am reaching out to you for clarity. Considering the current change in the real estate market and rent increases, does this theory of haja becoming a daruriyyah have a stand. The other struggle I have is interpreting "darury" for myself. If it's a matter of need, I'm not on the street. However, rent price has picked up drastically in our area. I have been asked to evacuate the current house I'm living with my children and husband because my landlord wants to take advantage of the so called "hot market". I managed to find a home I can afford but the neighborhood and school is not ideal for the upbringing of my children (but then again I remind myself of qadarullah). The other issue is, If he is not wrong about the Fatwa he has presented…then I feel a sense of loss because I could have mortgaged 15 years ago when homes were much cheaper and in a decent neighborhood.

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 Sr. Hinda

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Let me the the issue again: Riba is prohibited in the Qur'an. What is prohibited is Riba of debt. This is exactly what is dealt with in banks today. So any Riba in debt in what is prohibited in the Qur'an. This is what is called Riba al Nasi'ah. the word means postponement, I/e/, period of debt. Any increase in the amount of loan is this kind of Riba. therefore it is incorrect to call the interest in mortgage as any other kind of Riba.
Riba al fathle or better Riba al Fadhle is a kind of Riba that is prohibited in the Ahadith of the Prophet. it related to sale of currencies one for the other. It is not at all related to debts or time period. it is not related to mortgage.
On the other hand, the issue of Hajah and Darurah is very much important and seems to be correct as you explained in your email. For a Muslim family living in the Western countries who need a house to live on for any reason including, financial reasons, security and safety, good schools and neighborhood for up-bringing children, etc., for such families their hajah (means need) is considered as darurah (means necessity) when the same applies to many families in the community.
Accordingly, if you feel that for any one or more reason you need good house to live in (not for investment) a group of knowledgeable scholars issued in 1999 a Fatwa in this regard with the condition that there is no Islamic mortgage available or attainable. This matter we discussed it in details in the lecture I gave in Kitchener last year.
Wa Allahu A'lam
Wa Alhamdu Lillahi Rabb al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf

From: Dr. Mohsen/www.aboutislam .net
Sent: Sunday, April 09, 2017
As-Salamu Alaykum dear Prof. Dr. Monzer,
Hope you are fine.
Would you please take the time to answer the following question?
2- Name of questioner: Farhan from India
Subject: Using interest money for public works
Regarding idle interest
Assalamu Alaykum,
I needed to understand the rulings on usage of Interest in public expenditure. I am asking this because of the scenario in my state. Our state has around 200,000 USD kept idle only because it is interest amount. We, some PG students are exploring the possibility of sourcing this fund and using it for the public good. Please do advise us if this is permissible.
Some of the ways we have explored to spend in public is as follows:

1. Public Well
2. Public Toilets
3. Supporting the people who are suffering due Interest based finances.

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. Farhan
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
The reality is: According to Shari'ah interest is not earned by its recipient. It is still owned by the payer and it is due to be returned to him/her/it. but when the payer is a Riba-based institution, or is required to pay it by law, it becomes irrational to return it to him/her/it. Hence, Shari'ah scholars argue that it should be given to poor and needy not as Sadaqah but as purification of the properties of the recipient, I.e., it should not be left mingled with own Halal property because it spoils it. this is why we give it to the poor and needy with the condition that anyway it is used it must not return a benefit to the recipient. For instance recipient may not use it to pay own taxes and the like.
If this interest is used to save money on its recipient, I.e., for matters that are duties on the recipient, then we have not given it to the poor and needy but actually we used it on behalf of the recipient. If a government earned interest, it may use it for distribution to the poor and needy or for activities that are not part of its annual budget.
Wa Allahu A'lam
Wa Alhamdu Lillahi Rabb al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf

From: ……
Sent: Sunday, April 02, 2017
Subject: Finance Technology for forecasting indicators
Wa Alaykum Salam Wa Rahmatu Allah
Over the past couple of years I have developed a method to reliably forecast economic indicators and financial variables. This was done in collaboration with colleagues within ---------- and outside, who are not Muslim.
What are areas that I cannot become involved in and what offerings may I not provide?
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. ……..
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Research alone is not Haram.
However providing services (like providing guiding programs or suggestions/scenarios to act) that support actions in interest-based placement of funds or their use in virtual assets and contracts (derivatives) all that is not permissible according to my understanding of the Shari'ah rules, tenets and maxims.
Wa Allahu A'lam
Wa Alhamdu Lillahi Rabb al Alamin

Wassalam
Best Regards
Dr. Monzer Kahf

From: Majd
Sent: Sunday, April 02, 2017
Subject: أخذ قرض ربوي لسداد ديون متأخرة

سبق ان تحينت مبلغ المبلغ من ذرينين و ما استطعت ان أسدد الديون و امور المالية تزداد سوءا والتزامات مع الأسرة ايضا زادت

ان اشغال مع شركه مع مدفعي سابسك ه عند صرف ربوي وان احاولت ان آخذ قرض من صارف او صادرت مبلغ سالي ه لكن مفروض وا لان اشركات اعمالها غير مع مدفوعه عند مع دمم.

فه يجوز ان أخذ قرض ا من صرف ربوي لأسدد ديوني

عل ما أن اسحاب في صرف الربوي الذي يتضي ه لشركة سحابك ه وه مع مدة عند

وجزاكم الله خيرا

My Answer:

الأخ الكريم الأخ أبو أحمد

السلام عليكم و رحمة الله وبركاته

لا يجوز أخذ القرض لمثل هذا، الأولى في هذه الظروف التي يعيشها المسلمون في كل مكان، ودفع المبالغ التي سيتفع بها المسلمون رسوما للقروض الربوية بدلا من دفعها للبنوك التي تقرضهم بالربا، ثم القول بأن الشركة مع مدة أو غير مع مدة أي سبب من الأسباب حرمان موظف من قرض تم رفضه من قبل المصرف الإسلامي لا ينبغي له أن يعطي قرضا ربويا لسداد ديون أخرى بل لا بد من التسديد من موارد الخاصة والبنك الإسلامي قد يمول بعض شركات من يأتي حاجاته ولكن لا ينبغي له أن يعطيه قرضا ربويا.

وأي رأي جوز الي حسن مع وجوب نك إسلامي أن يفتح سابا جاريا مع بنك ربوي.

والله تعالى أعلم.

مع أسمى التقدير وأعز التحية

أ. د. منذر قحف

From: Imam ……. Mosque
Sent: Sunday, March 26, 2017
Subject Conventional Mortgage (Updated)

Respected Prof. Monzer,

As-Salamu `Alaykum.

I hope you are fine.

If you have some time to answer this important question below, then it will be much appreciated.

Looking forward to hearing from you soon.

Imam Dr. Amin**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. Amin,

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Please see below for the answer to your questioner

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf
---------- Forwarded message ----------
From: Afrasiab
As Salamu Alaykum Sheikh,
May Allah bless you for taking time out to answering my question. My dear Sheikh, I have looked into the concepts of Riba and have gained some fundamental knowledge. Without a doubt Riba is Haram and may Allah save us from it. Ameen
Dear Sheikh I have the following questions:
1. I have a strong belief that "interest" is being wrongly translated as Riba. Because not all interests can be Riba. What's your opinion please?
My Dear Brother, I can understand the confusion you have and the mix up between increment in price because of payment maturity and increment in a loan. But in fact the Interest (as known in the banking system today) is exactly Riba as mentioned in the Qur'an. Please look at the verses 2:275 and 2: 279 together. the first states that there is similarity between sale and Riba, which is not denied in the verse (this similarity is increment in both) and adds that one is Halal and one is Haram. The second verse defines Riba and any increment in a loan/debt as it says that if you repent you should take your principal only meaning you repent from taking any extra (of course in a debt or loan not in sale because it was already stated that sale is Halal). Verse 2:279 defines Riba as any increment above principal in a debt/loan. isn't this exactly the definition of interest in the banking system?
Now what is the difference? On the individual level in a sale the seller owns a property and bears its risk, then sells it to a buyer on instalment at a fixed increment because of the time you have a property with paying for it. in a sale the buyer gets a property and gets also its use for a period of time until paid for. This use is utility that could be sold to another against rent. This is because in a sale there is a property going from one hand to another and properties or goods have utilities people derive from (living in a house, riding a car, using a laptop, etc.). the loan does not create utility. Money itself does not generate benefits like goods, they are mere means to facilitate obtaining goods and property. The interest in a loan is not a real income. Imagine a society in it we all give loans to each other, this is the job of each one of us, say each one of us is a bank. in such a society there will be no food or cloth produced. This tells you that the interest-based loan contract does not generate added value and does not even sustain itself as a stand-alone transaction.
Looking at it at the macro level is even frightening, compare financing through loans and financing through sale on credit (of course at a higher than cash price). In loans there is no limit other than the sky, in sale there is always limit the value of properties or goods exchanged. take also giving a loan to pay off an older loan/debt is there any additional wealth created, does this kind of loan increase the Gross Domestic Product, GDP? Of course no. then why do we add interest on it, there are substantial differences between sale on credit as a methodology of finance and lending at both macro and micro level that we discover every day especially after the 2008 crisis.

2. Everyone says Conventional Mortgage is Haram or Halal. But I have not heard a single Scholar explain how it is Haram or Halal. No one has ever into the technicalities. So my question is: How is Conventional mortgage Haram?

It is Haram because it is pure loan with increment and a loan does not create added value, so where does the increment come from? I assure you that I know fully all the mechanisms of conventional mortgages in the US and Canada.

From: Dr. Mohsen/www.aboutislam .net
Sent: Wednesday, March 22, 2017
As-Salam Alaykum dear Dr. Monzer,
Hope you are fine.
Would you please answer these three questions?

Question: Interest credited to one's account

Assalam Alaykum, I am working in Govt sector since the last three years, but I didn't care about the interest which was credited to my salary account & spent the salary including interest for different domestic purposes. What should I do in future to the interest credited to my salary account & what about the interest that I already consumed. Can I distribute the interested money among poor & handicapped. Please advise

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./Sr.
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Most banks do not give interest on current accounts. please be sure whether you salary account has in fact interest credited into it. if there is interest, it is not an earning for Muslims as Allah prohibited it in the Qur'an [2: 275]. Interest that is prohibited is defined in the Qur'an itself [2:279] as anything above the principal in a loan or debt (I.e., not in sale that is stated as permissible in the verse 275). If there is interest credited to your account you should dispose of it to the poor and needy because the Haram is in earning it not in the corpus of the money credited. Please be sure to distribute at least the exact amount of interest credited to your account to poor and needy (not all handicapped are poor). For the past you should go back and also distribute the amounts credited in the past to poor and needy. Estimate that if you do not know the exact amount and to be on the safe side add some more money, Allah knows it and will accept InShaAllah the extra as Sadaqah. But you should be keen to distribute past earned interest that you non-knowingly used because the Prophet, pbuh, told us that every flesh raised on Haram deserves best to be taken to the Hell Fire.
Wa Allahu A'lam
Wa Alhamdu Lillahi Rabb al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf

From: Khaled

Sent: Monday, March 06, 2017
Subject: Contract with pre-determined profit
Assalamu Alaykum Dr. Monzer,
I hope this finds you well and in great spirits. This contract came to me from someone trying to determine if it is Shari'ah compliant. From my opinion, I think the contract is problematic as it amounts to an agreed upon profit (at inception) at a future date, which could amount to interest (similar to بيع العينة)
I thought I would check with you to make sure. The contract is attached. The relevant part is also included below for ease of reference.
I would appreciate your thoughts on this.
Regards,
Your student,
Khaled

Considerations in the contract

- Investment Amount. The total investment amount shall consist of $100,000 (One Hundred Thousand Dollars) and shall be repaid under the following schedule:

- NAME (Investor), agrees to purchase 100,000 shares at $1.00 per share, totaling $100,000 (One Hundred Thousand Dollars).

-After Construction is completed, By Closing Date Sale of ADDRESS – DevelUp Canada Inc., agrees to buy back those shares at $1.07 per share

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. Khaled
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
This is not Inah, this is exactly interest even with the use of words invest and shares. This is a loan with interest at 7% regardless of setting the date of repayment on the basis of completion of construction.
Wa Allahu A'lam
Wa Alhamdu Lillahi Rabb al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf

From: Dr. **----------**
Sent: Tuesday, February 27, 2018
Subject: Bank interest
Question:
Dear Prof. Monzer,
As-salamu alaykum
Question: I took the bank interest for my needs, but now only I am getting about the seriousness about how wrong it is? What is the solution for it?
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.
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
The interest you received on your deposit is prohibited because it is Riba. You should make Istighfar to Allah and give to Muslim charity an amount equal to the interest that you took in violation of Shari'ah.
Wa Allahu A'lam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Professor Dr. Monzer Kahf
Islamic Finance & Economics

From: Shakeel
Sent: Monday, February 20, 2017
Subject: Paying income tax from interest money
As' Salamu Alaykum,
Is it permissible to pay my income tax from the interest I received from my bank?
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. Shakeel
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
NO. earned interest is not earned according to Shari'ah. it still belong to the other party who paid it. But because it is an interest bank we do not return it. so it must be given to charity. Notice the Haram is in earning it not in nature of money acquired, this is why it becomes Halal to the poor recipient.
Further, the OIC Fiqh Academy, which has about 300 top scholars and experts in Islamics has ruled that you cannot use interest so earned for disposing of your duties to government including taxes even if you believe that these taxes are unjust.
Wa Allahu A'lam
Wa Alhamdu Lillahi Rabb al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf

From: مجد
Sent: Friday, February 10, 2017
Subject: قرض تأثيث بزيادة ثابتة

أقيم في السويد وعندنا مجلس مسجد قرض تأثيث المنزل قيمته حدود 3000 دولار. الضريبة خلال أول سنتين والفائدة تثبته قيمتها ٢،٥٪ الوفائدة تكون لكي يرقب على تأخير عن سداد القرض لأكثر من سنتين. فهل يجوز لي الاقتراض لتأثيث منزل أو فيه خلال سنتين؟

My Answer:

الأخ الكريم
السلام عليكم ورحمة الله وبركاته
الجواب: هذا عمل ربا فهو غير جائز. القرآن الكريم (2:279) فإن تبتم فلكم رؤوس أموالكم (عز وجل) لا يزيد أي زيادة في أو في رصيد فوق رأس المال.
مع أسمى التقدير وأعز التحية
أ. د. منذر قحف

From: Imam …….. Mosque
Sent: Thursday, February 02, 2017
Subject: **اخذ قرض لغرض الدراسة**

Dear Prof. Monzer,
As-Salamu `Alaykum Wa Rahmatullah Wa Barakatuh.
I hope you are fine. Please pray for the Muslim community in North America.
Below is a fatwa from a local Libyan student about student loans.
If you could reply to it and send me the reply, then it will be much appreciated.
May Allah reward you for all that.
Wassalam
Imam Dr. Amin
---------- Forwarded message ----------
From: Abdalsalam

السلام عليكم يا شيخ
انا عبدالسلام وقد طلب مني اخي ذهب ان ارسل لك هذا الايميل وقت تحدث معك ضمن هذا اليوم خصوص الاقساط عن حكم اخذ قرض من حكومة ليتا ...انا ادرس طب عالي وفي قيتي لكن خاصة ولكن نظرا لاحوال المالية في ليبيا لم اعد استطيع تحويل اموال من ليبيا بما ان قيمة الدراسة من المكتب اما ان ندبر لدراسة او اخذ قرض من الحكومة الكندية لتغطية الدراسة علما بانني تحصل على الجنسية الكندية... ماهو الحكم الشرعي بك في اخذ هذا القرض بارك الله فيكم ونور الله خطاكم... والسلام عليكم ورحمة الله وبركاته
اخوكم عبدالسلام

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 Dr. Amin
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
I believe that taking student interest-based loans is not permissible in Shari'ah in the US and Canada because necessities cannot be established.
The case in the question is a little different, here we have a change of circumstances after early arrangement was done without resorting to interest. It seems to me that in this case there is a kind of necessity but I also suggest to look for scholarships and for easy loan conditions as first and second option.
Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf

From: Nizar
Sent: Tuesday, January 30, 2018
Subject: Disposition of bank interest
Question:
Asslamu Alaikum,
Due to my country rules and procedures I am forced to use commercial banks with interest system. Every year my current/savings account is credited with few thousands of Indian rupees as interest. I used to give this money to poor or needy people either in the form of Sadqa or Zakah, in order to clean my account. Is this fair or permissible? Kindly explain the correct usage of bank interest. Jazakumullah khair
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. Nizar
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
What you are doing is excellent. The way to rid oneself from Haram money is to give it to poor people (preferably Muslim because at present there are much more needy Muslims). But you should also make a good effort to make permissible investment so that you can place your money outside the banking system at least as much as you can until your country allows Islamic banking.
Wa Allahu A'lam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Professor Dr. Monzer Kahf
Islamic Finance & Economics

From: Shakeel
Sent: Wednesday, January 25, 2017
Subject: interest money and what pricing of Zakatable assets
Assalamu Alaykum,
I'll appreciate if you could please answer my question. I have a friend who invests in Bonds and he doesn't agree that it is permissible to take interest from financial institutions and give to the needy. Please answer so that I can send him your answer to convince him. Also, when one's Zakah is due on mutual funds, IRA's, stocks. On their value at the time of calculating Zakah or when they are sold.
Jazaka Allah
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. Shakeel
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
1) Placing funds in any interest-based process is itself prohibited in Shari'ah and according to the Qur'an it is one of the gravest sins, the only sin that calls for a war from Allah and His Messenger. Please read the verses 2:275-279. This sin requires repentance to God and retrieving back the principal only.
Earning interest is an additional sin. Here it can be remedied by giving it to charity. Why we do that? Because mixing Haram property with our normal income means that we will be fulfilling our need from both. The Prophet, pbuh, said that: Any flesh that is raised on Haram deserves most to be in the Hell Fire. The principle is we do not put any of our properties in Haram activities. But if inadvertently for any reason. e.g., interest on deposit with the power company, interest happens to be earned by a Muslim she/he should give it away to charity (although the principle is to give it back to the payer because it is its property in your hand, but doing so may not be appropriate in the setting we live in in America).
2) Zakah on investment in share, saving accounts such as IRA, 401K, 529 education funds and their likes is due on the day of your Zakah on yearly basis, the first year is 354 days after you have Nisab (# USD 1500) for the first time. The rate is 2.5% per annum (lunar) of the market price on that day of these saving/investment funds.
Wa Allahu A'lam
Wa Alhamdu Lillahi Rabb al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf

From: syed
Sent: Saturday, January 21, 2017
Subject: Investment in Infrastructure Projects on Interest Based Loans
Dear Dr. Monzer Kahf
السلام عليكم ورحمة الله تعالى
My question is concerning the investment in public projects (transportation, water/sewerage, real estate, etc.) in US and other nations through interest bearing loans by rich Muslim countries. Please advise Shari'ah ruling on this potential undertaking and whether any type of employment with the investing party be permissible; specifically if a person becomes a representative or advisor of the investors in the country where investment will be made. Would such an interest be same as the one which formed the basis for strict prohibition (I.e., dhulm on individuals by holding them in bondage etc.). I am also aware of the Hadith according to which Allah's curse is described on people involved on a Riba transaction.
As you may be aware, governments across the world have not been able to keep up with the demands for rehabilitating existing infrastructure for one reason or another (in US alone, the deficit is estimated at about $2 trillion). With the due acknowledgement that prevalent financial system is un-Islamic and unjust, could investment such as above not bring greater public good

and, based on that argument, could it be permissible by Shari'ah until the time that a just and equitable system is established. Please advise.
Thank you immensely and Jazaka Allahu Khair.
Syed

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. Syed
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Riba remains Haram in all countries and under all circumstances. Necessity situations may make it tolerable. I do not see any necessity for Muslim majority countries' government funds to invest in the rich countries', like the US, public utilities especially that their own countries still miss most of the public utilities that we enjoy in America. This is definitely actions of governments which do not serve the best interests of their own people.
More and perhaps I should say worst is when this investment is on interest basis at a time that everybody, Muslim and non-Muslim economists, chant that it is better to invest in such projects on equity basis and the idea of Sukuk is most perfect for public utility investment.
Working on such investment and projects in areas that involve preparation of interest-based relationships is not permissible and falls under the four functionaries on whom the curse of Allah falls as we are told by a very authentic Hadith by the Prophet Muhammad pbuh.
Wa Allahu A'lam
Wa Alhamdu Lillahi Rabb al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf

From: AKSHAR
Sent: Wednesday, January 11, 2017
Subject: back office services to banks and conventional stock investments
Respected Shari'ah Scholar
Dear Brother in Islam, Assalamu Alaykum
It is a pity that I could not attend your sessions in Mauritius. I would very much appreciate your guidance and advice on the following situation:
I am an operational director in a well-established business in Mauritius. The business is to provide incorporation, nominee directorship, secretarial, administration, accounting, tax, and compliance services to corporate structures set-up in Mauritius by international investors for investment internationally.
For example, a US investor sets up a Mauritius company as a holding structure to invest, say in a telecommunication project, in China. Our job would be to provide the above-mentioned back-office services to the Mauritius Company since the latter company, in all likelihood, will not have employees or physical presence in Mauritius. The structures are generally set-up for tax efficiency reasons or simply for ease of operations.

The type of structures set up by clients are varied and could be Investment Funds (Mutual Funds, Private Equity / Venture Capital Funds, Hedge Funds, etc.), holding companies, Trusts, Foundations, and Partnerships etc.

While a few of the investments made by the clients through the structures could be in debt instruments / hedge activities, the overwhelming majority of investments is usually in equity, listed and unlisted. I have been in this business for over 15 years. As operational director, the servicing of a number of the clients are under my supervision, alongside other co-directors. I also head the tax department and am involved in corporate structuring as well as business development initiatives (meetings, presentations at conferences, seminars etc.).

The company I work for used to be locally owned, with presence in Mauritius only. However, it has been recently acquired by a much bigger international outfit listed on a well-established European stock exchange. The new parent company has operations in some 15 countries. While it is essentially in the same business (Fund / Corporate Administration Service Provider) as my employer, it has a much broader perspective in terms of client servicing with several business divisions. I gather that the 'debt / hedge' division of the business currently accounts for some 30% of the group's total revenue. However, with the consolidation of my company's results in the group, this percentage is likely to fall to some 15%. The remaining 85% would be Private Equity, Real Estate, Corporate, etc.

What the debt/hedge division does typically is back-office work in relation to debt/hedge structures. For example, providing accounting, administration, secretarial, compliance services to an investment fund investing in debt instruments or a hedge fund engaged in trading derivative financial instruments. The group does not earn profits from such investment but, as a service provider, only professional fees for work performed.

I will continue to work for the Mauritius company, however, as in any group, there will be loads of interaction with the other subsidiaries internationally.

The new owner would be implementing new remuneration structures in line with group policy (seems inflexible).

As part of the policy, it is expected that my bonus will henceforth be partly linked to the Mauritius company results and partly linked to the group results. In addition, part of my bonus would now be paid in terms of share ownership in the holding company listed on the stock exchange. There will be a 3 year lock-in period before I can sell the shares. There may also be a vesting period.

In this respect, I wanted to have the following
clarifications:

(I) Is the back-office work done (accounting, administration, tax, compliance, secretarial etc.) in respect to the debt/hedge funds considered to be halal or haram?
The back office services to these activities is not Haram, although it is very close. This is similar to working in a conventional bank in jobs that do not include writing or signing any interest contract. in the back office you do not do interest-based contract on behalf of the debt/hedge funds.

(ii) Does the fact that my bonus will be based partly on local results and partly on group results affect the categorization (halal / haram) of my earnings given the debt/hedge business?

No, because it is a reward for the job you perform although in its calculation performance of others is considered, this doesn't matter.

(iii) Would the shares earned in lieu of bonus be deemed halal / haram? or partly haram? If yes, should I dispose them immediately after the lock-in period? What do I do with the capital gains, if any, on the disposal of the shares? Should I purify it pro-rata based on the % of prohibited income (I.e. 15%)?
There may be a problem here although the fact that you do not have a choice makes it miner. I suggest that you should liquidate once this is available to you and give to charity the percentage of dividends that you estimate being coming from debts and hedge and other doubtful activities.

(iv) How do I handle the dividends to be earned from the shares during the lock-in period? Should I again purify pro-rata to the prohibited income on an annual basis?
Yes, when you receive dividends.

(v) Any other practical advice you can provide from a sharia perspective would be highly appreciated?
May Allah help you and guide you and all of us to always be keen to follow the right path.

Jazaka Allah Khair for your help and guidance.
Wassalam
Akshar

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. Akshar
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Please see my answers below the questions:
Wa Allahu A'lam
Wa Alhamdu Lillahi Rabb al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf

FATAWA INTEREST RIBA LOANS 2016

From: Douglas
Sent: Saturday, December 17, 2016
Subject: Profits made from interest only mortgages properties
Asalamualaykum wa rahmathulahi wa barakathu. Dear brother khaf I hope all is well in'sha'Allah.
I have another question for you from a young brother, regarding mortgages.
In'sha'Allah you can help....

"I am 17 yrs old now and my father passed away 6 years ago, leaving me, my little brother, my older sister and my mum. My mother is non-English speaking.
Our issue: What is the case if my father purchased several rental properties (interest only mortgages) but then passed away. At the time there was no profit in them, in fact some were at a loss, e.g., purchased for 100k with a 10k cash deposit and worth around same 100k (or less) at time of his death.
We couldn't pay off the mortgages because dad didn't leave any cash behind and they were showing losses. This was one big stress too for my father the fact that the properties were below the purchase value.
Anyway, we were a young family so my uncle stepped in to help. There was some profit in the rent every month but my uncle told us we can't use this profit as it is haram. Instead my uncle and other family have been supporting us financially and they handed the properties to an agent to keep on rent to keep the mortgage payments ticking over.
Now that I am old enough I would like to know what to do because only in the last year the value of properties has jumped up. From the day my father passed away our family all agreed we would not keep these mortgages or any profit they were generating and don't want to really benefit from them in case it is haram.
6 years later these properties are worth more than 30% of original purchase price.
Our question: Is the 30% haram for us if we sell the properties. And what about the 5k deposit he originally put in, is that haram? If they are haram then what do we do with the money?"
Jazakallah khairun in advance and thank you for your time and assistance in this matter
Your brother in Islam
Douglas

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. Douglas
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I carefully studied this question twice. I came to these conclusions: 1) This young man and his family should be very grateful to their uncle and other relatives who helped them during all these years. They should also pray for forgiveness of the soul of the late father who made the purchase using interest-based loans. 2) There is no doubt that the family deserves the original capital invested by the late father in the properties he financed on interest and now that the market prices is more than the purchase price. 3) These properties purchased on interest should be sold as soon as possible in order to remove the continuous repetitive sin of paying interest each month. I understand from the question that the family does not live in any of these properties. 4) Amounts above the original capital paid collected upon the sale definitely have a touch of Haram in them. my personal view is that the increase came from real estate properties not from interest although the properties were purchased on interest. Hence this money is clean and Halal. I know the other view is also strong because it is based on the fact that these properties could not be purchased without the interest loan. There is no doubt that the stand that is more pure is to give away to charity any increment resulting from the interest loans. If this family is poor (I understand from the question that for all the 6 years it lived on help from uncle and relatives, i.e., it does not have other sources of income) it may take it for own expenses. We have an example from the Sunnah of the Prophet, pbuh, when a poor man had to give a Kaffarah (it was for breaking the fast in a day of Ramadan) and when he told the Prophet, pbuh, that he and his family were really poor the Prophet, pbuh, told him to give the amount of Kaffarah (which was a quantity of date) to his family for food. If the family decides to give it away the amount due to be given away to poor and needy (could be through trusted Muslim charity) should calculated as follow: amount above cost X amount of original loan/purchase cost. 5) any funds (net amount after all expenses and taxes) collected from the sale is to be used for either spending on the family or distributed in accordance with the Islamic inheritance law as in the schedule of Mawarith (1/8 to mother, 7/40 to the girl, 14/40 to each of the two boys). 6) Finally the guardian of the minors (any one below 18 years old) may be the mother or the uncle.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Sharafe
Sent: Friday, December 02, 2016
Subject: Shari’ah Input: Contract Revisions
As-salamu Alaikum wa Rahmatullah wa Barakatahu!
We'd like to add more clauses to our contracts with Iana borrowers to increase transparency and reduce ambiguity.

1. Any and all fees for transfer of funds from Iana to the borrower are to be borne by Iana; any and all fees for transfer of funds during repayment of loan (e.g. bank transfer fees, checks, letters, postage, etc.) are to be borne by the borrower.
2. Iana shall not be held liable for any and all damages or harms due to delays in receiving funds from Iana, delays include but are not limited to: mailing delays, wire transfer delays, etc.

3. Our cousins in Calgary have this:
4. http://media.wix.com/ugd/dc5c09_7bd7283ebbad4e3f82d4749f875b7864.pdf

Should legal proceedings be instituted to enforce payment of this loan, or any portion thereof, the undersigned further agrees to pay Iana all costs (including, without limitation, solicitor-client fees) incurred by it in enforcing payment in the event of default hereunder. The undersigned hereby waives presentment for payment, demand, notice of dishonor and protest and notice of protest thereof respecting within the contract.

Barak Allah feekum,

Sharafe

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. Sharafe

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

All these clauses are permissible to add. In fact it is also permissible to charge the fees of transfer from Lana To the Borrower to the borrower too because this is a loan (without any interest) and all charges related to it can be on the shoulder of the borrower in application of the Verse 9:90 of the Qur'an

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

From: Aamir

Sent: Friday, November 25, 2016

Subject: Question about Microfinance Murabahah loans

السلام عليكم ورحمة الله وبركاته

I hope you are doing well and in the best of health.

Dr. Kahf, I have a question regarding the permissibility of issuing micro-loans on websites such as Kiva.org to help people in poor countries.

On these websites, there are often "Shari'ah Compliant" loan opportunities available. They say these loans are Shari'ah Compliant because the loans provided to the borrowers is in form of Murabahah loans. My intention is only to help poor people and not to profit off these loans.

1) Is it permissible for me to loan the money out to these Murabahah loans?

2) If it is, is there something specific that I should double-check to ensure the Islamic validity of these loans? جزاك الله خيرًا

Aamir

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. Aamir

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
It seems that this organization is a non-profit one and it gives loans to empower people who are otherwise very vulnerable. It is good and I thing giving it donations or offering it loans that are used to lend people to grow. I did not find on its web anything about Murabaha, and there is nothing called Murabaha loan in Murabahah we give goods for deferred payment,
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Best Regards
Dr. Monzer Kahf

From: Irfan
Sent: Saturday, September 24, 2016
Subject: Paying Income Tax with Interest Money
Dear Sheikh,
Assalam-u-Alaikum!
Some time back I came across through a Fatwa, which looked to me as if totally wrong and against the spirit of Shari'ah. One of the Muftis in Kashmir (Indian Occupied) gave a Fatwa that the Income Tax can be paid by the money accumulated via interest, i.e. Riba money can spent/wiped out by paying Income Tax. I did not understand this: Riba is totally Haram in Shari'ah, deemed to be returned back to its true owners, i.e., poor & needy, while Income Tax is a liability. How can we fulfill our liability with what we actually do not own? This thing struck my mind for being a student of Islam. Kindly guide me whether my thinking is correct or the Fatwa was correct?
Wassalam
Irfan
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. Irfan
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
You are completely right and that Fatwa is incorrect. In fact there is a Decision by the OIC Fiqh Academy that one cannot use Zakah to discharge one's liability to taxes or other duties to government although one may believe that such duties are not just or fair.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: maroof
Sent: Saturday, September 24, 2016
Subject: Property development finance on fixed interest

As salaam o alaikum Shaikh Hope you are in good health. May Allah protect you and keep in good health. My question is related to my profession. I am a property developer in the U.K. Sometimes I need funds to develop a property. There are a number of specialized private firms who provide funds (development finance or bridging loans). The mechanism is that their officer will visit the site we will provide our project plan give them approximate future forecast etc. and they will provide the finance. There is fixed interest rate which they will charge BUT it's different from bank. They are short term loans like 18 months. They don't give all monies in one go we will need to provide them with the development reports and they release money in stages according to the development. They also don't charge anything monthly and they are flexible about it.we can pay them if we want to monthly but we don't have to. If the development isn't finished in 18 months for example they also provide grace periods to finish the project. After finishing project They give us time to sell the properties (on an average 8 months) after finishing the sales we can pay whatever the amount we have incurred through out that time period. Please shed some light on this issue regarding its permissibility in the light of Islamic law. Banks or Islamic banks don't provide this facility. Islamic bank such as al rayan provide a home purchase plan/Islamic mortgage and they charge 'rent' but it seems like it's going round it circle to achieve same objective. the 'rent' is more expensive then the normal interest a conventional bank is charging. However my question is particularly related to the type of finance related to property development finance. I am in a huge dilemma related to this please provide some assistance. May Allah give you ajr. Jazakallah.

Maroof **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. Maroof

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

This is exactly the Riba, nothing else. The solution is through partnerships and partnership finance from Islamic banks. Unfortunately many Islamic banks do not offer that.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Douglas

Sent: Monday, September 12, 2016

Subject: Borrowed airtime from mobile companies

Asalamu alaykum walahmahtullahi wabarakatuhu ,,, what is the ruling on using borrowed Airtime ? For example I do not have credit in my phone but my Network provider company has a service whereby customers can borrow Airtime , for instant if I borrow two 1 dollar my phone will be recharged with 90 cents instead of 1 dollar and when I buy airtime the company will also charge me a full one dollar .. Is this money charged on top of the airtime "Interest" ? As a Muslim should I refrain from such a service?

Your assistance in the matter will highly be apriciated jazakallahu khyran

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. Douglas
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Although the amount is usually trivial it is pure Riba that is prohibited in the Qur'an and the Sunnah.
The company gives you a loan of one Dollar but deducts its interest at the beginning so they credit your account for 90 cents. They do not sell you airtime. The test becomes apparent if their tariff changes, do you have a balance of cents or minutes. It is cents. I advise avoiding it all the time.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: مجد
Sent: Wednesday, August 24, 2016
Subject: قرض بفائدة لتخفيض الضريبة

عندي اخ طبيب يعمل في فرنسا منذ ٧ سنوات، والحمد لله يدفع ماعليه من زكاة وفوقها ومن الصدقات، ولكن هنالك امر اريد ان استشيرك فيه..

هنا الضرائب على الأطباء مرتفعة بشكل كبير جدا يعني يمكن تصل لنسبة 60% او 65% من الاجر الذي يحصل عليه الطبيب واخي لا يأكل الحرام او لحمد لله، لكن في طريقة نصحه بها الاطباء القدماء في المهنة انه يستطيع أن ياخد قرضا من البنك ويعطيه للدولة يعني لا يضع شيئا بجيبه لان النظام هنا كله قائم على القروض وبالقانون اذا اخد قرض ينزل من ضرايبه بشكل كبير وبنفس الوقت قالوا له: الآن فوائد القروض 0.5% يعني شيء يسير ..أسأل : هل يجوز أن يأخذ القرض ويدفعه للدولة والـ 0.5% التي يحصل عليها يتصدق بمثل قيمتها.

My Answer:

الأخ الكريم مجد
السلام عليكم و رحمة الله وبركاته
السؤال عن حكم القصة التي ذكرت أيضا.
يجوز الاقتراض من البنك بفائدة ربوية لغرض تخفيض الضريبة، أي أن يدفع المبلغ الموازي لمقدار القرض، ثم يأخذ القرض الذي يبلغ 95% من المبلغ الذي دفعه إلى الدولة.
ثم ما هو دخل أي مسلم الذي يقول بأخذ القرض؟
أضف إلى ذلك أن هذا من الربا الذي حرم الله فعله دون أدنى شك وهو أيضا غير اقتصادي.
مع أسمى التحيات وأعز التقدير
أ. د. منذر قحف

From: Esam
Sent: Wednesday, August 10, 2016
Subject: investing in fixed income annuities

I know a retired widow whose financial advisor is strongly recommending that she invest in them because it will give her a guaranteed income.

60% of the annuity is invested in equity and 40% in fixed income, which we know is not *halal*. So she is thinking that she can give 40% of the income that she receives from this annuity as *sadaqah*.
Given this plan, is it *halal* for her to invest in the variable annuity?
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. Esam
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
It is meaningless and rather sinful to intentionally earn Haram and give it to charity. This Widow shall be as good keeping 40% cash (not earning and not giving Sadaqah) and investing only the 60% in equity of course provided the shares she selects are themselves Shari'ah compliant.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Douglas
Sent: Tuesday, August 30, 2016
Subject: getting increase on depositing money
Sallam aleikum dr Kahf
Someone introduced me to an online networking business. So he said I am to receive 30% of the money i paid into another person's account after 2 weeks.
My question is: is this a form of RIBA or a Mudarabah transaction can you also please explain more about Mudarabah transactions in an easier form so I can understand it.
Your assistance in the matter will be highly apriciated.
jazakallahu khyran
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. Douglas
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
According to the brief description this is not Mudharabah but rather interest.
Mudharabah is: a partnership between a manger who puts his/her expertise and a fund provider to make business (buying goods and services or producing them and selling them) provided that any profit is distributed according to a ratio agreed on in the contract and any loss (unless caused by negligence or misconduct by the manager) is to be born solely by the fund owner. This means that any guaranteed profit or guaranteeing the principal is not permissible and the presence of such a clause in the contract (e.g., guaranteed 30% of the principal, which by definition includes guaranteeing the principal) turns it into a loan-based interest.
Wa Allahu A'alam

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

From: Ashfaq
Sent: August-03-16
Subject: Shariah Investment Related Questions

Assalam O' Alaikum Brother Dr. Monzer Kahf

I attended your lecture yesterday at …… Masjid that was quite informative/enlightening – Jazak Allah Khair.

I did ask few questions but some of them couldn't be properly addressed/ discussed and few ones couldn't be raised due to shortage of time / provide other brothers the opportunity to ask their questions. As advised by you, I am summarizing below few points where I need your guidance / support:

Sukuks – Shariah Compliance

I did raise question on the Shari'ah compliance of various Sukuk being offered in the Middle East. You also echoed my concern that all of the Sukuk don't meet the Shari'ah criteria and to form an opinion one needs to go into the details. Additionally if an individual has not the required skills he should consult the experts to advise on the Shari'ah compliance aspect and you indicated to suggest the names of few experts. **Would you please provide me few names of such experts who could advise on this subject**.

I do not know of any person who studied all the issued Sukuk and has that assessment available in his mind or computer. This is a job of asset management persons not academicians. You really need to check with asset managers who are investing in the Middle East. The criteria are simple to ask about: what assets do Sukuk represent and are they purchased from the obligor (who is lease-buying it). This applies to most Sukuk. For other characteristics you may check with me or Dr. Mabid aljarhi (both are academicians)

Lump Sum Pension Payments

I also raised another question on the discounting element of the Lump Sum Pension payments to which you sought some more details that couldn't be shared yesterday due to want of time. I now provide some details here:

I was employed with a ……. that has an unfunded & non-contributory Pension Plan (PP). At retirement, the employee has 3 choices (a) to opt for monthly payments, (b) get Lump Sum cash that is discounted at prevalent treasury bills discount rate to compute the Present Value and (c) combination of both. If someone opts for Lump Sum upfront encashment and the present value is calculated using a certain discount rate **so my question was by agreeing to discounting mechanism, is one indirectly committing to an interest (Riba) that is prohibited in Islam**? I did opt for the lump sum option and one of the principal reasons for this decision was to eliminate the uncertainty risk of future monthly payments since the PP is unfunded and could be terminated at the discretion of the employer or as result of its bankruptcy in the future.

The three options are permissible. The use of interest in the second and third is merely for calculating the amount of gift (it is in fact a grant because it is not contributory and not funded).

No problem in using interest for such calculation. I can tell I will give you a gift calculated on interest or on the amount say a gambler wins.

Investment in Stocks

You advised that investment in stocks of those companies is OK whose primary business involves Halal/ permissible activities and if some small portion of their earnings belong to non-permissible activities that portion should be estimated and paid out to charity. That aspect is clear but my question is on the finance sourcing of such companies as most of the companies resort to leverage and use interest based external debt to fund their activities. Since they engage in Interest (Riba) in some form, **what is your perspective on this angle i.e. where primary activities/source of earnings is Halal but they partially engage in interest based borrowing**?

The whole matter here rests on the principle of tolerance. We tolerate such companies out or removing the hard inconvenience from Muslims. The criteria include: leverage of no more than 30% of assets, income no more than 5% and assets used in Haram including interest is no more than 30% , three of them after the test of main line of business. This is what is adopted by AAOIFI.

List of Dow Jones Islamic Companies

Yesterday, you also did mention that there are around 600 companies listed at Dow Jones that have been classified as Shariah Compliant and such list is available on the net. I did an intensive search today on google but I couldn't get the list of such companies – at best I could get was the Index or few funds and some sites claimed to have such list in a link but once you open the link you get an error message (Not Found). I believe you may know any particular site that does have such list so **would appreciate if you could send me such link i.e. list of Shariah Compliant Companies** (assuming the site is active as well).

Companies may change position from time to time according to the three tests above. DJ sells this info and usually financial and investment advisers buy this info and use them in profit making. This is their business…

Franchises that serve some Non Permissible Items

This question was raised by some other brother. Take the example of Tim Hortons – its primary business is coffee (which I believe is OK from Permissibility standpoint) but it also deals with some items that has pork or non zabiha meat products which represent a small portion of their business. As far as I understand from yesterday's discussion, **such kind of franchise business is not permissible. Is my understanding correct?**

Non Zabiha is not part of this because it is controversial. For some schools of Fiqh, it is permissible. If you own the franchise you should exclude any prohibited item and many Muslims who contract such business do that and franchise companies know that. If you are the manager of a franchise shop, not owner also you should not accept to sell any such items, if you are simply an employee in such a place, you still do not sell it (even as a cashier) and you should always leave this action to another non-Muslim employee but your salary for the work you provide is permissible (this does not apply to a general manager because a M. is responsible for all operations in a shop.

Use of Interest Income

In the past I did place some funds in interest bearing deposits that I have been advised to pay out being non-permissible. I have been advised it can't be given to Masjids but to the needy people. I need some clarity here as to **what are the permissible uses of this interest income**?
The fact is: such interest money is not yours, yet it is much better to maximise the benefit from it for recipients (poor and needy, preferably Muslims) there are several trust worthy charities in Canada including Islamic Relief International, even the local Masjid with info that this is not to spend on the Masjid construction, but in fact it is OK to use for cleaning material and bathroom tissue.

Where to Place Surplus Funds that are Shariah Compliant

Here is my last question for the time being. I am retired person and has some savings that I want to invest in Shari'ah Compliant avenues that could generate a reasonable income to (a) cover the Zakat and (b) some kitchen expenses. **I need your advice on the viable options here.**
This is the job of investment advisors like Br. Khaled Sultan in London, ON, not mine. one thing I know is the Islamic Housing Cooperative (headed by Bervez Nasim), it's been there for about 35 years and proved making some reasonable return and providing good service.
In the end, I would like to apologise on the number of questions; however, you being a subject matter expert, I seek your guidance brother,. In case you want some details or you are too busy to respond in writing, you may call me at these #; landline: +1 905 821 8135, cell #; +1 416 708 0856. Alternatively, please advise me your best available so that I can call you at the # that you gave yesterday (714 406 6971)
Jazak Allah Khair.
Ashfaq
From: Ashfaq
Brother Dr. Monzer
Just forgot to add one point under ***"Sukuks"*** **–** please also prescribe the broad criteria for screening of Sukuks in terms of determining their compliance with Shariah tenants.
Jazak Allah Khair
Ashfaq
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. Ashfaq
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Please see my answers below your questions
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Sharafe
Sent: Wednesday, August 03, 2016
Subject: building a house for a Mortgage Lender
As-salamu Alaikum wa Rahmatullah wa Barakatahu

Dr. Kahf! I pray you and yours are excellent.
We were recently approached by a contractor for a mortgage lender, (……..) who asked us to rebuild a home of theirs in …….
Basically the lender lost a home due to a fire, instead of going to insurance they are experimenting with doing this rebuild in-house, thereby cutting out the middle-man and keeping the profits for themselves - theoretically, big picture, this may start or advance a trend for banks (credit unions) to cut out insurance in these types of things and
a) reduce banking fees
b) reduce insurance fees or weaken the insurance industry in general
c) have banks take more 'ownership' of homes - which is a step towards in-house financing like co-ownership Islamic models or financing by owner
Of course some of these may seem far-fetched but they are not impossible.
Obviously this mortgage lender had an interest-base loan on this home, and it appears as though they re-possessed the home due to the default of the client, and they intend to sell the home after the rebuild to recuperate their funds. Theoretically they can sell these homes as finance by the owner but will likely cash-out and sell now.
Please advise as to what are the limits of sacred law and what would constitute ihsaan.
We would not want to support a corrupt industry or be their agent or facilitate oppression. Allah guides us to what is best.
Keep us in your prayers.
Sharafe

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. Sharafe
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
I did not get a clear idea of what do you expect from me.
When we talk about the limits of Halal and Haram, it is permissible to contract the owner of a land or ruined house to construct a new house for him/her regardless of what he/she does with other people and his/her earnings.
The idea of self-insurance exists in the world of today and many companies practice it. It is becoming a trend in many big companies and they do it for health insurance of their employees, for end of service benefits, and other fringe benefits, for their own buildings and fixed assets and very often also for exports/imports. It is a good idea for large corporations and for large associations.
Dealing with foreclosures and repossessions: a purist approach should be fair because a lender has a right to his principal. We may argue about the acquired or delinquent interest especially when it accumulate and piles up. It is fair in this case to express our dissatisfaction with repossession because of interest but certainly not for recovering principal. And we may call for better debtor-friendly behavior by creditors in case of delinquency, I think there is room for serious improvement in this regard.
Anything further?!
Wa Allahu A'alam

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

From: Chafik
Sent: Sunday, July 31, 2016
Subject: interest-based loan for business
Salam Alikum Brother Monzer
I'm started up a business here in western Canada, I invested from my own savings, these days I got short in cash due to the delay for getting permits from the city, my question is it Halal to ask for a loan from the bank that is covered by the Canadian government?
Salam Alikum
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. Chafik
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
This loan is interest-based and I do not see a way it can be Halal under such circumstances.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Chafik
Jazaka Allah khayren, last question for my general knowledge, Muslim countries' governments borrow money from big banks to operate and pay their expenses, aren't they paying Riba like any other individuals?
Thank you
My Answer:
Yes they are. Who said they are committed to Islam, including S. A.
Wassalam
Prof. Dr. Monzer Kahf

From: Chafik
Very Good point, I hope this my last question, what can we do as Muslims in the West where there is not Islamic banking especially here in Canada?
Thank you
Sent from my iPhone
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. Chafik

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
We have to manage our business without interest, may be through family and friends and make efforts to create Islamic finance institutions that respond to our needs.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Ashfaq
Sent: Wednesday, July 13, 2016
Subject: Regarding Borrowing Loan from Bank to Build House
Respected Brother,
Assalam Alaikum.
I have a question regarding the Bank Loan to be borrowed for the purpose of Constructing House.
My financial position does not permit me to construct a house for me. Under the Islamic Context, does Islam Permit to borrow a Bank loan for the purpose of building a house in a Country like India, where all the Financial Institutions and Banks are run by interest based transaction. .
Kindly answer this question in the Light of Quran and Sunnah.
Jazaqallah Qhair
Ashfaq
India
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. Ashfaq
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
The Qur'an is very strong on the prohibition of Interest. It is called in the Qur'an Riba and defined in the Qur'an too [2:279] as any increment above the principal in a loan transaction. The Hadith is equally very strong on this prohibition too. The Prophet, pbuh, not only prohibited taking Riba but he also prohibited giving it and be witness to its contract in addition to writing the contract even if the writer does not take or give interest. I believe that Muslims in India must create Islamic finance companies to solve this matter like what Muslims in the UK did.
Of course the Qur'an talks also about necessities that provide for relaxation of a prohibition. If you are in a necessity situation to the extent that you can Allah on the Day of Judgment and tell Him that you violate this prohibition out of necessity, then go ahead and be ready for His questioning. Nobody can determine the necessity of any others.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Walei-El-Din
Sent: Thursday, June 30, 2016
Subject: car financing at zero interest
Salam alaikom brother Monzer,
I got your email from brother ……., who was in …… and lives now in …….
I do have an urgent question about the car financing:
I'm trying to purchase a new car, the car financing has a 0.9% interest on 6 years with a monthly pay of 739$.
I told the car dealer sales manager that I don't want any interest in the deal, I want a 0% interest if that can be done for me.
He said yes, I will do some changes in the contract, I will minus the 0.9% interest (~ 1400$) and your contact will show Zero % but I will keep the monthly pay the same, i.e., 739$/month x 6 x 12 = total 53,200 $.
I do understand that the monthly pay for any car is negotiable and it can go up or down until both client and dealer sales rep agree on a price, but always the contract on the computer screen at the dealer has the interest bracket that can show 0%, 0.9% , 0.4% or any number.
So if the sales manager did that for me and makes it 0% is that considered halal.
Jazakum Allah Kharan,
You can email me back or I will be happy if you can call me at my cell ----------
Sincerely,
Walei-El-Din
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. Walei-El-Din
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
The answer is YES. You may be surprised..
The matter is that Allah prohibits interest (defined in the Qur'an 2:279 as any increment above a debt) but does not prohibit financing for Profit. In other word, Shari'ah changes the channels of finance but does not prohibit it (as it did in sex for instance; change channel!).
The change of channels has important effects on the macro level while it may seem trivial sometimes on the micro level. Here are some effects: 1) when finance is done through sale and lease, there will always be a cap on its size in the economy which is size of goods transacted; this cannot be when finance is done through debt, 2) finance through sale always create value while it does not when it is through debt, 3) finance through debt can be used for economically futile transactions such as paying previous debts which in fact means only changing name of creditors/debtors but this cannot be done when you tie finance to sale of goods, etc.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Abdulazeez
Sent: Monday, June 27, 2016
Subject: Student loan (is it haram?)
Aslaamu alaikum wa rahmatullahi warakatu
I have got your personal in information from the internet where you answered a lot of Islamic questions. I hope you don't mind me asking you few questions linking one another. First question:
I am resident in UK, however when I was student at university I borrowed money from the student loan company and also obtained grant (non-taxable) to pay the fee of my course as well as the living expenses. At the time I didn't know the load was based in interest because of my lack of knowledge/understanding. This used to be called "STUDENT GRANT ONLY" which never had interest but later changed to STUDENT LOAN which accumulates small interests, and now is both Loan and Grant. Grant is not payable but Loan is. After studying three years, the totals tops up to around £21000. When I eventually found a job the student loan company deducted 3% from my wages but nothing seems to decrease because of the interests. After 25 years however, the student loan company will write off everything even if I didn't pay a penny. Obviously I won't be able to pay £21000 once off because I don't have the money. I know it is haram money but if I still alive after 25 years (10 years already gone). And what would happen if they write off, will I still be accountable for sins? What would I do? Can I pay bit more than I am paying now? Some of the money i received was also paid towards my wife's dowry?... would that be a problem? May Allah almighty bless you and all the Ummah
Salaamu alaikum wa rahmatullah wa warakatu
Abdulazeez
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. Abdulazeez
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
I am not sure that your description of the UK system of Student loans is accurate. I remember that once I looked at the official latest version of it and found it based on the concept of helping a student by the government then if the graduate makes certain minimum amount of income, charging him/her some tax until it is paid up with some wavers here and there including the 25 year waver.
This system does not seem to me fulfilling the characteristics of interest-based loan as defined in Shari'ah. Accordingly, my suggestion to you is: fulfill the conditions of the system as they are, i.e., let them make the legal deduction, do not do any other thing, Just go on with your life, make always Itsighfar, charity and good deed.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Ashraf

Sent: Tuesday, June 21, 2016
Subject: sell, lease and buy back
AA dr Monzer
Ramadan Mubarak.
I own a house and I need cash to help my 2 sons pay for their marriage as well as medical school.
I want to sell half the house to a Muslim brother and in addition I will pay him half estimated rent because we want to stay in the house my intention is to start paying part of the house half price in addition to the rent when I can, so may be I will be able to re-buy it again.
Would that be considered RIBA?
Jak
Sent from my iPhone
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. Asharaf
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
I think this this arrangement is pure 'Inah بيع العينة Selling a property and buying it back at a higher price, or selling a property and renting it for any amount and also buying it back at same sale price, both cases are 'Inah and the price difference in the first case and the rent paid for the whole period in the second case are both Riba. And this kind of arrangement is specifically prohibited by the Prophet, pbuh as reported from Abu Hurairah. Additionally, the OIC (Organization of Islamic Conference) Fiqh Academy determined that both cases are pure Riba (there is a decision taken in its 21 annual meeting held in Riyadh in October 2013).
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: mijindadi
Sent: Tuesday, June 14, 2016
Subject: Inter-bank Murabahah
Salamu Alaikum warahmatullahi wabarakatuhu
I pray this finds you in the best state of health and faith in Allah. I am a student of some of your work and have the privilege to be working in an Islamic finance company. May Allah increase you in knowledge and make you a benefit to the ummah.
Please i am trying to understand if it is permissible for an Islamic bank to have interbank relations with a conventional bank on the basis of murabaha.
My question is based on a structure in our company where were execute a murabaha contract with a conventional bank for the purchase of petroleum products at an agreed mark up.

- We disburse funds to the conventional bank on a regular basis and in various amounts.
- The amount of each disbursement is random (typically based on how much excess liquidity we have at any given time).

- Due to administrative challenges, we receive a signed guarantee from the bank weeks after each disbursement. We sometimes receive invoices for the petroleum products (but no official receipts) weeks after the disbursement. The conventional bank may sometimes provide a "global" invoice with the explanation that out funds were used to buy a portion of the petroleum products under that invoice. We have no way of ascertaining the authenticity.
- The invoice is issued by a third party and no verification is done to ensure the products were actually sold to the conventional bank.
- Our mark up on the Murabahah is computed from the date of disbursement and we recognize profit in our books of account on a weekly basis, irrespective of when the documents are received. This is based on the assumption that the documents are merely delayed due to administrative processes.
- Some transactions are completed and fully repaid before documentation is eventually received.
- At maturity date in 30, 60 or 90 days, we rollover the principal and profit with the conventional bank. In the event that we have urgent cash needs, we pre-liquidate the Murabahah investment but suffer a penalty(which the conventional bank calculates as a percentage reduction in our margin)
- The documents are eventually received in batches, covering a series of prior transactions. We notice that the dates on the documents (guarantees and the invoices) coincide with the dates of the respective disbursements. Sometimes, not all the records are complete.
- Based on the strength of the conventional bank guarantee, we offer our retail clients an agreed return on their investment, under a murabaha contract.
- Our clients invest with us for 30, 60 and 90 days as well. The clients also enjoy the option of rollover and pre-liquidation.
- Our clients investment are held in a pool of funds, which we disburse to the conventional bank from time to time as explained above

I have explained in detail because I believe a description of the actual daily practice will be clearer than a theoretical description.

Please, I would like to know your opinion and I wouldn't mind if it is extensive and also refers me to further sources, just so that my heart can find rest.

May Allah continue to guide you. Salamu Alaikum

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. Mijindada

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

The structure you described is devilish..

Murabahah is permissible so is Murabahah line of credit. The name of permissibility of Murabahah and Murabahah line is: presence of real commodity, intended by a final purchaser (for own business or for own consumption) that changes hand/ownership from a vendor to a final user. If a conventional bank abides by this structure, it is OK to deal with it. But without

real goods/assets changing hand with real taking delivery before any second sale the transaction becomes pure exchange of cash for debt and it is then exactly what Riba is.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Imam ……. Mosque
Sent: Sunday, June 12, 2016
Subject: Question about ratioale of prohibition of interest
Dear respectable Prof. Monzer,
As-Salamu alaikum.
Happy Ramadan to you and family.
If you could answer this financial question for us, it will be much appreciated.
As salam u alaikum wa rahmatullahi wa barakatuhu
From: نعمت الله
Respected imam, I live in ……. and renting an apartment which is quite expensive for an ordinary earning person. I tried to buy (mortgage) a house but when I researched about whether it is permitted in Shari'ah to mortgage a house while you are clearly told that the interest rate would be such and so; and interest is one of the biggest sins in the eye of Allah. In fact, Allah has mentioned it in the Qur'an that if anyone is involved in any type of dealings based on interest surely he has announced war against Allah and his Messenger.
Respected imam (I don't know your name), please provide me some kind of satisfactory answer to this dilemma in the light of Qur'an and Sunna.
"جزاكم الله خيرا
نعمت الله
Dear Dr. ……, please forward my answer to the questioner.
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. نعمت الله
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
This is a serious issue, no doubt. Interest is definitely prohibited and one of the most grave sins to commit, taking it or giving it. This is why Muslims are called on to create interest-free institutions to provide financing for housing, businesses and other personal needs. This can be done and is actually done in many countries all over the world. Luckily, what is prohibited is lending for increment but sale on credit and leasing are permissible and there are many important differences between lending and sale on credit. Islamic banks and Islamic finance companies are mushrooming and increasing at a speed higher than interest-based banks. Simply we need ones in Canada and in the USA.
There are companies that provide Shari'ah-compliant finance in Canada including the Islamic housing cooperative in Ontario, which does business all over Canada and several other

companies. There is also a credit union in Alberta itself that applies Shari'ah compliant template contract for house financing which I studied and approved, which you may like to contact.
Please check around and you will find a suitable Islamic finance contract and if you have any question please write me again.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: rila
Sent: Wednesday, May 25, 2016
Subject: Re: loan in the form of lease, cooperative insurance, etc.
Dear Dr. Monzer, Assalamu Alaikum
Thank you very much for the service you are doing for the Ummah.
There is another simple question.
There is at the moment a massive flooding in Sri Lanka and many, especially Muslims, who were living in low lying areas of Colombo are very badly affected with submerged homes, belongings, and vehicles. I have Bank Interest money with me and can I give it to Muslim flood victims to repair their homes or repair vehicles or for any other use? Asking them not to use the interest money for eating purposes or to give it to Non- Muslim victims?
Regarding the idda of abandoned 2 ladies, she/they happened to be the bread winner of the family- one working in a Garment factory/the other working overseas as Nutritionist how can they observe Idda after seeking divorce from Kazi Court Judge?
Thanking you, Yours sincerely,
Rila
My Answer
Dear Sr. Rila
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Of course you may give interest money to poor people affected by the flood even if they use it for food as long as they are poor.
For the Idda and bread winning.
It is the right of a married woman to have all her expenses covered by her husband, regardless of whether she earns any income or not and regardless of her wealth. Failure of the husband to provide for her is sufficient reason to seek divorce and be granted it by court. This is under Shari'ah very clear and non-disputed at all. Of course if she did not use this right she cannot ask for long past periods' expense. At the same time she can still ask for this right any time. Once she gets divorce she should observe the Idda and can marry after that.
Best Regards,
Wassalam
Prof. Dr. Monzer Kahf

From: Rila
Assalamu Alaikum Dr. Monzer Kahf

Thank you for your instant reply. You may take your own time for the following case and reply me leisurely.
In Sri Lanka there has been a recent trend in leasing the houses for dwelling purposes by taking for example a sum of Rupees 500,000 or one million for a period of 5 years and taking a small rent (for example Rs.4000 per month- much less than the usual rent-) too. After 5 years the lessee has to return the house and get his money back. I am of opinion that it is against Islamic Teaching and not Sharia compliant.
This transaction is pure Riba. I was asked about it before. You should notice that any benefit of value such as money, usufruct or any other benefit obtained by the creditor from the debtor as a part of the loan contract is pure Riba and it is of course prohibited as in the Qur'an and the Sunnah. There is a clear rule in Shari'ah that says: any benefit procured by the loan giver for the loan is Riba. the Riba in this case is the discount given in the rent for the period of the loan.
2. Are there any form of Islamic Insurance to help one in time of sickness/ Hospitalisation , Accidents, natural calamities, Total and Partial disabilities, etc. by contributing a particular amount for a particular period?
Of course. Islamic insurance often called Takaful exists in many countries, it is new like Islamic banking so it does not exist in most countries of Muslim minorities. The fundaments of it are two folds: cooperation and giving the premium as a donation to the cooperative.
2.a. Is it ok if the parties to a Cooperative Society or a Similar organisation collect monthly contribution and help under MUTUAL CONSENT its members in the event of Sick, Hospitalisation, Accidents, Natural Calamities, Total and Partial disabilities etc.?
This fulfills exactly these two basic elements of Islamic insurance. And it is practiced in more than one community. To mention two: the Islamic finance cooperative in Mauritius and an Islamic finance cooperative in Trinidad.
What is very important if you decide to do that in any Cooperative is the following: 1) write down a clear and agreed on system of benefits in all situations, and 2) you may discriminate premiums and benefits at different levels provided you follow the scientific rules of actuarial studies as they are used in insurance business. (btw, all Islamic insurance cooperative funds follow these two points).
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. Rila
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Please see my answers below the questions:
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Majd **From:** مجد
Sent: May 10, 2016
Subject: **علة تحريم الربا**

علَّة تحريم الربا

العلامة: إبراهيم الجبالي

أكتبُ إليكم لا بمجرَّد خاطر دار بخَلَدي، ولا بمجرد هاجس قذفت به النفس، أكتبُ عن أمر أكثر الناس فيه مُنغمسون، وهم ما بين مُستقبح له ومُستحسن.

إنَّ ما أخذتموه على عَاتقكم من نشر المعارف الدينيَّة والأحكام الإسلاميَّة، وتنازلكم لإجابة أمثالي، شجَّعني أن أكتب إليكم مُستفتياً، راجياً التفضُّل بالإجابة في أول عدد يصدر بمجلَّتكم الغرَّاء.

سؤال:

ما الحكمة في تحريم الربا؟ هل حَرَّمت الشريعة عُقود الربا لمعنى في اسم الربا فقط، فلا يجوز لمسلم الإقدام على عقد يَتناوله اسم الربا لغة وشرعاً واستنباطاً؟ أم حَرَّمت الشريعة تلك العقود لما فيها من الضرر اللاحق بالمدين وأخذ ماله بالباطل بتخيُّل منفعة وهميَّة ظنَّها الذين يتخبَّطهم الشيطان من المسِّ منفعة حقيقية فقالوا: إنَّما البيع مثل الربا، فكأنَّ المدين يزيد في المال والدائن يزيد في الأجل مُعتقداً أنَّ زيادة المال المتحقِّقة المنفعة توازي الزيادة في الزمن التي لا قيمةَ لها ثابتة يستحق بها سلبَ مال أخيه ظلماً وعدواناً؟

فإن كانت هذه هي علَّة تحريم الربا فلمَ أباح الفقهاء جميعاً بيع الشيء بأكثر من ثمنه وقت البيع من أجل الدَّين؟ أليست تلك الزيادة على ثمن المبيع كانت في مُقابل الزمن المحض، وإنظار المشتري في الثمن؟ أليست علَّة الربا في مثل هذا ظاهرة؟ أليس بإمكان المشتري لو كان معه مال أن يشتريه بقيمته الحقيقيَّة حين العقد؟ أيحقُّ لنا أن نستقبح صنع من يتخذ من ظاهر بعض الأحكام مِعْولاً يهدم به الدين باسم الدين، يحرِّمُ عليهم حقاً واجباً ويحل حراماً، غير ناظر لأسرار الشريعة وما تَرمي إليه؟

أليس هذا باباً عظيماً يوصل إلى تهمة الربا، ويوصد من ورائه باب الرأفة والشفقة وبرة الافتراض؟ أليس حديث: "من باع بيعتين في بيعة فله أوكسهما أو الربا" [رواه أبو داود والحاكم وصحَّحه، وقال: على شرط مسلم، ووافقه الذهبي]، وحديث نهيه صلى الله عليه وسلم عن بيعتين في بيعة [أخرجه أحمد والترمذي وغيرهما]، وحديث: "لا يحل سلف وبيع وشرطان في بيع" [أخرجه أحمد، وأبو داود، والترمذي، وابن ماجه]، ونحوها بمجموع رواياتها صالحة لحظر مثل هذا العقد؟ وإن لم تكن صالحة للحظر، فهل مثل هذا الكسب يُعدُّ كسباً طيباً يُقدم عليه من طلب البراءةَ لدينه؟.

الجواب:

إنَّ أحكام المعاملات في الدين الحنيف جاءت مُتضمِّنة لمصلحة المجموع الإنساني على وجه العدالة والإنصاف، بحيث تكفل دوام التساند والتعاون بين الأفراد والطوائف بعضهم مع بعض. ومعلوم أنَّ الفرد الواحد لا يستطيع أن يقوم بتحصيل جميع ما يحتاجه بنفسه بلا معونة من أخيه الإنسان، بينما يستطيع أن ينتج من بعض الشؤون ما يربو على حاجته وحاجات كثير من أبناء نوعه، فالزارعُ ينتج من محاصيل النبات ما يفي بطعامه وطعام الكثير، بينما هو عاجزٌ عن حياكة ملابسه وخياطتها، وبناء داره وأمثال ذلك، بل هو يقوم بإنتاج بعض المزروعات كالطعوم أو نباتات النسيج، بينما يعجز عن نبات الفاكهة مثلاً، والصانع مثله: يَحيك النَّسَّاج أكثر مما يلزم لملابسه، بينما هو عاجز عن إنتاج ما يطعمه، وهلمَّ جرا، فكان لابد للإنسان من التعاون بأخيه الإنسان..

وكثيراً ما يقضي النظام أن تكون كل طائفة مُنحازة إلى ناحية، مُتفرِّغة لإنتاج ما نِيط بها من مَرَافق الحياة، تنتج لغيرها شيئاً، وينتج لها غيرها أشياء، فمن يوصل تلك المنتجات للمحتاجين إليها؟.

تلك هي فئة التجَّار يجلبون من هنا إلى هناك، ويوصلون لكل قوم ما يسدُّ حاجاتِهم، فالتجارة عمل ضروري من أعمال التساند الإنساني، وإنها مُعرَّضة أكثر من غيرها للفشل، كما أنها قد تؤدي بأسرع ما يمكن إلى الثروة الطائلة، ولعله كلما اتسعت ثروة التاجر اتسعَ نطاق تجارته، وتمكَّن من تعميم نفعها لبني نوعه..

وإنَّ فشل التجارة ونجاحها مَنوطٌ بالإقبال على معاملته والإعراض عنها، والإقبالُ عليه وليد الحاجة إلى ما لديه، فأول واجبات التاجر: أن يتعرَّف مواقع حاجات الناس فيجلب لهم ما يروج عندهم، ويتحاشى مالا حاجةَ لهم به، ومن للتاجر بأن يُوفَّق دائماً إلى اختيار ما يُصادف إقبال المشترين؟

إنَّ التجربة دلَّت على أنَّه مهما أوتي من الحذق لابد أن يخونه الحظُّ ويخطئه التوفيق في بعض الحالات، فتبور عليه تجارة ربما صرف في سبيل تحصيلها أعز ما لديه، فهو محتاجٌ دائماً إلى أن يَستعيض ما خَسِرَه في هذه بربح في تلك، ربح ينقذه من كبوته، ويعوِّض عليه بعض خسارته.

هذا قانون محتوم لا يكادُ يسلمُ التاجر من سَرَيان حُكمه، فما من تاجر إلا وهو عُرْضَة للخَسَارة والربح، وللإفلاس والنجح، وللارتفاع والانحطاط، وللرواج والكساد، ولولا أن يفتح أمامه تعويض صفقة بأخرى، وإنهاض من كبوة بحظ يؤاتي، لقضي عليه لسنة أو لسنوات، فلهذا أباح الشارع في الاتجار الربحَ المبنيَّ على اتجاه الرغبات متى خلا من الغَرَر والغشّ والتدليس.

أباح أن يشتريَ التاجرُ شيئاً بعشرة فيبيعه للراغب فيه بمائة أو بألف، ذاك لأنَّه عُرضة لأن يشتري بألف فينزل سعر ما اشتراه، أو لا يجد له راغباً حتى يفسد عليه ويذهب هباء، أو تجتاحه آفة سماوية في نقله أو ادِّخَاره، وهلمَّ جرا، فلابد في قانون الإنصاف العام من أن تُراعَى هذه الاعتبارات التي تتعرَّض لها التجارة في كل الأوقات.

كل هذا في الشيء تتَّجه إليه حاجة قوم وتنصرف عنه رغبة آخرين، وتتعلَّق به النفوس في وقت وتنصرف عنه في وقت آخر، ويَنفرد بأداء مَنفعة في حين ويطرأ ما يسدُّ مَسَدَّه في حين غيره، وذاك في العروض التي ينتفع بها عينها.

أما الأثمان التي خُصِّصت لجلب أنواع الحاجات، الأثمان التي قصدت لتحصل غيرها من المنافع لا لينتفع بها هي، الأثمان التي لا تتعرَّض لانصراف الرغبات أو اتجاهها أو ارتفاع قيمتها أو انحطاطها، الأثمان التي يتساوى جميع الناس في جميع الأوقات في الاحتياج إليها، الأثمان التي تشابه في عمومها عموم الحاجة المطلقة، وما من امرئ إلا وله حاجة، وإن تنوَّعت الحاجات بتنوُّع المحتاجين..

نقول: أمَّا الأثمان التي هي بالصفة التي شرحناها فليست عرضة لهذه التقلُّبات، وليس جلبها من مكان إلى مكان بمسهل للمنافع والأغراض، فهي في كل وقت وفي كل مكان ولدى كل فئة قيمتها هي هي: لا ارتفاع ولا انخفاض، ولا اتجاه ولا انصراف، بل هي الميزان الذي يُبيِّن قيمة الشيء ارتفاعاً وانخفاضاً.

دعنا مما نسمعه الآن من مثل كلمات ارتفاع قيمة الجنيه أو المارك وانحطاطها، فليس هذا من ارتفاع قيمة الأثمان أي: النقدين، وإنَّما هو من باب التعامل، أصبح بأوراق مَالية إذا تأمَّلتها وجدتها وثائق بدين على جهة مُعيَّنة، فكلما كانت الثقة بالمدين كاملة كانت قيمة الوثيقة محفوظة؛ فإنَّ المدين المليء المستعد للدفع متى طلبت منه يتساوى في نظرك ما هو عليه لك وما هو معك في يدك، وبخاصة إذا كان الوثوق به مُشتركاً بينك وبين كل من تعامله.

وإذا كانت الأثمان ليست عُرضة لاتجاه الرغبات حيناً وانصرافها أحياناً، وليست حاجة فريق إليها بأشدَّ من حاجة فريق آخر، وليست مما يقصد للانتفاع به عينه، بل ليتوسَّل به إلى تحصيل المنافع بالذات، لم يجعلها الشارع متجراً قابلاً للمرابحة، بل أوجب أن تكون المبادلة فيها مَبنيَّة على التساوي، فلا يبدل شيء منها بجنسه إلا مُتماثلاً، وإذا احتاج بعض الناس إليها لتحصيل مَنافعه، وكان لدى بعض آخر ما يفضُل عن حاجته منها فقد رغَّبَ الشارع في المعونة بين الناس بالقرض البريء من الربا، فمن استخدم فيه الزيادة فقد طَغَا على القانون الذي رَضِيَه الحق جلَّ وعلا لتسهيل مَنَافع الناس، فاستحقَّ أن يُؤذَنَ بحربٍ من الله ورسوله.

إذا تدبَّرت هذا تجلَّت لك الحكمة الإلهيَّة في حَظْر الشارع المفاضلة في مُبادلة النقدين قرضاً، وإباحته الربح في مُبادلة العروض التجاريَّة غير مُقيَّد بحد.

بقي الكلام في إباحة أن يختلف سعرُ الأشياء باختلاف حلول الثمن وتأجيله، والأمر فيها ظاهرٌ جَليٌّ؛ فإنَّ التاجر يبيع بثمن مقبوض يتمكَّن من تقليب تجارته بجلبِ بعض أصناف قد تدرُّ عليه ربحاً يَنفعه أو يعوِّضه بعض خسارته، أما الذي يَبيع بثمنٍ مُؤجَّل فقد فات عليه هذا الغرض كما خرج من يده الصنف الذي كان يَنتظر منه الربح، وربما لو بقي لوجد من يَشتريه بأكثر مما يَبيع به، فلذا أباح الشارع أن يكون لتأجيل الثمن حصَّة من الزيادة فيه، وهذا بخلاف القرض؛ فإنه جُعل باباً للتراحم والتعاطف بين الناس، وإدخالُ الربا فيه مقطعة لصلاتهم، ومُوهنة لروابطهم، وإنَّك لتجد من غضاضة من يدفع الربا وتقزز نفسه ما لا تجد شيئاً منه لدى مشتري صفقة بثمن غالٍ ما لم يكن البائع قد غَرَّر به وخدعه وغَشَّه، فهذا باب فساد آخر حرَّمه الشارع. أما من اشترى بثمنٍ غالٍ وهو عارف بغلوه فلا يَعْتريه ذلك الذي شرحنا حاله في الربا.

هذا هو القانون العامُّ، والتشريع في المعاملات: يُناط بما عليه الناس غالباً، ولا يَعتمد ما يتحايل به بعضهم في شُذوذ، فيصرفون الأحكام العامَّة على وفق حالة خاصَّة كالصورة المسؤول عنها، فلو كان هذا مما يمنع أصل الحكم لكانت المفاسد التي تطرأ على كل المعاملات شذوذاً مانعة من إباحتها، فكان البيع يبطل؛ لأنَّه قد يقصد به صرف الثمن في بعض الأغراض السافلة أو الشهوات الدنيئة. والإجارة تبطل لأنَّها قد يُراد منها وجود جارٍ مُضارٍ لمن يجاور الدار أو الحقل، وهلمَّ جرا. فما من مُعاملة إلا وهي عُرضة قصد غير مشروعة، وذاك لا يُؤثِّر في مَشْروعيتها في نفسها.

نعم تلك المقاصد في ذاتها ممقوتة في نظر الشارع يجازي عليها الشارع الحكيم كما يجازي على كل سيئة وعلى كل حسنة، ولكن هذا لا يقدح في مشروعيتها، فحكمة حل البيع بإطلاق صون باب عظيم من مَرَافق الحياة من أن يتدهور بالطوارئ والمفاجآت، وذلك الباب هو التجارة الضروريَّة للعمران، وقد قال الله تعالى: [**لَيْسَ عَلَيْكُمْ جُنَاحٌ أَنْ تَبْتَغُوا فَضْلًا مِنْ رَبِّكُمْ**] {البقرة:198}. قال ابن عباس رضي الله عنهما: هو البيع.

وحكمة تحريم الربا ما شرحناه هنا، وأما الأحاديث المشار إليها في السؤال كحديث: بيعتين في بيعة أو بيع وسلف، فليست مما نحن فيه، فهذا بيع فحسب، إلا أنَّه مع تأجيل الثمن، أما إذا حلَّ الأجل فاتَّفق المتبايعان على مدَّة لأجل آخر في نظير ربح، فهو قرضٌ جَرَّ نَفعاً، وكل قرض جرَّ نفعاً فهو ربا.

وخلاصة الجواب: أنَّ هذه المعاملة المسؤول عنها صحيحة في نظر الشارع، وإن كان استغلالُ حاجة المحتاجين، وابتزاز أموالهم، مع العلم بحاجتهم وأمانتهم، وأنَّهم أهلُ وفاء غالباً لما كان في ذمتهم أمراً لا يتفق هو ومحاسن الشريعة، ولا يرضاه الرحمن الرحيم، وقد قال صلى الله عليه وسلم: "الراحمون يرحمهم الرحمن، ارحموا من في الأرض يرحمكم من في السماء" [أخرجه أحمد وأبو داود والترمذي، من حديث عبد الله بن عمرو مرفوعاً]، والله أعلم.

وصلى الله على سيدنا محمد وآله وصحبه وسلم.

المصدر: (مجلة نور الإسلام، العدد: 26 جمادى الآخرة 1351هـ).

[illegible]

My Answer:

[illegible]

From: Ammar
Sent: Sunday, May 08, 2016
Subject: Questions about forex, investing, referral, notarization

Assalamu Alaikum

Dear Dr. Kahf:

My sister is a friend of your daughter and I tried to get your number to ask you a couple of questions but was told that you prefer email so here I am. I would love to invite you out to dinner with my friend as we have some questions regarding Online FOREX trading. Are you still in Southern California?

1. Is online FOREX trading and using leverage like 100:1 and so on permissible in Islam?

Forex trading on the internet is not permissible. On the micro it does not fulfill the requirement of possession that is necessary for buying and selling currencies according to the highly authentic Hadith on the subject. On the macro-level it does not create any added value as it is purely speculative in the sense that what one gains in what another loses.

2. If I have a cash and go in on a joint deal with an investor to purchase a home, he is the only name that goes on the contract and he will use a traditional loan. This is to purchase homes with equity. I give him a portion of the down payment and in return he gives me a percentage of the profit. Again, I'm not on the contract and what I give is cash. Is this a permissible transaction? Can I accept the profit? Does his source of the money affect me?

His source of funds does not matter, if you give him the cash with clear agreement that you are partner, bearing risk of loss in proportion to you capital contribution and having entitlement to profit in agreed on ratio, and assigning him to have his name alone on the title, being your

partner, it is permissible and the profit is Halal. If there is any guarantee of principal the cash given is then a loan and any increment in it is a prohibited Riba. one name is permissible between partners and cash contribution to principal of partnership is also permissible.

3. If I refer buyers or sellers to real estate agents knowing that they will most likely use a traditional loan. I accept a percentage of the agents commission as a finder's fee. Is that permissible?

A finder fee from the real estate agent is permissible provided it does not inflate the Agent's fee charged to the customer, i.e., as you said from the agent commission but not added to the customer charged commission. However when you refer a friend who is under the impression of trusting you on personal level you should not make a commission from behind his back. If the customer takes it from you on friendship relationship you should disclose to him/her that you make money out of referral. Otherwise it would involve a kind of misleading.

4. Finally, I am a notary public. Can I sign and witness loan documents? Is it permissible or Would I be considered the شاهد in this transaction and therefore should not do it? I am just certifying that the people are signing are really who they are.

What witness is stronger than that of a notary public? I think it is not permissible for a Muslim Notary public to notarize a signature on any interest-based contract unless he knows that the person is taking it out of necessity in accordance to the Fatwa of the Second International Fiqh Conference of North America held in the Fall of 1999 in Detroit. If you know that the real estate loan you are certifying the signature on it is permissible according to that Fatwa, it is permissible only then to notarize it.

I am sorry for the many questions but I really fear Allah swt and don't want to bring any source of haram income. I ask Allah swt to strengthen you and grant you paradise for the work you are doing for Islam and Muslims all over the world. My name is Ammar Zanial and my sister is Marwa if you like to confirm the friendship between my sister and your daughter.

Again, it would be an absolute pleasure to meet you for dinner. Let me know if that works for you. My cell is 6613788577

Sincerely yours

لأس الم ؤ ر ح م ة الله وب ر ك ه
أ ع م ار

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. Ammar

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Thank you for your kind email and the invitation. I will be in Westminster InShaAllah on the 15th for a week then go to Florida and come back in the middle of Ramadan. Please avoid the food issue but it is very useful to meet and discuss anything you want, within my area of specialty.

For the questions please see my answers below the questions:

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Sent: Wednesday, April 27, 2016

Subject: استفتاءحول الربا بين الوالد وأولاده

هل فإن الكثير يسيء إلى والدي ولا يهتم بزيارتنا؟
أم أنه يحاول إرضاءنا بشراء الأجهزة الإلكترونية مثل iPhone الأخير؟

My Answer:

الأخ الكريم
السلام عليكم ورحمة الله وبركاته
نعم إذا تعمد الوالد الإساءة إلى أولاده، ولا إذا أعطى أي منهم الآخر زيادة، ولو كان الولد صادقا وزاد هو في البر عن والده فإن الله يحاسب الوالد على هذه الزيادة من ماله لا من مال الولد الذي لم يعطه إلا ما وهبته.
مع أسمى آيات التقدير والاحترام
أ. د. عمرو خالد

From: Anas
Sent: Tuesday, April 26, 2016
Subject: can we accept funding from a conventional bank?

Dear Amo Monzer,

Assalamu Alaykum Wa Rahmatu Allahi Wa Barakatuh,

I pray that inshallah all is well with you and your family. It has been a long time since we have last spoken, in which a lot has happened :). Amongst others, I got a kid, I had the chance to visit Baraa in California, I finished my PhD, and I recently resigned from …… to start a company that is focused on the identification and support of top talent in the Middle East.

I wanted to seek your guidance on an aspect of this program and I would be very grateful if you could share with me your thoughts. I will outline very briefly first what the program does (a more detailed overview is attached for your reference), and then get to my question. I hope that works.

The idea is simple: we create a set of very attractive incentives for the most talented university students in the Arab world to apply, and then we select the very best of these applicants based on the evaluation standards of the leading corporations globally. The business model is to provide business access to the database of applicants and awardees, and to give the businesses marketing and exposure benefits, since this program will be very highly publicized. In return we ask for a fee. I will start in ……., and then subsequently expand to other Arab countries InShaAllah.

More than 50 C-Level executives from public and private sector have already promised to support, incl. some very prominent media figures.

My questions are:

Banks are some of the most prominent funders of CSR activities in ……, and hence could be an important source of funding for me in this program.

Generally, in principle what would be your thoughts on having a non-Islamic bank being a sponsor in the above described context? We would get a fee from them, and they would get marketing benefits due to being a sponsor, as well as access to our database of applicants and awardees.

More specifically, the …….. Bank in …… has announced two years ago that they are converting to a fully Islamic Bank over the course of several years, but the process is not

complete as it seems. Would your verdict on a sponsorship by ……. be any different than other banks.
I would be most grateful for brief guidance on this question.
Many thanks in advance for your efforts and kind regards from …….!
Wassalamu Alaykum,
Anas

My Answer

Dear Br. Anas
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Glad to know more about your progress and congratulation for the child and Ph.D. MaShaAllah, I hope family is all excellent, how are your mother and grandfather?
I see in this move a very smart progressive idea for development and I do not see any problem in using funds from conventional banks for it.
Best Regards,
Wassalam
Prof. Dr. Monzer Kahf

From: saifuddin
Sent: Monday, April 25, 2016
Subject: Education loans, other Loans

Dear Dr. Monzer,
Assalamu Alaikum,
I had a few question related to Usury I would highly appreciate if your good selves could throw some light on it
I am an Indian, and the Concept of Islamic banking is in its nascent stage. And currently conventional banks are the only recourse in facilitating the financial needs. Thus: 1.) Will it be considered Haram to avail an educational loan form a bank to which interest will be due. Or does it come under the category of a necessity that the facilitation of the study is allowed.
Similarly what is the ruling when it comes to buying a home or car loan using similar kinds of loans. jazzalallahu Kahir
Regards,
Saifuddin

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. Saifuddin
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
I am of the opinion that university education is not necessity and that a big Muslim community has the duty to create institution that help its members. The fact that there are no Islamic banks in India does not justify dealing with conventional banks because Riba is Haram and it is one of the most grave sins. There were no Islamic banks in all Muslim majority countries just forty years ago and not body then dared to claim that it was then necessary to deal with conventional banks. Besides had such Fatwas were issued No Islamic banks would be in

existence today. Indian Muslims make a large and concentrated community and it is a must on them to create financial institutions to finance education, housing and cars and businesses. I do not accept the necessity argument in this regards.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

Dear Dr. Monzer,
Thank you very much for your clarifications.
But just out of curiosity, while we take the larger picture especially in an India Context where Muslims come under the backward community category, and where the govt. report says more number of Muslims are languishing in jails than being in the mainstream in comparison to other communities,
Education(college) being expensive, especially if one qualifies for an engineering or a medical seat (In merit)or other professional courses he or she would be left out just because of the inability to finance studies which will only weaken the Muslim community further, in a country where they have plenty of issues surrounding
As a learned Scholar and a person having extensive experience and expertise what would be your suggestion/advice on this especially for the students aspiring to make a career in professional and niche fields requiring substantial financial resources.
Is there any method of circumventing?
Thanks once again for taking time out of your busy schedule and providing clarifications.
Jazzakallah khair
Saifuddin
P.S. there are institutions and scholarships run by the Muslim community and the governments but as usual it is in disproportionate measure many times not able to cater to the needs in isolation
saif
My Answer:
I do not see that bringing the issue of the community helps individual cases. we've seen the Indian Muslim doctors and engineers not helping, let alone shouldering, their communities. The community remains poor and among the poorest even with a large number of well-to-do educated doctors and engineers! I see the only way to have funding for higher education is by gaining merit scholarships and having a community action for funding, same applies to Islamic banking. you guys, Indian Muslims, did not do your homework, unfortunately!
Wassalam
Prof. Dr. Monzer Kahf

From: Shabeel
Sent: Tuesday, April 19, 2016
Subject: Interest-based loan in the form of lease
Hi Monzer,
May allah forgive our sins.

Question:
Is it permissible for a lessee to earn from a leased property, as per Islamic Sharia law?
Example: Lessee has taken a leased apartment, and lessee earns from it by renting it out to other tenants. And there is a contract made with lessor that lessee will pay a fixed percentage (say 15%) of rent to lessor till the agreement ends. Since there is less market risk for the lessee, does it considered as interest or is it permissible as per sharia law if it's all defined clearly in a written contract between lessee and lessor? Does this comes under Ijarah?
Regards
Shabeel

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. Shabeel
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Ijarah is permissible and its fixed income is OK rather for each Ijarah period the rent must be fixed at the most at the beginning of the period. this is not interest and BTW fixation is not the reason of prohibition in interest, rather the reason is being an increment in a debt.
If you rent a car for $500 a month and the contract permit, it is OK to rent it to somebody else for 600.
The point of 15% is confusing, I did not understand it, please rewrite it clearer and I will answer it.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Shabeel
Wa alaikum assalam wa rahmatullah wabarakatuh.
Thanks for your prompt reply. Highly appreciated. May Allah reward you for your help. Aameen.
I will try to explain further.
The lessee is my uncle.We are basically from India.
My uncle took the leased apartment for 5,00,000 INR. The agreement between the lessor and lessee says that:
1) Agreement to lease the property for a period of three years and can extend/withdraw the agreement based on mutual consent later.
2) Lessee is allowed to sublet the apartment to other tenants and get/earn rent from it.
3) Lessee needs to pay fixed amount of INR 1500 to lessor every month as part of rent, water bills and maintenance cost.
4) The minor maintenance like plumbing, electrical , carpentering works be borne by the lessee during the agreement period.

Lessee have presently given the leased apartment to a tenant, where tenant pays 11000 INR to lessee every month, with a hike in rent 5% every year as per government norms and as per written rent agreement. INR - Indian Rupees.
Regards
Shabeel
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. Shabeel
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
This is permissible, but your uncle is a loser if he is renting all the property to a tenant as you mentioned. This is because the rent he collects is 396,000 while he pays 500,000 + 54,000 (1500X36).
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Shabeel
Subject: Lease contracts with some conditions.
Oh no , one thing forgot to mention.
If the contract/agreement ends between lessee and lessor, lessor will give back 5,00,000 INR back to lessee.
My Answer:
Please give more details. This is important and affects the Fatwa what are the conditions of returning this amount and any other details.
Prof. Dr. Monzer Kahf

From: Shabeel
Asslamu alikkum,
I will try to list down the major points completely:
1) Lessor is the sole and absolute owner of the schedule premises (apartment.)
2) Lessee has paid an amount of Rs 5,00,000 as cash to Lessor.
3) This agreement amount shall not carry any interest, and shall be refunded to lessee at the time of vacating the premises.
4) Agreement is executed for the period of 3 years , and may renew further based on both parties mutual consent.
5) During this period lessor should not pay any interest to the lessee.
6) Lessee agreed to pay an amount of Rs. 1500 to lessor every month as part of rent, maintenance and water bills.
7) Lessee should pay the electricity bills during this period without fail.
8) The scheduled premises should be used only for residential purpose and should not be used for any other purposes.

9) Whereas lessee can sub-let or under-let the said premises to any other person and Lessor agrees the same.
10) In case any delay to refund the amount by the lessor to the lessee , the period will be continued till the refund of the amount .
11) At the time of vacating lessee should do painting work on the premises.
Regards
Shabeel

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. Shabeel
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
This is a clear RIBA contract. The Riba in it is the usufruct (time use) of the apartment for 3 years. this is Riba in kind although there is no Riba in money as you said (no interest). The in-kind Riba is as Haram as the money Riba there is no single difference. You did not mention earlier that there is a condition to return the 500,000 which was paid simply as a loan not as rent for the apartment. The fact that it must be returned makes it fully Riba transaction. Any benefit from the apartment is as Haram as the Riba itself. This include residing in it as well as renting it and getting rent.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Salah
Sent: Friday, April 08, 2016
Subject: Guaranteed rate of return

Salaam Br. Monzer:
Is it permissible to guarantee ICCF participants a set % (let us say 2%) using the PPR principle? It is not easy asking centers to invest in ICCF while telling them that they may have a return or may not.
Jazaka Allaho Khaira

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. Salah
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
I think this guarantee is not permissible in Shari'ah and the former practice of guaranteeing anyone in this ICCF his/its principal when the fund made losses was a very wrong practice which I then objected to.
On the other hand you may create a reserve fund from the distributable profit, before distributing it, usually under the name of Profit Equalization Reserve (PER) and use it at low

profit or loss times. Notice this fund is part of the profit of the depositors and it is returned to them. HOWEVER, creating it requires prior approval (like sending a letter that you are going to create it and giving time to withdraw and for those who do not withdraw they are considered ageing to it; also include it in new deposit agreement and announced policy.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Salah
Subject: Guaranteed rate of return
Salaam Br. Monzer:
Thank you for your response and may Allah help us all to do what is right. The question I raised was still within the PER, meaning that if I am allowed to use the PER to dampen the negative effects of a bad earning year, why can't I use the PER, if the reserve has the money to give a positive yield. I guess it is the guarantee that would intrude on the halal domain.
Again. Thanks wa jazaka Allaho khaira
My Answer:
It is the guarantee and the fact that PER is their money (as deducted from their profits) with prior agreement to use for this purpose.
Best Regards,
Wassalam
Prof. Dr. Monzer Kahf

From: Mansoor
Sent: Sunday, March 27, 2016
Subject: Loan with a conditional interest
Wa Alaykum al Salaam Dr. Kahf, Thank you very much for your detailed response. I apologize for taking up your time but i have an important question regarding taking an interest bearing loan. Can you confirm that it is permissible to take a loan which stipulates interest upon the borrower *only* if he fulfils some condition - and the borrower is confident he will not fulfil that condition. This is similar to using a credit card if one is confident he will repay the money before the interest period begins.
For example, if I am offered a loan of $20 000 to be paid back incrementally to the lender with additional interest. The condition on the loan is that I will only begin paying back the loan if I have an annual income of over $50 000. If my income falls below this amount, then the lender specifies that no repayment is needed until my income meets this threshold.
As I understand, if I am confident that I will not earn an annual income of $50,000, then it herewould be permissible for me to take this loan. If this is accurate, my question is: while I am earning less than $50 000 can I voluntarily pay the lender the $20 000 and voluntarily pay extra to match the amount the lender would consider to be the accrued interest. Once I have paid this money voluntarily, because the condition for repayment was not brought into effect, I would then be free to earn above $50 000.
I hope my question is clear.

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. Mansoor

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

As the example is set, the condition is not for the accrual of interest but for payment. I suppose the payment itself (with accrued interest) is going to be due on you sooner or later.

This is not similar to the condition of credit card, which is for accrual. In the example you mentioned you will accrue interest by the contract itself. This is not acceptable. I do not accept this kind of contract especially when you add the situation you added "I voluntarily pay the lender the $20,000 and voluntarily pay extra to match the amount the lender would consider to be the accrued interest."

In my opinion this is not permissible as it is in fact interest commitment and interest payment.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Mansoor

Dear Dr. Kahf,

Thank you again for your response. Based on your response I can see the difference between accrual and repayment. Yes, this loan would accrue interest right from the beginning. You mentioned that the debt is going to be due sooner or later. What if this is not the case. So if repayment was conditioned upon earning a high salary like $100,000 a year. If a person is fully confident that he will never earn this much and if the option to earn more ever arose they would decline it. Would it still be impermissible because the debt accrues interest? Also I should mention that the loan is legally cancelled if the person dies. Thank you.

Mansoor

My Anwer:

Why should a private lender give you such an option? I know there is a government student lending system in UK that has some feature like that but that is a government.

With a private sector I think there must be a repayment at all times, otherwise you are not talking about loans. A conditional gift like this form is very dubious and suspicious.

If you are talking about a government program please explain it in full and I may be able to give Fatwa on all of its aspects together. Otherwise cutting it into small pieces, then putting them together creates a different situation. You know that moving each leg alone is different from dancing!

Best Regards,

Wassalam

Prof. Dr. Monzer Kahf

---

rom: Esam

Sent: Tuesday, March 15, 2016

Location: Canada

Question: RRSP's/Savings

Salam Ustazna,

Hope you are well. Could you kindly reply to the following question?

Shouldn't we deal with it? However, is there anything you can contribute to that is not related to interest in Canada that someone can work with to save for their future? If not are rrsp's completely haram or what exactly?

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. Esam

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Please inform the questioner that while interest is Haram, RRSP gives him the choice of funds to invest in. you may invest in funds that have least of Haram shares and avoid funds of bonds. Then each year you should calculate or approximate the amounts if the earning and give an equal amount to charity so that you keep your savings within the Halal limits InShaAllah.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Amr

Sent: Tuesday, February 09, 2016

Question: Difference between interest and fees/premiums

Assalamu alaykum,

Can you please explain the difference between interest (Riba) and calculating a premium on something?

I was asked this question by a non-Muslim friend who works in the banking sector and was not able to explain.

Jazzakum Allahu khair.

Salaam,

Amr

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. Amr

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Riba is an increment of a debt and the debt does not increase because unlike goods it does not produce utility, as simple as that. A premium on something is too general and too vague. A profit on a purchase price of a purchased good is permissible and this profit is determined (theoretically under ideal conditions) by the real utility of the goods. This is real and permissible. But a premium in a debt brings us back to the Riba. It is untrue and there is no

utility that may justify it. This brings us close to the time value of money, think of it, it really does not exist whereas there is time value of goods but the fact that you buy goods using money does not make the latter have same characters of goods.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Amr
Assalamu Alaykum,
Thank you very much for your informative answer. How does money lending work in the Shariah? If I have a sum of money, and someone would like to borrow it, can I and the borrower agree that they will pay back the amount they borrowed plus a fixed and agreed amount? For example, they borrow? 5,000, but pay back @6,000? Or is that the same as Riba?
Jazzak Allahu khair for your time and effort. Salam,
Amr
My Answer:
Borrowing/lending should only be benevolent with no increment. In Islam it is not a business contract. it is only a benevolence contract must be with no increment at all. in business the Islamic banks give goods and payment will be on credit.
Prof. Dr. Monzer Kahf

FATAWA INTEREST RIBA LOANS 2015

From: Hussain
Sent: Friday, December 25, 2015
Location: Ottawa, Canada
Question: Financial question on Registered Retirement Saving Plan
Dear Dr. Monzer, Asselam-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

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: 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: 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: 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: 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: 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 œ 30 and then every day the registered person has to click on at least 10 adverts to earn œ 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: 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: 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: 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: 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: 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: 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: 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: 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: 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: 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: 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: 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

FATAWA INTEREST RIBA LOANS 2014

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: 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: 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: 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: 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
.----------
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 strengthen by a license from a government. This mean your requirement is incorrect

---

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: 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: 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: 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 it 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: 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: 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: 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: 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: Faisal
Sent: Wednesday, February 12, 2014
Question: Mortgage in Canada
Asalamualykum 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

FATAWA INTEREST RIBA LOANS 2013

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: 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: 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: 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: 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 مقتضى 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 مقتضى 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: 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: 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://marcfrons.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: Yusra
Sent: Sunday, March 10, 2013
Question: taking an interest student loan to gain a grant
Assalamu Alaykum,
I work part time at my college and the program I work under is part of a program called AmeriCorps in which after completing a year's term of work, they offer us an education award of about $1200. However this award can only be used in 2 cases, to repay a qualified loan from the university or to pay future tuition expenses. I am graduating this year so I cannot use the second option. As a part of my financial aid, the university offered me a subsidized loan in

which I do not pay any interest on it but the government does while I'm still in school. My education award that my work has offered me will repay the loan I take out in June when I graduate, so I would not be paying any interest on the loan whatsoever. So would it be haram to take out this subsidized loan?
Jazak Allah Khair
Yusra

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. Yusra
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
So you are Noma's friend, sorry that I did not receive at all your previous mailer, it may have gone to junk file without my notice.
If you are sure about what you described, government pays all the interest and the grant from work pays the principal upon graduation without you having to pay any interest for delay of payment (usually the first 18 month is still with no interest), taking this loan is not Haram even though you have to sign that you will pay interest if there is delay. The reason is that surety of no delay. Further whatever the government pays during the loan period is none of your business, it is between the government and the bank and you have nothing to do with it. Our Shari'ah does not intend to deprive us from earning but wants us to follow the correct rules while doing so. I look at this deal as follows: someone tells you if you take this loan now I will pay it on your behalf and you are not charged any interest. There is nothing wrong in accepting this offer.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Arifaa
Sent: Friday, March 01, 2013
Location: USA

Question: Hedging inflation by taking interest

Assalam-o-Alaykum,
I live in the US and I need your help to clarify certain questions related to financial issues. My question is regarding hedging inflation by taking interest from savings account in a bank.
1. What is the concept of inflation in Islam?
2. Bank deposits in US or in Pakistan's saving account generally give interest less than or equal to inflation. Since, inflation eats away paper money (dollar or rupee) is permissible to take interest from banks? If not, why?
3. If one is not allowed to take bank interest in any circumstance, what can one do to preserve its (dollar or rupee) value over time, especially in Pakistan where inflation is always in double digits?

4. Banks can change their savings rate several times in a year. Is it still considered fixed?
5. Certificate of deposits in US or savings certificate in Pakistan allows you lock the interest rate and invest at fixed rate for several years. Is that permissible in Islam?
6. My mother has invested in Bahbood certificate in Pakistan, which gives fixed interest. It is a special scheme from Government of Pakistan in which only older people (60 years or older) can invest. Is that permissible in Islam? If not, what are the ways older people support themselves financially?
Thank you for your help.
Arifaa

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. Arifaa
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Inflation in Islamic is exactly inflation as known in economics because it is factual issue that may happen in any society. As a matter of fact we may discuss its causes, its effect but definitely not the phenomenon itself. Inflation is a general increase in the price level not an increase in all prices. This it is the major reason why it is hated especially when it exceed very small limit, I.e., because it is not in all prices. Some prices increase and some may decline but more important is that some increase a lot and some other very little and often with a long time lag.

1) It hurts peoples whose properties is in cash terms like deposits in banks and whose income is rigid to change quickly like salaried persons
2) It is well established that there is no causality or association between interest and inflation. This means that it is not scientifically established that one causes the other and it is not scientifically established that if one goes up the other does similar in a corresponding manner. This also means that one is not a compensation of the other. This is more emphasized in Shari'ah' s: interest is a contractual or usual and customary increment in a loan or debt. This definition applies 100% to bank interest (whether paid by a bank or collected by). This is prohibited in Islam with strongest terms which call for a war from Allah and His Messenger on those who deal in it (the Qur'an 2:275-280) interest cannot be obtained from a bank on the claim of being a compensation of interest, this applies to USA and Pakistan and other countries. Pakistan is a little easier because you have alternative banks the Islamic to deposit in and get Halal profit.

3&4) You notice from the definition that fixation is not an issue, what matters being an increment in a debt whether when is created by a loan or when its maturity is changed. Variable interest is as Riba as fixed interest.

5) This is the same prohibited Riba, not permissible in our religion

6) This is Riba and Prohibited. The main support of older people is from their past savings, their children like you and from Zakah and other charities when needed. But it cannot be from Riba. In Pakistan as I mentioned earlier there are now a few Islamic banks which provide finance not on the basis of loans (it is a long story to give details of it, please check on the internet under Islamic finance) then they give Halal income. Your mother may deposit with them.

Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin

Wassalam
Prof. Dr. Monzer Kahf

From: Chaib
Sent: Friday, February 15, 2013
Question: Participatory loans
Salam Alaikoum Dear Professor Dr. Monzer,
My name is Shu'ayb and through the internet I came in contact with you. It was a pleasure to meet you in Doha for 8th International Conference on Islamic Economics and Finance (December 2011). I am addressing to you for an advice about the Islamic ethical view related to "the business owner-investor financial relationship". I attended several seminars and read several books about Islamic ethics in finance. I come to you then for advice request. My brother Mohammed has just founded his own business in the ICT sector in Brussels (Europe). He is at a stage now where some investors (public) are willing to invest available funds in the development of his business. The common investment method here is very specific. It is called: "Participative loan".
Definition of a participative loan:
Amount granted by a financial investor in a company where the investor shares with the business owner the risk of bankruptcy.
* If the company goes bankrupt: the investor accepts to lose his investment and any remuneration related to it.
* If the company makes profits: the investor is asking a remuneration related to its loan (fixed rate related to the participative loan). Maybe this term requires some modification to be Shari'ah compliant.
Definition of Riba:
* From the etymological point of view, the term Riba comes from the verb Raba & Arba means to increase and enhance a thing from itself.
* From the legal point of view, we can define Riba as any benefit or surplus that will be perceived by one of the parties without any acceptable and legitimate compensation in terms of Islamic law. Or rather an increment in a debt (when rescheduled) or loan.
In this case, the participative loan allows to make equal the investor and the business owner in front the bankruptcy risk of the company. The investor will be paid on its investment if the company makes profits. This risk sharing is the counterparty to pay the investor. This method of investment, usually from local state funds, participates positively in my opinion the creation of enterprises.
Could you please from your knowledge tell me if this method is suitable for our Muslim ethics and tell me what the related legal arguments are? See the attachment "Participative_loan.docx".
Do not hesitate to contact me to discuss further. I am available for any questions.
Thank you in advance for your help.
Sincerely,
Chaib
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. Chu'ayb
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
This is an interesting structure, where does it exist and which kind of institutions support or adopt it? And br., where did you find this structure?
It needs very minor changes to make it Shari'ah compliant as follows:

1. Let us call investment or finance and remove the word loan. Loan gives a guarantee impression especially that it is a well-known and common contract (nominate contract) under all legal system;
2. Let us be specific that in case of any losses they share losses in proportion to respective capital contribution. This specific condition is founded on justice and balanced contracting. I understand it is implied in the structure; and,
3. In case of profit let say they share profit up to a certain percentage of capital, after it all profit goes to the entrepreneur. This is a necessary condition because again on the up side they should share. A minimum to either party is not permissible because it amount to interest while it is permissible to put a cap to either party.

4. Please note the clearer definition of Riba below.

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

Dear Prof. Dr. Monzer,
As-Salamu Alaykum wa Rahmatu Lahi wa Barakatuh
First of all, I thank you very much for your answer. Your knowledge is very important and I thank you for sharing it. Here as below the asked details about the "Participative Loan". This kind of investment is really close to our Islamic Ethics. The structures proposing this kind of partnerships are mixed private-state funds that have as an objective to encourage the business creation.
Principles:
1. The business risk is shared between the investor and the business founder.
2. The remuneration for the investor:
- If losses: no remuneration should be forecasted;
- If profits: fixed interest rate linked to the invested capital (and not according to the volume profits).
You can find attached to this e-mail an example scenario (basic case): see the attachment "Participative loan Scenario.xlsx".
The main funds structures (public-private owned funds) that are proposing these participative loans (investments) here in Brussels: 'Funds de Participation' and 'Brustart'.
http://www.fonds.org and http://brustart.be.

Could you please indicate me if this financial partnership model is really Shari'ah compliant (or which are the possible other conditions). This would help me in the funds raising to develop my ICT technologies startup here in Brussels.
May Allah help us with this? I thank you in advance for your help. I am available for any required information about this kind of financial partnership.
Peace and Brotherhood,
Chaib

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. Chaib
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
No change in the Fatwa from what I said earlier. This structure is close to OURS but still to make is Shari'ah compliant we need the two changes mentioned earlier: 1) sharing profit percentagewise and sharing losses in proportion to capital contribution; and 2) a cap on profit of the investor (say 5% of his capital) and any amount above that goes to the entrepreneur.
By these two condition we avoid a problem that arises in this scenario: total profit is equal to 5% of investor's capital or less. In my structure (the acceptable in Shari'ah) they share this amount. In the structure you mentioned it is all taken by the investor.
Of course calling it a loan (in contrast with investment) is important because words in language and law have importance. But this is of much lesser significance that the first two conditions.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Majd
Sent: Tuesday, January 01, 2013

Question: salary deposited in interest-bearing account

بسم الله الرحمن الرحيم
أعمل في مؤسسة تجارية، والمؤسسة تقترض أموالها في البنك بالربا، وهي تشتري أعمالها الخاصة في، وكل الموظفين يتنزل راتبه في حسابه المفتوح في هذا البنك. وهو ملزم بالاتفاق مع المؤسسة بأن يُعطِي أرباحا بالربا تتوزع على الموظفين آخر العام، بنسبة مئوية من قيمة الراتب.
عمل في المؤسسة زميل لي توفي بمرض عضال، وخلّف زوجة وأربعة أيتام أكبرهم في العاشرة، وليس لذاك الراتب تأمين ، وكل ما سيحصلون عليه سيؤول من تلك الفوائد الربوية إلى ورثة الزميل المتوفى بعد أشهر.
السؤال : هل يجوز هذا؟
وهل أخذ المال على هذا الحال لأجل أن يتمتع به على كافة الأوجه، من مطعم ومشرب ومسكن ... وغير ذلك؟
أم أن المال على صفته الأصلية حرام؟
أم أنه يستعمل المال في أوجه محددة، دون الطعام مثلاً؟
لو جاز ذلك .. هل يقال إن هذا المال صدقة؟ أم ماذا؟
وجزاكم الله خيرا.

My Answer:

الحمد لله والصلاة والسلام على نبيه وآله وصحبه

نعم يجوز إعطاء الفائدة المحرمة إلى من يكسب الفقراء والمساكين ويمحل لأن الحرام في طريقة الاكتساب وليست في عين المال, ولأن هذا المال المأخوذ من بنك ربوي لا يجوز إعادته لأنه سيستخدم في الحرام فهو مثل المال الذي لا مالك له. ولا داعي لأن يعتبر المحتاج إعطاء الفائدة المحرمة عند الربا. ولا يجب ذلك صدقة ولا توزيع الزكاة الواجبة وإنما هو تطهير للمال فيه من الأجر الشيء الكثير إن شاء الله وهو أجر تجب له كالسحت الحرام.

والله تعالى أعلم

FATAWA INTEREST RIBA LOANS 2012

From: Kaamil
Sent: Saturday, December 29, 2012
Location: London, UK

Question: can Egypt build a socially just economy?

Dear Dr. Kahf,

I am a Masters student at the London School of Economics doing some research into whether Egypt now has an opportunity to create a more socially just economy, possibly based on Islamic principles. I am writing an article for an online journal that will launch next term, which would go to students in universities across the country, about political, social and economic issues in Islam.

On top of the research I have done I have a couple of questions and was wondering if maybe you, as an expert on Islamic economy, could spare some time to answer them. I have included them below and would really appreciate it if you had the time to give even a short, simple answer.

1) Realistically, do you think the Muslim Brotherhood will succeed in their aims to 'protect' the burden of the poor and create a more socially just economy?

2) How likely is it that there will be any major change in the way Egypt approaches its economic system or strategy?

Thank you for your time.

Yours sincerely,

Kaamil

My Answer:

Dear Br. Kaamil

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I think they can in the long run if they can maintain the corruption down. They will make mistakes, no doubt. What is needed is to help them reduce these mistakes to a minimum.

Best Regards,

Wassalam

Prof. Dr. Monzer Kahf

From: Samy
Sent: Wednesday, December 12, 2012
Location: Canada

Question: effect of inflation on a loan

Dear Dr. Monzer, as-salamu alaykum wa Rahmatu Allah wabarakatu

I hope this e-mail finds you in the best of health and iman.

Below is a financial question that I have from our community.

Hosam – Canada

I would like your insight into a matter for me. In 2008, I loaned $900.00 to my sister-in-law and amount they received was Rs. 50,000.00 (at an exchange rate of $1.00=Rs.55.00 approximately at that time).

They had promised to return the funds in two months. However, that didn't happen. My sister-in-law's husband lives in Australia.

Now due to my financial situation, I am in need and I have asked them to return the funds to me. Pakistani Currency, however has been declining and now equal of $1=96.00 Rupee approx.

They insist that they should return Rs. 50000.00 to me as they received about 4 years ago. I feel that it's unfair as I would receive about $520.00 only due to their currency devaluation. Had they returned the money sooner to me, it would be that much of difference. My intention is not to take advantage of them financially.

Please let me know how much they should return to me.

JazakAllah khair,

Imam Samy

Ottawa Main Mosque

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. Samy

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

This is a really problematic issue. It deals with delayed payment, change of currency exchange and what is the currency of the loan.

The principle is: a loan is payable back in same currency in which it is given. Then the first matter which must be decided is what the currency of the loan is. Did you give 50000 Rps or $900? Which currency made the basis of your contract exactly? If it is Rps then it must be paid back in Rps only 50000 but if it is in $ then the amount due for repayment is 900.

The issue of delay is here added: if it is a delay with ability to pay and also with request to pay, the debtor becomes responsible for any damage caused by delay. But if there was no request to pay or no ability to pay, we cannot charge the incapable to pay or unrequired/ un-requested to pay we cannot then consider the debtor responsible for any such damage.

Lastly, this change in currency exchange is not caused by either the debtor or creditor. This sometimes may pose a question of wealth effect and or ability to pay on the part of debtor. In this case the difference does not seem substantially big to warrant a wealth effect or inability to pay especially the income earner of the borrowing family works in Australia.

With all the above un-answered and may be un-answerable questions my suggestion is: we must make a compromise which I suggest it to be on 50/50 basis by splitting the difference in halves.

Wa Allahu A'alam

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

From: Syed
Sent: Wednesday, December 12, 2012
Location: Bangladesh

Question: Provident Fund

Dear Brother Assalamualaikum:
Hope you are fine. I come up with a question. Please find some time to answer these questions.
Situation: Provident fund (PF) has two parts, firstly $100 is taken from my salary another $100 is provided from company. Now the company invests the total $200 in Govt Treasury which is interest Base Transaction.
Question 1: Now is it halal to take the full $200 that deposited for me from the company while I left the JOB or I can take only $100 which is deducted from my salary?
Question 2: I have to provide Zakah once while the full money will be handed over. Now shall I provide Zakah on full $200 or only my portion $100?
Between I know a rule about money that, “when hand changes rule changes” (Reference Alkauthar Course, Course Name: Pillars of Mercy).
I am trying to remove from interest based activity. And now I am in a state of confusion about the above two questions. Please let me know with authentic rulings InShaAllah.
JazakAllah Khairan
Syed

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. Syed
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
You deserve whatever the company's system gives you. It represents the contract between you and the company. This means if the system says that when you leave you take both 200 then you take them.
If you are sure that investment is only in government bonds or any other interest-based securities, you should give the whole amount of interest to a Muslim charity.
Zakah is due on this fund whether it is with you or with the company because it is owned by you every year after it reaches Nisab (# US$ 1500) at the rate of 2.5% every 354 days. It is not once only when you take it but rather every lunar year. Zakah is on the total amount because the company gives you 100, it is a gift to you and it accumulate with your other parts of wealth.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Sabih
Sent: Tuesday, December 04, 2012
Question: Work in investment management company
Assalamu Alaikum Dr. Monzer,
Jazakallahu Khairan for your response to my fiancé in regards to the condo purchase as well as my current position within Finance. I would like to shed a little more light on what I do to better suit a response tamed to my particular position.
For the past 5 years, I have worked in the back office of Investment Management at State Street. I had been settling trades, booking trades and covering risk within Collateral Management. Our back office functions related to all of PIMCO's Derivative trades with their respective counterparties. I found a little comfort in knowing that Mohamed El-Erian, a Muslim from Egypt, was the CEO along with Bill Gross. I attached an article about Islamic Finance from my time at State Street which I believe couldn't be done had there been no Muslims in American Finance. I decided that I needed a change of venue and moved to a firm in LA in which I would not be involved in every aspect of post trading tasks.
My position in LA is within the Middle Office. I primarily deal with reviewing contracts to determine eligibility, fulfill Dodd-Frank requirements (new regulatory implementations), account agreement setup and send reports to respective counterparties which have payments settling. I do not take part in sending or receiving money, the custodian banks and brokers take care of that. I used to book hundreds of trades a day and now I book just a few, if any, a week. These are Fixed Income products. I am not a trader, I just receive the allocation from the traders and book them. I also audit trades, ratings and agreements.
My functions fall under Financial Operations and not as an Advisor or Investment Manager. Please advise the permissibility of my functions within my current position.
Jazakallahu Khair,
Sabih
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. Sabih
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Thank you for your email. I cannot of course lump sum an opinion about your functions. This is a thing you will have to do on your own. I can mention what I see a problematic area from Shari'ah point of view.
Booking trades and/or executing them for oneself or for others is permissible if what you buy and sell is permissible. Options, futures, all fixed income in American markets, stocks of companies which are over-ridden with non-permissible activities and/or contracts such as interest-based contracts, all that is not permissible in Shari'ah essentially because of lack of real economy in them, they are either virtual properties (derivatives) or debt trading (which is also virtual because the debt in fact does not change its amount through time. Think of it is interest a real growth of a debt?).

On the other hand, auditing contracts and agreements and documents which are interest-based, after they are done is not Haram itself, it is a supporting function of a Haram. I don't like it but I do not dare claiming it non-permissible.
Reviewing the same before they are done is a part of writing them and is included under the prohibition of "taking Riba, giving it, writing it or being a witness to its contract" because it is a necessary part of writing it.
Wa Allahu A'alam
Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

Assalamu Alaikum Br Monzer,
Jazakallahu Khair for your response to my question. I seek to attain much more knowledge on Islamic guidelines within Finance and was wondering if you would suggest any good reads from respectable scholars. I am having a difficult time determining whether the authors of books which I have read are indeed in a position to make accurate judgment or are respectable scholars. I read a book this past Friday at the masjid bookstore and was wondering if you could shed some light into what the author had to state about certain debt instruments. I will try to get the authors name InShaAllah this Friday when I go back.
Don't tell me the name, I don't like to give opinion on people or institutions
1. The author stated that it is okay to finance a tangible asset such as a home using a fixed rate because the price is agreed (including the rate) at purchase but the payments are spread across a term. Does the fact that a commodity is added to the mix change the definition of Riba?
2. I found something similar on this site, should I trust this?
http://www.islamweb.net/emainpage/index.php?page=articles&id=135440
I think it is more of misunderstanding than wrong. You can lease purchase a house ending up getting it completely after a period of time. The lease is fixed. You can also buy it on installment at a price higher than the cash price, the increment is also fixed. Riba is an increment in a debt not a price differential for time. Price differential for time is a true benefit which has its real existence in reality and it is recognized in Shari'ah. But debts do not increase by passage of time. The difference sometimes loos trivial but it is still there. Goods and assets have different values across time but debt does not. Remember in any legal system there are lines to be crown between what is permissible and what is not and sometimes the difference looks very slim between points around the lines. Getting a debt to buy a house for 100000 and then paying to the creditor 120000 later looks close to buying a house on deferred payment for 120000. But if you think about it you will find important differences.
3. The author stated that government related bond instruments are permitted because the "interest" you pay is back to the community, and not for profit of investors (sort of like a tax I'm assuming). I never heard this before except in the context of paying back a loan to your own 401k with interest. Any thoughts?
This is incorrect and no evidence for it exists
On a side note, have you heard of Sheikh Yusuf Talal DE Lorenzo <http://muslim-investor.com/mi/bio-delorenzo.phtml>? I read the below article but wanted to make sure the

author is credible. Have you heard of this website below? He mentioned Shaykh Hasan al Banna and Shaykh Muhammad al Ghazali but didn't provide a reference.
http://muslim-investor.com/answers/working-for-a-bank.html
Yes but no comment
It truly means a lot that you have gone out of your way to assist me in my pursuit for knowledge. May Allah swt bless you for your efforts? I read your article on "The Early Islamic Public Revenue System" and found it to be very informative. I love the extensive research and references. I find your website to be a very good source of knowledge as well.
Thank you and May Allah bless you
Jazakallahu Khair,
Sabih

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. Sahib
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Please see below
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Dalila
Sent: Tuesday, December 04, 2012

Question: Financing a car, a house

Assalamu Alaykum,
Dear Dr. Kahf,
I am sure you have addressed this issue many times before.
I did some research online to finally find a name that can help me. I have 2 questions.
1- My husband and I would like to buy a new car, but we are confused. We always steer away from anything that has a % next to it, as small as it could be because that is our interpretation, Interest= Haram. Our knowledge in financing is very limited as you may notice. All the previous cars we bought had 0% APR. The car we want for our family (Honda), is from a dealer that has no 0 interest offers. What should we do? Is it permissible?
2- We also live in a rental townhouse and what we pay for rent, can definitely be paid as a mortgage. People are telling us "you are stupid, you are throwing money out the window", but we don't want to do maasiya. We'd rather make financially unsound decisions than disobey Allah. What's your intake with regards to Islamic banks?
Can u please help?
Jazakoum Allahu khayran,
May Allah protect you and your family. May he shower you with his bounties. Ameen
Assalamu Alaykum,

Sister Dalila,

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. Dalila

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Buying a car with interest, no matter how small is not permissible. Try to agree with the dealer to include the interest into the price, the legal difference is important especially on the macro level.

For buying a house being almost a necessity unlike a new car, there are several companies in America now who offer Islamic house finance if this is not available to you for any reason try to get self-finance from the seller and agree on a sale price on installments like what is called land contract in America. Alternatively if you don't find Islamic financing for the house purchase you may take it on interest based if you need a suitable house for your family. This is in accordance with a fatwa based on housing being a kind of necessity,

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Ahmed

Sent: Wednesday, October 24, 2012

Location: Canada

Question: Interest on retirement savings

Assalamu Alaykum

I worked in Canada for some time, and my employer deducted 5% of my salary and matched this deduction, such that when I retire they will give me 2% for each year I worked, provided that I work for them for at least 10 years. I resigned after 7 years. They gave me the contributions made to the retirement fund, and interest it accrued over the 7 years, but I had to transfer this money to a retirement savings plan. I could not take it as cash. I cannot withdraw this money until I am 59 years old, or there will be a large penalty. What should I do with the amount of money that came from interest?

Your response to this question will be very much appreciated, wa jazaka Allahu Khairun.

Ahmed

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. Ahmed

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

It is clear cut: you have to give it to a Muslim charity without considering it as a part of your due Zakah or the like. The reason is that according to Shari'ah this is money that came to your

authority but does not belong to you. You should not return it to the payer because it is wrong to do so under the existing system. Then you give it to poor and needy. Even though the money is locked into another saving plan I suggest that you should give that amount of interest from other sources in order to keep your retirement funds pure of it.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Ahmed
Sent: Monday, October 29, 2012
Assalamo Alaykum Dr. Monzer
Jazaka Allahu khairan for your answer, and I really appreciate your time and dedication to Islam.
I would certainly like to take your advice to get rid of this interest money, and I do not have any desire of taking a single penny from Riba. My only problem is that the interest amounts to about $20,000, and I do not have this kind of money to pay. Can I keep the money in the retirement savings plan, and then once I can start withdrawing from it I withdraw the interest, and get rid of it? There are also two related questions:
1. When I withdraw the interest, it will be considered as income, and I have to pay taxes on it. So, can the taxes on this interest be paid from the interest itself?
2. When I give the interest to charity, can I claim it as donation on my income tax return, and get tax deduction for it?
Wa jazaka Allahu khairan.
Ahmed
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. Ahmed
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
If you keep interest with your retirement funds you will have to note two thing: 1) any increment that comes from investing this interest with your own funds should be added to interest which is required to be given to charity, the amount will then be much bigger; and 2) you don't know when you will die and you cannot guarantee that the heir will take away interest and its accumulation and give it to charity, the sin in such a case remains yours!
For the other questions:
a. Any tax or charges on the interest amount is deductible from it.
b. You can claim the donation on your tax return. But do not make it wrong by combining the two sides. If you claim the giving as a donation then you should not deduct the tax from the sin-ridden amount because you are not paying that tax, are you?
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam

Prof. Dr. Monzer Kahf

From: Adam
Sent: Saturday, October 20, 2012
Question Receiving a CD in a last will
Baba,
Can you answer the questions below from my good friend and neighbor Adam?
Thank you.
Baraa
Question:
ASA, Baraa'
Fatwa needed.
My wife's grandmother – non-Muslim - bought a CD (certificate of deposit) for $2000 in her own name (grandmother's name) - that was meant to be gifted for my wife Sydney upon my grandmother's death, which occurred last year. My wife got notification that she can go to the bank with the paperwork to get the money. It seems to me that since it is in my grandmother's name and will not be in my wife's name until she accepts the gift that it should be halal, but I am a physician and not a Faqih.
As the CD was/is an interest-bearing instrument,
1) Is it halal for my wife to accept it? A separate question - if it is halal, would your dad accept it or have not issues with his family members accepting it?
2) If halal, does my wife need to do anything with the money once received? For example if the X percent of the value is derived from interest, does that need to be remitted/not accepted/donated?
Jazaakallah,
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. Adam
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Since this is a gift upon death, I believe that ownership of it is transferred to your wife by the incidence of death of her grandmother. This means that any interest from that time is earned by your wife. Interest before the death is earned by the deceased and your wife has nothing to do with it. it is Halal to accept a gift from interest earner. But it is not Halal for a Muslim to earn interest. Such earned interest –according to law- should be given to Muslim charity. It is true that one has a right to refuse a gift or a Wassiyyah (gift after death) but the effect of this refusal is to retransfer ownership again to the gifter or others according to the Wassiyyah.
Your wife may take the bond, cash it asap so she does not earn interest, give to Muslim charity any interest earned after the death of her grandmother and thank God and any of the survivors of her grandmother for this gift.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam

Prof. Dr. Monzer Kahf

From: Nacera
Sent: Sunday, October 14, 2012
Location: United States

Question: Buying a Condo on interest and renting it for income

Assalaamu 3alaykum,

I got your email from a tele-presentation you did at the MAS convention 2 years ago. I have three urgent questions:

1. My fiancé has a condo that he has a mortgage on and rents out. He plans on renting another apartment closer to his work and keeping the condo. Is that Islamically allowed?

I suppose he got it to live in, then he found out the importance of distance from work, this does not make it purchased for investment. Buying a place to live in is not Haram, in America, on Riba, in like buying for investment (renting). There is a very sound Fatwa on this matter and I agree to it because buying a place of residence is a high priority and a lot of convenience; this makes it permissible when Islamic finance is not available.

2. He originally was approved to get his mortgage through guidance financial (shari3a compliant company) but they backed out last minutes due to the location of the condo. He now wants to sell the condo to me through a shari3a compliant sale. What should i do in that case? I don't believe in mortgages and i would rather rent the rest of my life but if doing it is less haram on him should i do it?

I don't blame you although I don't agree with you as mentioned above. If change of ownership is to your convenience, both as would be husband and wife, I see no reason for being not permissible.

3. My fiancé recently got a job working at an investment management firm booking trades and checking contracts. These are all types of trade including derivatives. Is this Islamically allowed? What are the limits in working in such a field?

I believe that booking a trade for a client of a Haram item is not permissible. Most derivatives and bonds and many shares and their likes are Haram to buy/sell and equally Haram to book a trade for any of them. giving an advice is not like that, definitely is lesser to the extent that I cannot claim it is Haram.

Jazakallahu khayran for your assistance. I actually know you son Yaman's family and your daughter and Masha Allah you have a beautiful family. Jazallahu khairan again waasalaamu 3alaykum warahamtullah

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 Sister,

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Please see my answers below your questions.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam
Prof. Dr. Monzer Kahf

From: Azrul
Sent: Tuesday, August 28, 2012
Location: Malaysia

Question: Providence fund in Malaysia

Salam dr Monzer, hope Allah bless you. I need to ask you few questions

1. Allah said in surah rum: 39: (And whatever you give for interest to increase within the wealth of people will not increase with Allah)

According to Ikrimah (mufassir) based on this verse, this is the kind of halal Riba or known as Hibah al-Thawab/al-Iwadh. What is your opinion? The halal Riba in the opinion of Ikrimah is literal or technical meaning? - The opinion of Ikrimah can be found in lot of tafsir, such as al-qurtubi

2. In every country, there is a law to protect the people. In Malaysia, we have the EPF (employee provident fund) as future retirement fund for workers. The law stated that the employer has to contribute some amount for the workers future retirement. If the employer does not contribute, they will be compensated/fined. What is the opinion of Islam on this compulsory contribution? Does it considered as indirect tax from Islamic view?

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 Azrul

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

1. There is no Halal Riba except in the literal meaning of the word Riba. In the literal meaning of increase Allah used it in the Qur'an for the soil after the rain comes on it.

2. Claiming "there is a Halal Riba" is a challenge to the Qur'an and amounts to plain Kufr. It cannot be accepted by any Muslim.

3. A non-conditional and non-customary increment in a loan is a kind of kindness of repayment (حسن الوفاء). It is not only permissible but encouraged by the Prophet, pbuh. Calling this Hiba a Halal Riba is absolutely wrong. It amounts to tampering with the prohibition. The prohibition of Riba is strong and absolute and calls for the Wrath of God and a war from Him and His apostle.

4. Providence funds are permissible and contribution of employers in it for their employees is also permissible. It falls within the area which is left to societies and persons to add. What is called the added conditions (الشروط الجعلية) in Fiqh. People may agree on them individually, through collective contracts like what labor union do or through laws enacted by appropriate legislative authorities. No problem in these and they are not taxes, they are legal requirement similar to the number of working hours in a week, paid weekend and paid yearly vacations.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Humayun
Sent: Friday, August 24, 2012
Location:

Question: Car Financing

Assalamu Alaikum.

A belated Eid Mubarak to you. I hope that InShaAllah you are doing well. I would like to know regarding car financing. I am currently in need of a reliable minivan (with 3 young kids) but don't have much money to pay a reliable pre-owned minivan. I have an option of leasing for 3 years with about $3000 down payment. Currently, Honda is offering low financing rates. There is currently deals on Honda for 0.9% (36 month 1.9% (36-60 months). Toyota deals are for 0.9% (60 months). My question is, whether Islamically the financing on such low rates would be considering okay or not?

Jhazak Allahu Khair,

Humayun

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. Humayun

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Riba is defined as an increment in a debt or loan. It does not matter how small or big it is. A small amount/percentage is prohibited and a big amount/percentage is also prohibited. You should find an alternative way of finance if you want to avoid Riba.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Abdul Qadeer
Sent: Friday, August 17, 2012

Question: Received interest in Providence fund

Assalamu Alaykum,

I would be thankful I you could guide me.

In my previous company every month certain amount is deducted as Provided Fund and the amount is accumulated in the State Provident Fund office. Now I received my four years of Provident Fund amount with some extra money it can be the interest accumulated for 4 yrs. I don't know where and how Provident Fund Office invested my money.

Now I want to know can I use that extra amount for my personal needs.

Thanks you very much for you time in advance. I would be waiting for your response.

Regards,

Abdul Qadeer

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. Abdul Qadeer
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
How can I answer you without any information about the Provident Fund and about where you are and in what country? Most provident funds around the world invest in government bonds which means that their return comes only from interest. Any interest income must be disposed of it to Muslim charity and cannot be used for any personal needs including payment of taxes, of bills of electricity or water to government companies.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Asharaf
Sent: Wednesday, August 15, 2012
Location: USA
Question: Loan from my retirement account
Dear Dr Monzer,
Thank you very much for your visit and workshop in Cincinnati early in Ramadan. Those who attended were very appreciative of your contributions and thankful to your insight.
I have a quick question for you and would appreciate your prospective:
I am currently paying off my home through an Islamic coop. However, they are charging much more than the average in the market (8-8.5% compared to 4%). I am thinking of taking a loan from my retirement account with my company to pay off the remaining balance on the home. However, the loan has and interest associated with it, though I will be paying interest to myself in this case. What would be the status of such loan, is it permissible?
For additional info, my retirement plan is mainly company contribution in company stocks and is independent of my contributions.
JAK for your help
Ashraf
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. Asharaf
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Thank you for your kind email and Eid Mubarak.
It is permissible to pay interest to your retirement account. This is not considered interest because you pay it to yourself. Besides the amount of loan you take (although you are required to pay it back) is deductible from Zakah because it is paid to settle a debt on the house which is itself not subject to Zakah. This means that when you receive future retirement account statement showing that you own X1 cans and investments in stocks and the like and a debt on you of X2 you only calculate the Zakah on the X1. Loan and interest payments, from the point of

view of calculating Zakah, are treated like other monthly additions put in your retirement account.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Amr
Sent: Monday, August 13, 2012
Question: Option to pay or avoid interest in car purchase
Dear Br. Monzer,
I have found an offer called 50/50:
- 50% of the car value paid upfront
- Remaining 50% paid after 12 or 24 months
- if one stays within the agreed timeframe no interest is charged (otherwise one can obtain a Riba based loan to finance the remaining 50%, which is of course something I do not intend to do as the car is cheap enough for me to able to save up for the remaining 50% within 24 months)
Is this permissible?
Jazzak Allahu khair,
Salam,
Amr
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. Amr
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
As long as the contract gives you the option and you know that you will choose the non-interest choice and you are able to implement it, signing such a contract is permissible.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Amr
Sent: Monday, August 13, 2012
Assalamu alaykum dear brother Monzer,
I recently came across your advice concerning the purchase of a car on OnIslam.net:
http://www.onislam.net/english/ask-the-scholar/financial-issues/new-transactions/450577-buying-a-car-with-interest-based-loan.html
I live and work in Vienna, Austria and would like to buy a car for the family. We do not have any islamic banks here, and the conventional banks do not offer any Shari’ah compliant products.

We do however have several car dealers who have their own banks. For example Audi, Volkswagen or Skoda are all owned by the Porsche Group and offer financing models through the Porsche Bank.
I would like to avoid engaging in Riba, but was left somewhat confused by your advice. Did I understand you correctly? If I buy the car on installments through the Porsche Bank, would this be permissible according to Shari'ah? Isn't this the same as a loan though?
Thank you very much,
Jazzak Allahu khair,
Amr

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. Amr
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
This is a loan paid back on installment like most loans. It is not a buy on installment. The Fatwa is as it is no change.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Abubakar
Sent: Monday, August 06, 2012

Question: **Loans with processing fees**

فضيلة الشيخ الكريم الأستاذ الدكتور منذر قحف
السلام عليكم ورحمة الله وبركاته
أسأل الله أن يتقبل منا ومنكم صالح الأعمال، وأرجو أن تتكرموا بتمام الصحة والعافية. فضيلة الشيخ وجه إليّ سؤال حول مسألة قديمة إذا كنت أخذ قرض ربا أو لا وهي: أصدرت محكمة الاعتبار مرسوم عن طريق القرض ولكن بفارض مع جهة ألفيرا تهى أن يتم سداد الأقساط، من غير زيادة أيم بلغ ولكن المحكمة تأخذ بلغ ألف ريال كقيمة الاستمارة فهل المبلغ المسمى مأخوذ استمارة الاستمارة أي أخذ الربا.
وفقكم الله
مع السلام
بكر

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. Dr. Abubakar
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
First Ramadan Mubarak to you and your family and May Allah give you many blessed return to this glorious month.

It seems that this fee of N 1000 is a partial recovering of administrative cost. both its amount and its relation to the application point out to this. I am definite that the cost of processing these loans must be much higher than N 1000.
I believe that we should take the words of people for their face meaning unless we have evidence otherwise. This amount is said to be processing fee of the application, its size supports this and therefor I would consider this loan permissible from Shari'ah point of view.
We have overwhelming evidence that the cost of processing a loan is not Riba and is chargeable to the borrower. These include Verse 9:90 (ليس على المحسنين من سبيل) and decision of the OIC FA in regard to the IDB questions in 1986 in addition to the many texts in classical Fiqh writings.
As a matter of fact most Islamic banks charge an un-refundable fee of a small amount (regardless of whether the transaction goes through or not) for the application of any finance transaction; a matter which gains the scholarly approval on the same basis.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Mohammad
Sent: Wednesday, July 25, 2012
Location: Canada

Question: Car purchase

Assalamu-alaikum Dr. Monzer,
Thank you for your speedy response to my email. I did try calling at your son's residence however I think you may have been out. I needed some advice from you regarding purchasing a car. I have an opportunity to purchase a car through a 0% financing; however the dealership is offering a $3000 cash incentive (discount from the purchase price) for cash buyers. Would it be considered haram or interest if I were to opt for the 0% financing over 5 years? From what I have read online it seems like it would be ok since the car is a commodity and the seller has the right to set the terms of sale; and there is no increment in the payments over the 5 years. As long as I make sure that the payments are not late and paid on time, would this option be considered halal? I wanted to confirm this with you and get your expert advice before we made any decision.
Jazakallahu khairan,
Wasalam
Thanks
Mohammad

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. Dr. Mohammad
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I am very sorry that I missed your call. I do not see any prohibition in buying at zero interest even with giving up a discount that may be given otherwise. The price is in fact varies between buying for cash or on installments.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

FATAWA INTEREST RIBA LOANS 2011

From: Rahmatullah
Sent: Monday, October 31, 2011
Question: Lending involving two currencies
As-salaamu alaykum wa rahmatullah Dr. Kahf,
Insha'Allah this finds you in the best of health and in an increasing state of Iman.
I need to further clarify my understanding regarding this matter, even though this article sheds some light on the issue (http://islamqa.com/en/ref/105294)
My relatives in Bangladesh asked for a loan from my parents. We sent them remittances in two different instances of $1000 and $3000 for a total of $4000.
While the loan amount originated in dollars, due to the remittance process, they received the money in Taka (Bangladeshi currency). The value of the Taka against the dollar at the time of the loan was around $1=70 Taka whereas now it is around $1=76 Taka.
My question is: In what currency should my relatives pay my parents back? (At the time of lending, we did not stipulate any conditions regarding the currency of repayment).
Jazaakum Allahu khayran in advance for your response.
wa salaam,
Rahmatullah
P.s. we spoke during Baraa's halaqa about Islamic Finance.
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. Rahmatullah
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Loans between two countries are normally in the currency of receiving unless you make delivery of the dollars in Bangladesh. If money was transferred as dollars and then the local bank in Bangladesh tells the recipient “you received Dollars, but regulations do not allow paying you dollars, and they were paid the local equivalent, the loan is then in Dollars. Otherwise it is in Taka because the normal practice is to give only local currency to the recipient country.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam

Prof. Dr. Monzer Kahf

From: Ismail
Sent: Monday, October 31, 2011
Question: Student Loans
Dear Dr Monzer Kahf
I have started University in the UK and I was having difficulty in taking out a tuition fee loan only which will cover the academic year. The tuition fees are currently £3375 and if I barrow I have to return it back plus the rate of inflation. I am living with my mother so she doesn't have that kind of money to cover the tuition fee loan.
My question is My course is a sandwich course which means that the first 2 years I will be at university the third year I will have the opportunity to work or do a paid work placement and after the placement I go back to the University and complete my final year. Now during the first 2 years if I take out the tuition fee loans which is £3375 each year and take it for the first 2 years which will work out as £6750 and during the placement year I pay that amount of money back to student finance England then I will not have to pay interest because I have cleared it. However, what the government says is that students will only pay back tuition fee loan once they graduate and earn over £15000 and that is when they charge the inflation rate interest. So can I have the intention of barrowing the loan and returning it during my placement year is that allowed under Shari'ah law?
Jazak Allah khair.
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. Ismail
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
I you think that you can in reality pay it back within this placement year so that no interest will accrue to this loan, there is no harm then of signing the contract even if it says that interest shall accrue after it. This is as long as you have both the intention and the ability to clear it before any interest accrue on it. Signing an interest contract with such an option amounts to signing a contract which gives you the choice to go for interest or to go without interest. Of course as a |Muslim you will go without interest and you are sure of your ability to do it.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Dorien
Sent: Saturday, September 17, 2011
Question: Interest account for me by my non-Muslim parents
Salam Alaykum,
I would like to ask you the following: I converted to Islam 3 years ago. My non-Muslim parents opened an account on my name when I was still a child. I didn't put any money on it. It were my

parents that saved for my wedding and furniture for my house. Once I got married I was able to use the money they saved for me. I wonder what I have to do with the interest on this account.
Salam,
Dorien

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. Dorien
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
If you are adult now (I.e., no more under custodianship of your parent) I suggest that all accumulated interest from the day you became Muslim should be calculated and distributed to Muslim charity. Distribution can be done when you have authority to dispose of the account. My rationale is: before being major, the account, though in your name is actually managed and fed by your parents. Since adulthood, you are the owner and responsible person for it although your authority on it may be limited by the conditions imposed with this gift (use for marriage and furniture, etc.). This make you responsible to make of the account. It may be a good idea to consider asking you parent to transfer it from the bank to a Shari'ah compliant fund such as Iman fund or Amanah fund in the USA.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Hashem
Sent: Monday, September 12, 2011

Question: Shari'ah Compliance of Islamic finance when financed on Riba

Salam Dr. Kahf.
Would you please clarify on thing for me regarding Shari'ah compliance? I have an internal struggle and confusion.
If an Islamic financial institute gives you a loan for a purchase of property but they borrowed the money from Fanny Mae or other American financial institutes, would this be acceptable and Shari'ah compliance? And is this what really happen or do I have misunderstanding about the issue?
In other words, where the Islamic financial institutes get their money from? Also, do you know of any Islamic institutes which they loan their own money?
Would you please elaborate on this issue and give me a piece of mind to deal with this mental fatigue?
May Allah reward you.
Jazaka Allahu Khayran!
Thanks,
Hashem

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. Hashem

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

There are two points in your query:

1. Is it permissible to deal in a permissible contract with a person/company who deals with others in non-permissible manner? Yes it is permissible because it is none of our business. We cannot poke our nose in other persons' businesses. Don't we buy or rent a house from an owner who finances it with Riba and buy bread from a bakery which buys its flour on Riba loans?

2. Do Islamic finance providers in America refinance their products with FM or FM or do they use their own resources. All of them do not limit their activities to their own resources. There are three kinds of I F providers in America: 1) Islamic finance companies which abide by Shari'ah in all their activities, these have made arrangement with FM and FM to accept their own Islamic contract in refinancing. This is why these providers finance on the basis of declining Ijarah (sometimes they call it partnership). In Ijarah they own the property so that they can sell it to FM or Fm. 2) providers which are not Islamic at all and they have conventional banking activities but they found Islamic finance profitable so they offer it side by side with conventional. The I F contract may be quite OK but they don't care about refinancing according to Shari'ah. 3) companies which claim they are Islamic and do not deal with Riba but in fact they use standard loan with interest contract in financing homes (and still they claim they are Islamic!) and FM and FM accept this of course as they accept from other interest-based companies like they accept it from other finance companies.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kah

From: Hussein

Sent: Wednesday, September 07, 2011

Location: Port-Louis, Mauritius

Question: Giving interest Money to Muslim Organizations

Assalamu Alaikum Br Monzer

Ramadan Kareem!

An Islamic Bank in Mauritius will be disposing of the interest earned on deposits with the Government to charity. The intended beneficiaries will be Muslim organizations among others.

What is your opinion on this issue? For what purposes (if any) can Muslim organizations make use of this money.

Jazakallah

Hussein

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. Hussein
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Ramadan and the coming Eid are Mubarak to you and your family,
Yes it is permissible to receive this interest money by Muslim charities because the evil is not in the currency but in the way it is earned (under some kind of necessity by IBs or for any reason by any Muslim). It preferred that this money should not be used to build mosques or buy copies of the Qur'an so that these things remain fully pure. Giving it to poor and needy is OK.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

Assalamu Alaikum Br Monzer
Ramadan Kareem!
An Islamic Bank in Mauritius will be disposing of the interest earned on deposits with the Government to charity. The intended beneficiaries will be Muslim organizations among others.
What is your opinion on this issue? For what purposes (if any) can Muslim organizations make use of this money.
Jazakallah
Hussein
My Answer:
Dear Br. Hussein
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Eid Mubarak to you and your family,
Since you are already with the INCEIF, why don't you continue with it for the Ph.D. I don't know any PhD program in Islamic finance.
Best Regards,
Wassalam
Prof. Dr. Monzer Kahf

Assalamu Alaikum Br Monzer
Eid Mubarak!
Thank you for your prompt reply. Your analysis and suggestion are highly appreciated.
Please note that I have fully completed the CIFP course (INCEIF).
I intend to do my PhD in Islamic Banking & Finance by distant learning.
Your advice would be highly useful.
Salaams to you and your family.
Hussein
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. Hussein
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Ramadan and the coming Eid are Mubarak to you and your family,
Yes it is permissible to receive this interest money by Muslim charities because the evil is not in the currency but in the way it is earned (under some kind of necessity by IBs or for any reason by any Muslim). It preferred that this money should not be used to build mosques or buy copies of the Qur'an so that these things remain fully pure. Giving it to poor and needy is OK.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Um Khaleel
Sent: Wednesday, September 07, 2011
Question: Difference between interest and a late fee
What is the difference between interest and a late fee?
My Answer:
In the Name of Allah, Most Gracious, Most Merciful.
All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.
Dear sister Umm Khaleel,
There is no late fee in Shari`ah. If a debtor fails to pay a due debt and that failure costs the creditor any damage the debtor is required to compensate for that damage. This damage cannot be known in advance and determined in the form of a late fee. This also means that any already determined late fee may in fact include Riba because Riba is any increment in a loan (the actual cost of damage is not an increment in a loan but a remedy of damage caused by the debtor). This implicit Riba is haram and it consists of any surplus of the late fee above the actual damage.
Allah Almighty knows best.

From: Fanus
Sent: Tuesday, August 23, 2011
Location: Mumbai, India
Question: Using interest to pay taxes
Assalam Alaykum Dr Kahf
A couple of questions regarding interest.
1) I have invested in Post Office certificate (Government of India) to save on taxes and after its maturity I will be earning interest on these saving certificates. Can I use this interest to offset my income tax that I pay to Government of India?
2) I will be taxed on this Interest, can I use this interest to pay tax incurred on interest amount
3) I have a saving bank account in Bank 'A' of which I have earned interest of X amount. I now need a business loan for which I will have to pay an interest of X amount. Can I offset this interest payment by interest earned from same bank or any other different bank?
Just for info we don't have Islamic banks in India.
The above questions are raised in reference to the following answer that I came across one of the Islamic Q&A website, pls reply on mail id.

http://www.islam.tc/cgi-bin/askimam/ask.pl?q=9718&act=view
Interest monies must be given to the poor and needy who are eligible to accept Zakah without the intention of reward. However, interest received from government institutes, e.g. post office could be used to offset government taxes. Interest received from private banks cannot be used to offset taxes. It may be used to offset interest charged from the same bank.
Interest monies cannot be used for building the wall. And Allah Ta'ala Knows Best
Mufti Ebrahim Desai
Regards
Fanus

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. Fanus
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
The answer to the three question is negative. Interest earned cannot be used to pay government taxes or interest due to any institution governmental or private because it is not owned by you in the first place. You cannot use money which you do not own to pay taxes or interest due on you. This came explicit in the resolutions of the OIC Fiqh Academy and the AAOIFI.
Essentially interest received by you is still owned by the payer but we do not return it to the payer because it is an institution (post office or banks) which is indulged in interest practices, we don't want to encourage it to do more evil.
I don't agree with the below mentioned opinion. Here are the details: interest earned from post office cannot be used to pay taxes because the post office, although government has its own identity separate from the ministry of finance. BUT if the earned interest itself is subject to tax we take only the net after tax since it is not the gross that is received by you, and this is the amount which should be given to Muslim poor and needy. BUT interest earned from post office cannot be used for other taxes due on you because of different personalities.
It is Haram to take loans from banks or other institutions or individuals on interest basis to promote and expand your business. (the same may be permissible in case of necessities such as when it is the only way to avoid bankruptcy or in personal necessities such as housing) even if there are no Islamic banks, you are required to establish Islamic banks or at least Cooperatives to fill this gap. And you cannot use money which you do not own (received interest) to pay dues on you caused by a Haram contract.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Rizna
Sent: Sunday, August 21, 2011
Location: Sri Lanka

Question: Bank Interest

Dear Prof.Dr.Monzer Kahf,

Assalamu Alaikum Sheikh

My question is,

In my savings account the bank add interest every month.

Can I use this interest money to help one of my relative, who owes interest based debts...

And should I want to tell that person that it's interest money?

Jazakallah Khair

Regards

Rizna

My Answer:

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

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 Rizna

The answer to both questions is no. First, all interest money is according to Shari'ah not earned by you. It is not yours. It is still a property of the payer. BUT since it was paid to you with consent and according to contract that is made lawful in the land where you live and the payer is an institution that is used to practice Riba which is Haram (remember these are 3 conditions) it is wrong to return this money to the payer because it will encourage and help it to make more of the Haram, then you give it to Muslim charity or poor and needy. You cannot use it to help a friend who entered voluntarily in a Haram contract.

Second when you give it to a poor Muslim or a Muslim charity you don't have to tell them where it came from but it is always advised that it should not be used to build mosques or buy copies of the Qur'an.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Esam

Sent: Thursday, August 11, 2011

Location: Sri Lanka

Question: Staff Loan for business

Salam Dearest Dr. Monzer,

Could you kindly reply to this question?

As-salamu `alaykum. I am living in Sri Lanka which is a non-Muslim country where Muslims make up almost 8% of the total population of 22.3 million. In Sri Lanka almost all the financial institutions are interest-based. As a Muslim minority, to accomplish our necessities sometimes we have to depend on these institutions. In my case, I am working for a government organization as an analyst programmer. My salary is not even enough for the family's monthly expenses. But for other necessities such as to buy a house or vehicle, I need to sought the help of these banks. Moreover I don't have enough money to invest in some halal investment that

could bring some extra income for me. In our organization we have many loan facilities which are purely for employees benefits. But these staff loan facilities are also interest base. But these loan facilities are more convenient for us and our loan amount is directly deducted from our monthly salaries with a very low interest rate for the staff benefit.
My question is whether it is lawful for me to use these staff loan facilities for our necessities.

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. Esam
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Please tell the questioner that his case is no exception it is about three fourth of Muslims in the World who do not have access to Islamic finance.
To the best of my knowledge there is an Islamic bank in Sri Lanka where finance for vehicles and houses is made available in Shari'ah compliance ways. In this case It is really difficult to claim that there is a need to resort to conventional banking.
I therefore understand this question as a matter of using the facility of internal loan at a lower rate and more convenient than the finance of the Islamic bank of Sri Lanka. Accordingly, any amount of interest, small or big and at a low or high rate, is Haram in the Islamic Shari'ah. The Prohibition of interest in Islam is based on its being unjust not on the amount of Riba or its rate. Interest is unjust because it is not generated by the asset of the creditor which is the debt. Debts do not generate any increment and therefore any increment imposed in a debt contract in oppressive and unjustified.
Of course I recognize that there are cases of necessities where a person for satisfying a basic need may have to resort to interest-based borrowing. This may apply to housing in societies/communities where Islamic finance is not available or does not cover the whole market, BUT DEFINITELY I DO NOT CONSIDER BUYING A VEHICLE A NECESSITY, CERTAINLY NOT IN SRI LANKA.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Tariq
Sent: Thursday, July 28, 2011

Question: what is the difference between Riba and rent

Asalamu Alaykum Br.
Riba is haram in Shari'ah. But I have heard certain people arguing that interest on money is like rent on one's property.
Their argument is that if rent on any property whether residential / commercial or industrial is Halal, how can interest be haram?
They put this argument in support of both i.e. earning interest on a deposit and paying interest on a loan.
Please guide me on this.

Wasalam
Tariq
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. Tariq
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
This is in fact an ancient question and it has an ancient answer too!
The important difference is that a car or house produces utility (note that utility is value) of its own, money does not. Money is dispensable not durable. Even when you keep it in a vault for a period it does not generate utility/value.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

Dear Br. Monzer
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Jazakallah, for answering my previous question and clearing my doubts.
I have read your opinion regarding Zakah on gold jewelry and I believe your opinion is that one (a lady generally) need not pay Zakah not only on her day to day jewelry but also if her overall jewelry does not exceed what is generally possessed by her peers. That means in most cases, all or most of her jewelry will not be subject to Zakah. I quote a Hadith here and I want your opinion on this issue (I.e. Zakah on jewelry) in the light of this Hadith:
Narrated Umm Salamah, Ummul Mu'minin: I used to wear gold ornaments. I asked: Is that a treasure (kanz), Apostle of Allah? He replied: whatever reaches a quantity on which Zakah is payable is not a treasure (kanz) when the Zakah is paid. ---Sunan Abu Dawud, Kitab-al-Zakah, Hadith No 1559.
Narrated Abdullah Ibn Abbas: When this verse was revealed: "And those who hoard gold and silver," the Muslims were grieved about it. Umar said: I shall dispel your care. He, therefore, went and said: Prophet of Allah, your Companions were grieved by this verse. The Apostle of Allah (peace be upon him) said: Allah has made Zakah obligatory simply to purify your remaining property, and He made inheritances obligatory that they might come to those who survive you. Umar then said: Allah is most great. He then said to him: Let me inform you about the best a man hoards; it is a virtuous woman who pleases him when he looks at her, obeys him when he gives her a command, and guards his interests when he is away from her.
Wasalam
Tariq
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. Tariq

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
There are several Ahadith on this issue some of them exempt jewelry from Zakah some seem to impose it on it. the reconciliation between these different and to some people may look as contradictory is to notice that most of the Ahadith that imposes Zakah have certain references that the quantity of jewelry was big while those that exempt it the quantity was moderate.
Therefore the reconciliation came as follows: two conditions make it exempt. 1) the quantity must not be big relative to her peers; and 2) they must be in actual use not stored as a treasure.
By the way you misquoted me when you said in the question that my opinion refers only to one of these 2 conditions. They both must be satisfied for exemption.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

Dear Br. Monzer
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Jazakallah.
I highly appreciate your immediate response to my earlier question. I didn't misquote you deliberately, but maybe I had understood it that way.
Just I wanted one more clarification on this issue. You said '' and 2) they must be in actual use not stored as a treasure.''
Does actual use mean daily use? Because ladies generally use some ornaments on a daily basis and some ornaments during certain specific times like some festival or some other special occasion?
Does ''storing in treasure'' mean gold or gold jewelry being held as an investment or all gold/ jewelry not in day today use?
Wasalam
Tariq
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. Tariq
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Actual use does not mean daily use, as you said some jewelry may be normally used daily and some others on their pertinent occasions, both are actual use.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Sameer
Sent: Saturday, July 16, 2011
Question: renting to a Bank:

Dear Sir,
I've a doubt regarding a renting out the property to a Riba based organization such as bank, is it halal to give a property on rent to such institutions?
Regards,
Sameer

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. Sameer
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Yes, it is a gray area where you expect different opinions. Mine is: it is permissible because we were not ordered to boycott interest dealers in matters that do not involve interest. I mean: renting them is like selling them bread and butter although there is a strong argument that you are renting it to do the Haram on the property. If the rental contract refers to doing interest on the property it becomes Haram.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Fawzi
Sent: Wednesday, July 13, 2011
Location: Accra, Ghana

Question: **Consultancy services to Interest institutions**

AS-SALAAMU ALAIKUM WARAH'MATUL-LAAHI WABARAKAATUHUU
May ALLAH bless you, your family, and loved ones? May ALLAH bless you in your efforts?
My consultancy work means that I am approached by companies wanting to work with the government. In most instances, when they approach me, they are in need of projects which they would be financing using conventional system.
As a consultant already working with the government and one who informs these companies about what projects are available and how to access them, what do I do about my commission when they decide to raise the funds in the form of an interest based loan?
I try to convince them to use alternative investment methods, but my position is usually weak.
Please are you able to get companies that would consider financing government projects based on Islamic Financial methodology?
Thanks
Fawzi

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. Fawzi
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

If your commission is for guiding them to a permissible project and other permissible services, you are OK, as you have nothing to do with their actions that are not parts of what you provide them.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Farhan
Sent: Wednesday, July 06, 2011
Question: **School tuition**
A/Salam Prof. Monzer Kahf,
My name is Farhan Gilani and I am a senior at University of Michigan-Dearborn. I am majoring in biology with a minor in health policy. I would like to seek your advice about tuition and loans. I am the first once in my family to go to college here in US and I don't have any relatives in this country. In the near future I plan to go into a health profession. I am self-supportive but I really need academic advising help. I was referred to you by Talaat Pasha. Please let me know if you could help me in terms of any advice.
Many Thanks and W/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. Farhan
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
I urge you to focus on the concept of study/work much more than seeking loans. Try all opportunities of scholarships, there are many to those who search vigorously and apply everywhere. Find yourself any moonlight job of 10-15 hours a week to support your study and do not take a loan unless pressed for it for late payment on tuitions. BTW, try the scholarships of IDB (Islamic development bank).
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Roshaan
Sent: Monday, April 11, 2011
Location: Canada
Question: Student loan in Canada
Dear Sir,
I am a student at the University of Toronto. I am taking OSAP (Ontario Student Association Program). It is an organization which provides financial assistance to students by giving them loan. I would have to start making monthly payments after I am finished with my studies at the university. However, after I am done, if I don't fully pay my money within 6 months... they

would start charging me interest. I have recently came to know that interest (Riba) is haram and one should not put himself in a situation that he has to pay it. Right now, regardless of how much I try, I would probably have to pay some interest. The only thing about continuing to take OSAP would be that I would have to pay more interest than what I would eventually be bound to pay (if I stop taking it)

In terms of my family conditions, my parents cannot afford to pay me as much money as required by the university for all 4 years. In fact, we are getting a break even for the income and expenses. In other words, we barely get to have some savings. So my question to you is, under these circumstances, should I continue to take OSAP? Does Allah give me the permission to do so in terms of interest?

I will try to make money and pay off as much loan as possible without having to pay interest. However, is it okay, if despite my best efforts I end up paying interest, based on the circumstances in which I am in?

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. Roshaan

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I believe that student loans which have a break from interest should only be taken in as much as one can avoid interest by paying within the grace period.

Every student in Canada can find a part time job to pay for her/his study or make good grades and have a merit scholarship, etc. If you cannot pay the loan without interest then take a part time job and work harder like many other students.

And no it is not OK, trying is not sufficient. Rather you need a specific plan. If you do not have a plan to pay within the grace period, it is not permissible to take such a loan.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Roshaan

Dear Sir,

I am a student at the University of Toronto. I am taking OSAP (Ontario Student Association Program). It is an organization which provides financial assistance to students by giving them loan. I would have to start making monthly payments after I am finished with my studies at the university. However, after I am done, if I don't fully pay my money within 6 months... they would start charging me interest. I have recently came to know that interest (Riba) is haram and one should not put himself in a situation that he has to pay it. Right now, regardless of how much I try, I would probably have to pay some interest. The only thing about continuing to take OSAP would be that I would have to pay more interest than what I would eventually be bound to pay (if I stop taking it)...

In terms of my family conditions, my parents cannot afford to pay me as much money as required by the university for all 4 years. In fact, we are getting a break even for the income and

expenses. In other words, we barely get to have some savings. So my question to you is, under these circumstances, should I continue to take OSAP? Does Allah give me the permission to do so in terms of interest?

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. Roshaan

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I believe that student loans which have a break from interest should only be taken in as much as one can avoid interest by paying within the grace period.

Every student in Canada can find a part time job to pay for her/his study or make good grades and have a merit scholarship, etc. If you cannot pay the loan without interest then take a part time job and work harder like many other students.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Nisreen

Sent: Wednesday, April 6, 2011

Location: NY, US

Question: Vehicle Finance

Assalaamu alaikum,

I have a question which is part theoretical and part actual...

I intend to buy a new car. Since it is haram to pay interest, I am looking for a 0% APR finance scheme.

In MA, a car is available for $20000 with 1.9% interest. The total cost over 60 months is therefore $20380.

In NY, the same vehicle is available for 0% interest, but the sale price is $20500.

I am in Worcester MA. So a drive down to NY will probably cost me more money too...if I go for the NY deal, then my cost will be $20500+.

But is the more expensive deal really 'halal' for me while the lower cost vehicle is 'haram'? I feel that even though it says 0% interest, the difference of $120 (20380-20500) which is some amount of interest (may not exactly be 1.9%) has been built into the cost of the 0% vehicle.

Something about the whole scenario above is very confusing to me...I do not know much on Islamic law of finance...but keeping aside my personal case....is not the above a little strange?

Is it clear to any knowledgeable Muslim that the more expensive vehicle is halal and why the less expensive is haram?

What exactly makes the above purchase halal or haram? They both seem the same to me.

Jazakallah Khair

Asif

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. Nisreen

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Am I writing to Nisreen or Asif?

On its face value, yes, one is Haram and the other is Halal. What you need to realize is that Shari'ah neither prohibits finance (with return) nor rejects assigning a portion of the price to time. In fact we have a famous and common statement in our classical Fiqh written more than a thousand year that "a part of the price is surely caused by the time إن جزء من الثمن في مقابل الزمن". Then what is Riba or what is prohibited? Riba is an increment in a debt (notice not a price of a commodity) giving a loan creates a debt, any increment in it is Riba. Rescheduling a debt for any amount other than its face value is Riba because the difference is an increment (or in discounting a reverse increment) in a debt. Why it is prohibited. Because the debt does not create any utility through time while all real goods create utility over time. In a simpler term that is understood by a desert nomadic as much as a university professor: a debt does not create a baby debt while a cow gives birth to a bay cow.

In your specific case, I think you are not shopping well. As a person who live in America for forty years I know that I can find a deal with Zero interest at your 20380 or at the 20000 only. Not all zero interest deals have interest built in...

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Assalaamu Alaikum!

This time it is definitely Asif who is asking the question :)

My wife forwarded the question to you after our local mosque respectfully declined to comment lacking knowledge in the area (we don't have a permanent imam yet...InShaAllah we will get one soon).

When you say 'on face value one is haram and the other halal' ...you are hitting the nail on the head. We are having qualms of accepting the fact that merely on the surface the 0% 'appears' halal. I do not know how far I should go to investigate the price!

Brother. What matter is the nature of the contract whether it is a sale or a loan, numbers are subject to negotiation?

I am 100% certain that the deal is 0% from the bank AND I know that there is $0 finance charge by the bank. That is guaranteed by the bank.

Quite possibly the dealer in NY is having some extra padding (higher margin), but nevertheless, to the best of my knowledge this deal is better than that which is lesser (in MA). We sometimes wonder if that extra padding = interest, but it is Not, based on your explanation (please excuse if I have misunderstood). The extra value is that NY dealer's increase on the price of his commodity.

In Shari'ah, time is valued when associated with real goods but not when associated with debts. Simply because debts do not change by the time factor but utility derived from goods do change

There are two other points that I am concerned about:
1. The bank loan will definitely have late payment penalties. I have heard that that is haram. What is the correct opinion on this?
While late payment penalty is necessary to deter the debtor from delaying payment, it cannot be earned by the creditor because it is an increment in a debt and debts do not create such increments. Therefore we charge it to debtor but give it to charity. If there are any incidental expenses caused by the delinquency, they can be deducted before distribution to charity. Conventional sellers/creditors in America take it as earning which is not permissible in Shari'ah.
2. I have also heard that it is haram to take loan (debt) if I have money (I.e. I could put more cash down...but instead I decide to hold it for other expenses). What is the correct opinion on this?
Under necessity circumstances one may take an interest based loan, of course necessity must be only to the minimum amount that relieves the necessity.
Regards,
Asif
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. Asif
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Please see below:
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Rasha
Sent: Thursday, March 10, 2011
Question: Service fees and late fees in microfinance
Aslamo Alaykum wa Rahmatu Allahi wa Barakatuh Dr Kahf,
I hope this email finds you well. I am sorry for sending the promissory notes later than the date I specified, I wanted more time to revise and finalize them. Please find attached the two promissory notes that will be signed by ACCION USA and borrowers. The file named "CLEAN-Promissory note with UCC vPQ" is mandatory. The other file is required in case of taking a vehicle as a collateral. I am also attaching a list of other applicable fees and charges that a borrower may pay.
Please inform me how many hours you may need to revise the notes.
Thanks a lot
Rasha
My Answer:
Dear Sr. Rasha
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Thanks for the phone call that I feel sorry to have missed it.

Is what you who sent me the same promissory note twice, is there any difference between the two documents that are called both promissory note?
I cannot approve of this document as it is because the amount of service fee ($45 a month) is clearly interest.
However, if:
1. We make the service fees in the area of about 1-2% of the amount of the loan and add a sentence to the effect that this is for the cost of administration and if it exceeds the amount of actual administrative expenses, the remainder shall be given to direct charity (I.e., charitable organizations or poor and needy, not added to ACCION funds) at the discretion of ACCION.
2. We either reduce the return check and insufficient fund fees to a reasonably small amounts (these charges are very close to what banks charge and they include interest as well known in the literature) or retain the amounts of these fees but add a sentence that it any extra above actual cost of the transaction is going to be given to direct charity.
I can then accept the document as a loan free of interest.
Best Regards,
Wassalam
Monzer Kahf

Aslamo Alaykum Dr. Kahf,
Thanks a lot for your reply. At the beginning I would like to ensure you that in personal terms, I have no intention to be responsible for setting up a loan program that is based on interest, and in no way I have an intention of committing this sin. (I even have never deposit my personal money in a saving account that incurs Riba)
I read your reply and I think I should have clarified how we came to the figure of the service fee; I apologize for not informing you about it. I think I did so because when I asked what documents you need, the promissory notes were the only documents required by you.
I based the halal loan service fee on a paper that is published by Islamic Relief named "Micro Finance Theory, Policy, and Practice". It tells about its microfinance experience in some countries. Please find attached this paper.
Please bear my ignorance in Islamic finance as a non-specialist, I acknowledge myself as from elaama (people who do not have Islamic education) However, I am a Muslim who is exerting effort to do well.
Please find attached a file that explains how we calculated the fees.
Thanks a lot
Rasha
My Answer:
Dear Sr. Rasha,
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Please be assured that I trust you and never thought of you being a compromiser on religiosity or faith. That is not an issue at all.
Please read my comments on your calculation of fees. I think if you make adjustment either to reduce fees for lower strata of loans or make it percentage of the amount of loans, you may then open up, it is only a misunderstanding and misreading on the part of those who interpreted the decision of the OIC FA regarding IDB's loans. IDB does not charge an amount or

an arbitrary percentage. It is the actual moving average cost for the past 5 years as an approximation of the actual cost for the present year.
I commend your efforts and suggest making the administrative fee (I suggest calling it (Adm. Cost Fees) either on categories like 1-3K, 3001-6000, 6001-10000, etc. or a percentage of the amount. Also take care of other fees either by distributing it to charity or reducing it reasonably.
Best Regards,
Wassalam
Monzer Kahf

From: Abdullah
Sent: Wednesday, January 26, 2011
Location: Kuwait
Question: Buying a business
As Salaam Walikum,
I am an Indian working in Kuwait and I am trying to buy a shop in Mumbai already I booked and I paid 40 percent for balance 60 percent I need to loan can you please help me by recommend or advise in this matter, how can I move forward ?, if they give me time I can earn and pay slowly but as per procedure(as we talk) I don't have time so I paid what I had, please I need to know Is there any Islamic bank in MUMBAI in India or any another way as per Islam
Jazak Allah Khair
Thanks Regard
Abdullah
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. Abdullah
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Any loan with interest is prohibited in Islam. It is the Riba about which the Qur'an says that a war is declared by God and His Messenger on those who do it.
I do not know of any Islamic bank in India but there are companies that provided Islamic finance and I do not give names or recommend any of them. You need to check there.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf
From: Aamir
Sent: Saturday, January 15, 2011
Location: INDIA
Question: Fixed Deposit
Assalamu Alaykum!
Dear Sir,

I wish to know is the interest coming from Fixed Deposit haram or halal. I heard of people saying its pure haram, whereas not Dividend from Shares. Could you please explain the difference and whether its haram or halal.
Looking forward to hearing from you.
Thanking you with best regards & wishes,
Yours faithfully,
Aamir

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. Aamir
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Yes, fixed return that you get from conventional banks is interest because the deposit is a loan to the bank, guaranteed to be returned to you either when you ask for or at the end of its term. This interest is the same that used to be known at the time of the Prophet, PBUH, under the name Riba. It is prohibited in the Qur'an (2:275) and in the Sunnah in Many authentic Sayings.
Dividends of shares are permissible if the company's activities are permissible. For instance shares of banks (except Islamic banks), casinos are not permissible.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

FATAWA INTEREST RIBA LOANS 2010

From: Islam
Sent: Sunday, December 19, 2010
Location: KSA

Question: Offering cash from an Islamic Bank

لسالم عليكم ورحمة الله وبركاته...
الفاضل الدكتور / منذر ،،،
تحية طيبة وبعد ،،،
أرجو من سيادتكم الفضل بالفتوى عن مدى مطابقة هذا القرض الشرعية , وهل آخذه أم ال, وإذا كان من الك أي توضيحات أخرى حول هذا القرض أرجو الإجابة.
وجزاكم الله كل خير عني
سالم

الكفالة التي تبين لنا شركاتي أعمالها وبين بنك الراضي الإسالمي وفيها نقرض إسالمي إلى مدة الع قد الحقيقية يعني إذا كانت اقي من ع قد 15 شهر تأخذ مرابحة ثالث ربتك لمدة 15 شهر وتوفيه شهريا خالل هذه المدة.

طريقة القرض:

1. من الكفالة التي تبين بنك الراضي وشركاتي لبنك الراضي يتم حجز أرباح كل يوم سبت من كل أسبوع يتم إيداعها في بنك الراضي 200,000,000 ريال سعودي كرصيد إلزامي في حساب الشركات الحقيقية وتبقى هذه الحسابات

في مستودعات شركة بلطين لي سيل الأمانة أو الإيداع في هذه المستودعات مقابل أجور تدفع على هذا البنك وشركة البلطين, في يوم الأربعاء الساعة 2 عصراً تم إرجاع ما تبقى من المال في شركة بلطين, في يوم السبت الذي يليه يكون من الممكن استرداد جديدة.

2 بنك الرياض يعرض على عدد من المشاريع التي تملك هامش موجب فقط بورصة بيعات بطريقة دفع آجل ويكون السداد كل شهر دفعة معينة حسب القرض الذي يأخذ بعين الاعتبار قرض لأي مشروع إضافة إلى رسوم إدارية, و هذا الأمر لا يمكن بالعقد ولا مانع في ذلك إذا كانت الزيادات ومدة القسط وقيمة القسط.

3 بعد تملك المشاريع بطريقة دفع آجل أمام خيارين:

أ. الذهاب إلى شركة بلطين وأخذ هذه المشاريع وبيعها للسوق وأخذ ثمنها بالعاجل.

ب تواجد شركة بلطين يبيع هذه المشاريع عن طريق بنك الرياض, (على أن تتم خلال ساعات وعند تشغيل شركة بلطين بنك الرياض بأن المشاريع تتم بيعها وتوضع في البنك بإيداع مبلغ صريح).

4. على أن في حالة وفاة إنسان حقوقه ترض مال وفاء.

في الرفقات صيغة العقد وصيغة التي تواجد شركة بلطين أو صيغة أساس المواد.

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. Islam

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Whenever a person wants cash and make any arrangement with a bank to get the cash against (in the final step) a debt of a larger sum, it is Tawarruq Munazzam. This is the Tawarruq that is exactly Haram as declared by the OIC Fiqh Academy in its famous decision in 2009.

The point is Shari'ah prohibits Riba and Riba is a smaller amount of cash or debt now for a larger sum of debt tomorrow.

This means that any attempt explicit, implicit or usual and customary, to arrange cash for a debt of a larger sum is out of the limits of Islamic finance. Islamic finance provides goods and services for a deferred price (that is larger than the cash price and the difference is obvious because goods have different prices through time but cash or debt does not), it also provides cash in partnership (Mudarabah or Musharakah) to produce goods and services and sell them hoping to gain a profit. Islamic finance does not provide cash except in partnerships.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Annas

Sent: Saturday, December 18, 2010

Question: Job may involve interest

Dear Ammo Monzer,

Assalamu Alykum!

InShaAllah you are well and in the best of conditions!

Since you are a Qatari citizen at the moment, congratulations on winning the competition for hosting the world cup (only if you approved of the bid in the first place, of course).

I am e-mailing because I have a very important question regarding a highly interesting job offer that I received. Since all information given me by the company is confidential, I would be glad if you could give me confidential advice, as always J, jazakumu Allahu khayr!

I have been offered the position of CEO for a big Western venture capital company that wants to open up an office in the Middle East.

As CEO of that organization, my tasks would include building a number of diverse teams to start different companies in the e-commerce business, an area which has yet to take off in the Middle East.

The company and its investment philosophy is not Muslim. Hence, in their portfolio they have a number of e-commerce projects that do not fit the Islamic moral and business code (for example, e-dating websites).

I wonder to what extent that should impact my decision making process to accept or reject that job offer as CEO.

I am sure I can refuse to work personally on specific projects (like building a dating website for the Middle East). However, by creating the infrastructure for the company (establishing contacts with Middle Eastern High Potentials and Entrepreneurs, advertisers, etc.) in the Middle East I am basically paving the way for others to embark on projects that I personally would not necessarily work on.

My motivation to work for this company is simple: It offers me an immense learning opportunity and also a possibly high financial return. I cannot imagine another job where my learning curve would be steeper.

However, Alhamdulillah, I have very good job offers already on the table that do not have such implications (If I reject the offer of CEO, I would start as Consultant with McKinsey in Riyadh / Saudi Arabia InShaAllah). Still, from a personal, career, learning and financial perspective, I believe starting with the venture capital company would be bringing me forward more strongly than any other job.

I would be very glad if you could offer me a piece of advice on what would be the best course of action for me here.

I am sorry to bother you with this question and thank you highly for your precious guidance and support. Jazakumu Allahu Khayr – You have always been there for me over the years and have contributed significantly to my personal development. Thank you very much and all the very best to you and your family InShaAllah!

Wassalamu Alaykum Wa Rahmatu Allahi Wa Barakatuh,

Annas

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. Annas

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

It is so nice to hear from you again.

I think it is OK to go for this opportunity. It is none of your own business what the company makes after you. What matters to you is that you do the right thing within the Shari’ah

boundaries. Please give Salam and appreciation to your grandfather, mother and uncle. Did you get married by now, everything is Khalas? And are you in Riyadh or in Germany?
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

Dear Ammo Monzer,
Wa Alaykumussalam Wa Rahmatu Allahi Wa Barakatuh,
Thank you very much for your comprehensive answer. I will definitely pass on your Salams to my family!
Myself, I am currently in Riad – however, only to visit my fiancé (so far, we have only made kitaab back in July 2010). The wedding will be 10 months from now InShaAllah (also in Riad InShaAllah). I would be glad if I could have you and your family as my/our guest on that special occasion. Once the date is set, I will get in touch with you again.
I am still working on my PhD, which I will submit shortly InShaAllah (April).
After that, I was initially planning to start with McKinsey. However, plans have changed a little after I received the offer from this venture capital company.
I was offered to launch and oversee their operations in the Middle East, and additionally be the CEO of their first venture, which is very appealing.
I have also told them that "full Shari'ah compliance" of all businesses is very important to me and to the region, and they agreed to abide by those principles.
Still, there are a few issues which I am not yet sure how to handle from an Islamic point of view. For example, a big chunk of their business will be to sell clothes online. Clothes can be sold online only if models wear and show them. This applies for male and female apparel. From an Islamic point of view, is it permissible to use pictures of female models wearing different clothes to show off the products, even if that by far exceeds what is regarded as 3awrah by Islam?
Another example is the financials of the company. Even if they don't take loans because of full equity funding, there is still the problem of getting interest accrued on the accounts of the business. If I am CEO of that company, how liable am I from an Islamic perspective for the interest accrued on the accounts of the company that I manage (even though it will be only a small minority of the shares that will be mine, and even though the amount will actually be negligible because this is not all planned, but rather a possible side effect that comes with having a regular bank account).
I would be grateful if you could share with me your point of view on these two issues. Jazakumu Allahu Khayr for your precious support and advice and your patience with me!
Baraka Allahu Feekum, all the very best InShaAllah,
Wassalamu Alaykum Wa Rahmatu Allahi Wa Barakatuh,
Annas
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. Annas
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
As a CEO, you can open only current accounts that do not accrue interest and forward large sums to mother company if they are needed as semi liquid. I do not suggest that you should open any interest account.
Models can be tolerated as long as you can make them incomplete, (needed part of body for the relevant cloth).
I hope we can meet soon anyway.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Faisal
Sent: Saturday, December 18, 2010
Location: Singapore
Question: **Housing Loan**
Dear Dr Monzer
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh.
I have read your website pertaining Riba and housing loans. I am residing in Singapore and there is no Islamic financing for housing loans in Singapore. I have the need to buy a house but put it on hold due to the prohibition of Riba. Something that I read in your website caught my attention but I do not fully understand. These are excerpts taken from your website QA Fatawa Mortgage 2007;
1) In one word: Interest is an increment in a loan or a debt, profit is a difference in the cost price and sale price of a good or service. Don't be bothered by any other chats and terms. There is no time value of money and no any other thing.
2) Why not going for a lease or for financing from seller, I've seen installment sale contracts from car dealers in Toronto that are exactly compatible with the Shari'ah although the dealer calculated the installments on the basis of interest, that does not matter! The space does not warrant a detailed explanation of the difference and why installment sale is permissible while a loan with increment is not. You may need to make some homework to get a full grasp of it. The difference is very important though!
My question is, in Singapore the Housing Development Board (HDB) a government body, is building flats/apartments for Singaporeans. Singaporeans who are not able to pay the full cost of the flat, HDB is giving a loan at 2.6% per annum. In other words, cost price is $100k, 10 years installment price of flat is $126k. Is this permissible?
Is this a case of “profit is a difference in the cost price and sale price of a good or service”?
Thank you for your time.
Regards,
Faisal
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. Faisal
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
My answer is NO because it is a loan with interest. However, if the calculation is made as 100 + 2.6% interest rate. But the contract says that the price of this house is 126,000. It became permissible.
The difference is not semantic. It is rather the legal implication of sale or loan with interest although numbers are the same. Can you convince them to make the contract for the Muslim larger minority of close to 20% and make a form contract suitable to them with this minor change?
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Rasha
Sent: Saturday, December 11, 2010
Location: Columbia, USA
Question: Microfinance Fatwa
Aslamo Alaykum Dr. Kahf,
My name is Rasha. I work as an intern in a microfinance institution in the USA that lens capital to micro entrepreneurs. I proposed to the management to establish a free interest rate loan program to serve the Muslim community. I would appreciate your help to tell me a fatwa about the following.
The product that is sold is the lending service and not the “money”. Fee charged is for the lending service and not for the money. Service fee is based on actual costs and not on interest rates. Service fee takes the form of a flat rate that is invariable to loan size, however; it is variable to service period.
The question is: in case of late payments on the side of the borrower to the lender, is it allowable to collect late fee service. I understand that attempting to earn extra revenue due to the passage of time may be haram. However, the main point is to enforce the borrower to pay his debt. This is because if there is no late re-payment fee, then the borrower will not feel obliged to pay on time. So, now my question is: Taking into consideration that for a borrower to pay his debt, he pays it on monthly installments, is it permissible to charge a fixed amount of late repayment fee that is invariable with loan size as an enforcement tool to encourage him pay debt on time. This fee will be required after being 5 days late in repaying the installment amount on its due time.
Example: $30 will be charged as a late repayment fee that is required to be paid for EVERY monthly installment he does not pay on time. This $30 amount accumulates as the number of late monthly repayments accumulate. E.g. 3 late monthly repayments will be charged $90.
Thanks you very much
Rasha
My Answer:

Dear Ms. Rasha
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
I think you need to give me the full picture if you want a meaningful help from me. Otherwise a partial fatwa may be placed in an unfit context.
What is the difference between lending service and money? Do you mean that the microfinance institution does not give money and only provides help to get money from other institutions? Here again if this money is given on interest basis, helping it is as Haram.
Additionally there is no difference from the point of view of Halal/Haram whether the increment is a lump sum or a percentage whether related to time or to size of loan. Interest is an increment in a debt and simply a debt does not generate increments by its nature. Real assets generate increments in the form of increase because of external factors such as market supply and demand or in the form of a physical increase as when a cow gives milk or baby cow. This is why we always insist that Islamic finance is asset based in contrast to debt based.
I think the main issue should be tackled first. Once we settle the main issue of provision of finance to micro-entrepreneurs via methodologies that are Shari'ah compliant the issue of late fees can easily be solved, it is a side issue. Late fees are needed as deterrent and as compensation. The claim of compensation of time in regard to debt is not rational because it is based on an assumption that a debt creates increments through time. Factually, it does not. Compensation for actual (in contrast to presumed) damage caused by delinquency is permissible in Shari'ah. The deterrent objective of late fees cannot be achieved without a relatively large late fee that creates fear from delaying an installment after its due date. This large sum is not earned by the creditor while we want to be serious (to achieve the objective) in charging and collecting it. the solution is derived from the principle of "funds that are not deserved by a person whose hand is on them." this principles requires that such fund be given for charity to the poor and needy because while this money is not earned by anybody assigning it to the poor legitimate because the poor deserves a help regardless of who owned it. this means that in Islamic finance: we charge a handsome late fee but we do not take as revenue to the creditor but to be given to charity, preferably (but not necessarily) Muslim charity because poverty among Muslims is higher in today's world .
Best Regards,
Wassalam
Monzer Kahf

Thank you very much Dr. Kahf for your help. I really appreciate it.
I think I did not clarify the picture to you as it should be, so, I will do it now, InShaAllah.
First of all, I work as an intern in a US microfinance institution that is non-for-profit. It has a social mission of alleviating poverty through helping micro-entrepreneurs establish and expand their businesses as small business are considered to be the engine of the economy. In addition, low-to moderate income business owners who we serve are usually excluded by commercial banks because their small business lending requirements is not served by traditional banks or because they have bad credit scores; thus, their borrowing requests are not approved.
I meant by "the product that is sold is the lending service and not the money", that we are not selling loans. Instead we charge fees for providing the service that helps micro-entrepreneurs have access to capital. The service implies all activities that allow us get money that we can lend

(e.g. grant writing), lend the money to potential borrowers (e.g. marketing, loan consultancy, underwriting), and get the money back from the borrower (e.g. collection services). We charge fees to cover the cost of this service I.e. the administrative cost.
In fact, even with the interest based lending methodology, most MFI including mine do not cover their administrative costs; instead, they depend on grants to fill in the financial deficit. Moreover, we do not expect to cover our administrative costs even in the halal loans project unless we have huge number of clients.
Usually any non-for-profit microfinance institution has two sources of lending funds (money lent to borrowers). The first source is grants and this is a zero cost funding. The second source is banks such that the MFI borrows money from banks by a reduced interest rate then it lends this money to borrowers who in fact incur the interest rate of the bank. As for the halal loans project, the only lending funding resource that will be used is grants because it is zero cost and implies no interest rate.
It is worth to mention that the purpose of the loans is to help micro-entrepreneurs establish or expand their business I.e. for business purposes only. However, my MFI does not involve in business partnerships with borrowers, it does not share with them management decisions, profits or losses; management is all up to them; thus, the whole profit or loss is theirs.
As for your insight regarding late fees, you said: "… we charge a handsome late fee but we do not take as revenue to the creditor but to be given to charity". If you please me, I just would like to understand what the point behind giving it to charity is. In fact in case of delinquency there are additional administrative activities that take place to enforce this delinquent borrower to pay his/her debt e.g. phone calls, emails, official letters, site visits, internal documentation of the case, and in severe cases, activities that may take place will be more costly e.g. selling collaterals, going to court, etc. The point is that in case of delinquency, we will be incurring additional administrative fees and even the $30 late fee may be or may be not covering the administrative costs depending on the intensity of delinquency.
Finally, I really appreciate your help and may God reward your effort.
Thanks a lot
Rasha

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. Rasha
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
First please realize that I have my own responsibilities to attend to and can't always be as quick in responding as I like and good people like you want me to be.
For the late fee: you are permitted to write against it all actual additional cost caused by the delinquency. This I already said in my first email. Any amount above actual additional cost should be given to charity. Most Islamic banks take all the delinquency fee to the charity account simply because they want to be on the safe side.
If your organization, as described, is not a lending institution but a solicitor and supportive one. And if it is in deficit as explained. I would argue that all the collected fees can be kept by this organization even when the actual cost is below the amount of fees.

What is not permissible in Shari'ah is for the creditor to get any additional sum as a result of delinquency because that it is increment in a debt for time which is prohibited in Islam.
On the alternative approach for providing finance to Micro enterprises, the easiest way is to give them Murabahah: buy the goods and services they require (specifically ask for) and sell them to the ME on credit at a higher price. Of course giving money from grant with no interest is always permissible.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Talaat
Sent: Saturday, December 11, 2010
Question: Collection fees

هذا سؤال الشخص في المسجد الذي التقيت به
لديه شركة شحن وفي كثير من الأحيان الشركات التي يتعامل معها لا توفر له الوقت للدفع.
السؤال:
1- هل اذا استأجرت شركة جمع مستحقات شركتي من العملاء مقابل 10 او 15 % حرام؟
2- اذا تعاملت مع شركة تتعهد لي بتحصيل مستحقاتي لدى العملاء مطروحا منها 15% و هي تتولى الخصم منهم، فهل في هذا شيء؟
جزاكم الله خيرا

Talaat
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. Talaat
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
I am afraid the question is about factoring but put in a simple way that gives nuance but not full description of what is it. It looks to me like hiding the true matter!
Factoring is giving your bills that have future maturity dates to a finance company that pays you now an amount calculated on the basis of certain percentage monthly. This is equivalent to discounting promissory notes with companies instead of discounting them in banks. The difference is interest pure and clear. This factoring is Haram.
On the other hand collecting bills and promissory notes for a commission is permissible. The basic difference is very important: ANY BILL THAT HAS A FUTURE MATURITY, PAYMENT BEFORE ITS MATURITY OF AN AMOUNT LESS THAN THE FACE VALUE OF THE BILL MAKES THE DIFFERENCE INTEREST because it's an increment over the amount given at present for a future debt of a larger sum. This is exactly what interest is.
If bills are due immediately or already due yesterday but not collected yet, it is permissible to hire a company to collect them against fees. (Usually these fees are very small that cannot be 10 or 15% unless you are talking about bad debts that could not be collected in years and months). Giving a present value for future debt makes the difference interest pure. It is not acceptable in Shari'ah.

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

From: Dya
Sent: Saturday, December 11, 2010

Question: Providence fund

I and my Fiancé have a few questions involving Riba and hope that you can help.

1) In our country, a portion of our monthly salary is deducted to be put into the Central Provident Fund which does accumulate an annual interest of 2.5% (This deduction and accumulation of interest is compulsory for all persons legally employed in the country earning more than $500 and the funds collected are invested by the government. The investment are done without us having any power over where or how it is done.). Our money which has been set aside in this fund can be used for purchasing our homes and paying for our medical bills. Thus my questions are as follows.

a. Will we be responsible for this accumulation of interest and be considered to have sinned in regards to the laws of Riba?

NO, you are not committing a sin by working in this country and it is not you who is dealing in Riba, it is the Providence Fund management. This deduction represents a saving to you for old age, it is not a bad idea at all, rather it is an idea that Shari'ah encourages. The government regulates and uses this savings in a way that is not Shari'ah compliant, this is not your sin. If the government credits to your account the actual profit from using these savings and the use is not in Haram area (say in construction of residences) while it guaranteed minimum of 2.5%, it is permissible to take these additives along with the principal amount deducted from your salaries. But if the government takes it from you and just gives you 2.5% interest considering it a loan to the government, this interest is Haram to use for your own objectives. Rather YOU MUST TAKE IT AND GIVE IT TO MUSLIM CHARITY OR POOR AND NEEDY MUSLIM PERSONS. Same if the government gives you actual profit but it uses the money in Haram ways like lending it to banks.

b. Should we one day utilize this fund money to purchase our homes or pay for our medical bills, will we also be considered to have taken part in the dealings with Riba?

When you use to buy a house or for medical bills, use only the accumulated deduction and any Halal addition. This is why you should keep an account (I think the fund usually send you statement to that effect) of the principal and the interest, any amount you withdraw above the principal should be given to Muslim charity.

c. We analyzed that the only way we can truly escape Riba is to move to another country where we will be separated with our families. Should we go to such extremes?

There is no urge or need to leave your families. You may stay and accept the deduction and avoid interest by giving it to charity you are not the one who is earning it or asking for it.

2) Should we proceed to purchase a home with the money in the fund, and then in a few years' time decide to sell the house, the amount of money which we have used from the fund will be deducted from the sale proceedings and put back into the fund including the accrued interest which would have been accumulated (These are all compulsory and the amount will be

automatically transferred back into the funds account by the government upon completion of the house sale). Thus my question is as follows.

a. Will we then be considered as a giver of Riba and be dealt with accordingly in the Islamic law pertaining to Riba?

If you buy a house and money should return to your account in the providence fund with interest charged to you to the benefit of your account in the fund. You need not worry about paying this interest because it is in fact not interest as you pay it from your pocket (or account in your bank) to another account (with the PF) that you own. In other words, it is from you to you. This cannot be interest as we know it that is prohibited in the Qur'an. What is prohibited is paid from one to another. This is equivalent to the government telling you: you can use the money you have in this account provided you save in the future to your own self a larger amount that the amount you took. This is permissible for the government to impose it on you and permissible for you to do.

Finally, please remember that OUR BELOVED Prophet said that we are not responsible for what is imposed on us, whether by law or any other force.

We hope that you can assist in clearing our doubts as we have spent a lot of time trying to find the answers to our questions and could find nothing that could help us. Thank you so much for your time.

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. Dya

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

You could have said from the beginning that you are talking about Singapore CPF. I have a Fatwa about it on my website. I was asked the question many years ago.

Now, what I said in my previous email to you is still valid and I like to make an addition.

1. To my understanding this CPF gives benefits in accordance with circumstances of the employee and her/his family in ways that are similar to insurance. I mean by that when the employee reaches retirement age, the benefit is calculated on the basis of number of years served, salary in the last few years, size of family, health conditions (as in case of disability). Also in case of death, there are benefits to widow/er and minor children, etc. if this is the case you do not worry about interest credited annually to your account and all these benefits are permissible on the ground that they are benefits for these situations given from government. This is inspite of the fact that interest is credited on the deductions.

2. On the other hand, if the CPF is operated as a saving fund: meaning at the time of retirement or death, the employee (or survivors) is given only the amounts deducted plus accumulated interest. If this is the case, then this accumulated interest should be given to charity it is Haram to acquire for yourself.

Please correct my understanding on this point, does the fund operate according to 1 or 2 above?

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Dear Sir

Assalamu Alaykum and thank you so much for your prompt reply.

In regards to my 1st (Q1a) question, can I further clarify so as to be sure?

1) In our country, a portion of our monthly salary is deducted to be put into the Central Provident Fund which does accumulate an annual interest of 2.5% (This deduction and accumulation of interest is compulsory for all persons legally employed in the country earning more than $500 and the funds collected are invested by the government. The investment are done without us having any power over where or how it is done.). Our money which has been set aside in this fund can be used for purchasing our homes and paying for our medical bills. Thus my questions are as follows.

a. Will we be responsible for this accumulation of interest and be considered to have sinned in regards to the laws of Riba?

NO, you are not committing a sin by working in this country and it is not you who is dealing in Riba, it is the Providence Fund management. This deduction represents a saving to you for old age, it is not a bad idea at all, rather it is an idea that Shari'ah encourages. The government regulates and uses this savings in a way that is not Shari'ah compliant, this is not your sin. If the government credits to your account the actual profit from using these savings and the use is not in Haram area (say in construction of residences) while it guaranteed minimum of 2.5%, it is permissible to take these additives along with the principal amount deducted from your salaries. But if the government takes it from you and just gives you 2.5% interest considering it a loan to the government, this interest is Haram to use for your own objectives. Rather YOU MUST TAKE IT AND GIVE IT TO MUSLIM CHARITY OR POOR AND NEEDY MUSLIM PERSONS. Same if the government gives you actual profit but it uses the money in Haram ways like lending it to banks.

In regards to the section in green, I would like to confirm that we are guaranteed a minimum 2.5% interest on top of our principle sum (e.g. The government invest and earn 10% and return a minimum 2.5% to us in the form of 'interest' to the provident fund account. Thus in the case the term 'profit' and 'interest' could be used quite confusingly). We are not entirely sure in what way the government uses our money in the funds. Thus we also are not sure/informed if they are using it in Haram areas or otherwise.

- You mentioned that in this case it is permissible to take these additives (meaning the interest portion?). Does this mean, that we will be allowed to use these additives as well when we decide to buy a house? Or must we give these additives to charity?
- In this case, as we are unsure of how they make use of the funds (Haram or otherwise), is it still permissible for us to take the additives?

I would like to thank you once again for taking time to help us clarify our doubts. May Allah SWT bless you for all the help that you have rendered to us and beyond?

Regards,

Dee

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. Dya
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Please see below:
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

Dear Sir
Below is a link for you to better understand the Provident Fund System in our Country. Via the article, it could probably help to determine if the investments of the Provident Funds are of Haram areas or otherwise. Thank you.
Regards,
Dee

Dear Sir
Assalamu Alaykum.
The CPF System in Singapore works as per point 2 from your previous email. Its acts like a savings system and does not base its given amounts in accordance to the individual's circumstances or situations. All given amounts are based on the deductions of the individual salary and interest given only.
The explanation that has been given to us as to how the money in the fund are being used has been quite controversial as what you can see from the article link I have forwarded previously. The main explanation given to us is that the CPF board loans the government the monies in the fund in return for a fixed interest rate of a minimum 2.5% to its account holders. Thus even if the government were to make a loss in their investments, the 2.5% minimum still applies.
In this case, can I safely say that we will need to take this portion of interest and give them to charity before we can utilize our money in the fund to purchase a house?
Thank you.
Regards,
Dee
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.
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
What the CPF management does with the money and what the government does with the loan it takes from the CPF are immaterial to you as a depositor with the CPF.
If you are 100% sure that the fund does not work on benefits basis but rather only returns to you accumulated deductions plus interest, then this interest should be given to Muslim charity

when you collect it, you should collect it from the CPF. Its collection begins after you recover all your principal.
Using any part of and all your contributions to buy a house or pay medicals is permissible
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Amina
Sent: Tuesday, November 23, 2010
Location:

Question: interest bank account

Assalam 'alaykum wrahmatullah respected Shaikh,
May Allah swt have mercy on you and your family?
Forgive me for taking your time Shaikh I have two questions if you may plz answer them Insha'Allah.
Firstly, I cooked a lot of meat for a party but later on cancelled it. So my mother asked me to give all that cooked meat to her and in exchange she will give me uncooked less amount of meat. She insisted that she wants to give it to me in exchange of the cooked meat. I agreed to her wish but later I wondered if this exchange was Riba? I basically gave cooked and prepared meat to her in exchange of uncooked lesser amount of meat. Is that Riba? Please advise.
Secondly, when I was very young in my home country the government devised a scheme in which they encouraged parents to deposit 500 Rupees per month for five years. If the parents do so the government will pay an amount every month for the child till the child is 18 years of age. Hence my parents did it for myself and my siblings. Now, since I am more than 18 and no longer live in my home country the money is lying there in my account and my parents can take it only if I sign a paper authorizing them to take it. My father tells me that this money that is lying in the account is basically the principal amount that my father deposited every month for five years. So he says it is not interest money but the money that he initially gave to the government. My question is should I sign such authorization because initially the government was paying an amount on it which I don't know was interest or not. I don't doubt my father claim that the money lying in is the money that he gave to the government for five years but I don't know if it is Islamically lawful to sign such authorization. Please Shaikh advise. I do not want to deal with Riba/usury.
JazakAllah khayr for your time
Wa 'alaykum assalam

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. Amina
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
For the first question, this exchange is not Riba because meat is not standardized and it is not currency either. The requirement of equality and immediate exchange applies to currencies and

standardized things. Difference in quality and difference in durability of meat, cooked or raw is recognized in Shari'ah.

For the deposits and payments in India the answer is very simple if it can be determined. First, the difference between what is paid to the government and what is taken back is definitely Riba. Second, your father or you or both are entitled to get the principal back because it is your money. The principal is simply 500X 5X12 = R 30,000. Consequently, if there were payments received earlier they should be deducted from this number and you are entitled to get the balance of it being your own money (or your father's if he did not decide to give it to you as a gift).Finally, the remainder of the amount must be given to a Muslim charity or to Muslim poor and needy persons in India.

Consequently, YOU MUST RECOVER THIS MONY ALL OF IT FROM THE GOVERNMENT OR FROM THE BANKS IF IT IS ALREDY LYING IN THERE. If signing appropriate paper is needed for that you should do it. YOU MUST ALSO ADVICE YOUR PARENT THAT IT IS HALAL TO TAKE ALL THE PRINCIPAL BACK ANDTHEY MUST GIVE TO MUSLIM CHARITY ANY AMOUNT ABOVE THE PRINCIPAL OUT OF THE TOTAL OF THE AMOUNT THAT IS AVAILABLE NOW PLUS ANY AMOUNT PAID IN THE PAST OR IS TO BE PAID IN THE FUTUURE.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Adamu

Sent: Tuesday, October 19, 2010

Question: financing with fixed return

Salaam,

Hope my mail meets you in the best of iman.

Pls assist me with clarification on an issue if Allah Has bestowed you with knowledge on it.

I actually came across a Trader (Non- Muslim) who requested that I give him N500,000 and he will be paying me 10% monthly but when I told him that I am a Muslim and do not trade in interest, he now says that he will be giving me N50,000 monthly. I went further to ask him if he could make that much in a month and he answered in affirmation and that my principal can be collected back after a one week notice at any point in time.

My questions here are as follows:

1. That his N50,000 offer is the same with his initial 10% interest, so what is the religious position here?
2. If it is ok, can I bargain the return upward?

Lastly, kindly commit me into your prayers as I have of recent been diagnosed with Diabetes and have been asked to abstain from some foods. At present, I am not staying with my Family and I am finding life very difficult especially when it has to do with diets considering my health constraint. Kindly help me with "dedicated prayers" for God's healing and a job that will take me closer to my family.

Thanks in anticipation of your response to my inquiry and request. May God bless us and the entire Ummah, amin?

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 Br. Adamu
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
In both cases it is interest. Being a percentage or a given amount does not affect the Shari'ah ruling. What does is: as the capital is guaranteed any increment is then interest. It means it creates a debt and increment in debt is what is prohibited in the Qur'an. May Allah help us and cure us all
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Fawzi
Sent: Monday, September 06, 2010
Location: Accra, Ghana
Question: advising on discounting letters of credit
AS-SALAAMU ALAIKUM WARAH'MATUL-LAAHI WABARAKAATUHUU
Dear Dr. Kahf,
May ALLAH bless you with the best of this month of Ramadan.
A business investor recently approached me about having a Standby Letter of Credit that he wanted to discount.
I informed him that I did not deal in these because of the interest component, but that a business client of mine may be interested. I subsequently introduced them to each other.
Though, I am not part of the deal they are making now, can I accept a commission for introducing them together to do a deal? Would this be akin to dealing in Riba?
Ma'a Salaam
Fawzi Amin Amadu
My Answer:
Bismillah
Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in
Dear Br. Fawzi
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
A commission on interest transaction is as prohibited as the interest transaction itself. I wouldn't like to see you take or ask for it.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Amina
Sent: Monday, September 06, 2010
Question: Late fee
Assalam 'alaykum wrahmatullah respected Shaikh,
Insha'Allah you are in best of health and iman,
Forgive me for taking your time. I have a question that I wanted to ask please.
I am enrolled in an Islamic institute and they expect us to pay the fees by the fifth of every month. However, if someone delays paying (which I know is wrong without valid reason) they charge a late fee. I am not comfortable with this late fee thing as I came to know that unless the two parties have agreed beforehand, or are in a construction business, or if it's issued by a Shari'ah judge then it's fine but otherwise its Riba. Is that true? As far as I know when I registered in the institute there was no such agreement or clause. It's their policy but it was not mentioned anywhere while registering.
The late fee is very minimal but money is not, Alhamdulillah, the concern but I just want to get clarification whether its Riba or not. Insha'Allah please shed some light on it.
JazakAllah khayr for your time.
Wa 'alaykum assalam warahmatullah
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. Amina
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Whenever there are funds that are required, by agreement, to be paid at given times a fine is permissible to charge provided the creditor/person to whom funds are due can only take out of it the amount that compensates him for actual cost caused by the delay of payment, the remainder of the fine should be given to Muslim charity.
The rationale is: if there is no fine every one may delay payment, this disturbs the plans of the other party which is injustice and harm done to this party. The objective of a fine is twofold: 1) to deter the debtor from delaying; and, 2) to compensate the creditor. In Shari'ah it is permissible to compensate for any actual expenses not for presumed "cost of money". This is why we use the fine to compensate for only actual cost and since the remainder, if given to creditor, would amount to interest we do not give it to him but rather to Muslim charity. The fine you mentioned is permissible provided the institute uses it for charity (e.g., scholarship fund to poor students).
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Samir
Sent: Monday, September 06, 2010
Location: Savage, Minnesota
Question: Financing small start-up businesses

Assalamu `Alaikum, Dr. Kahf
I am interested in learning about the Islamic way of financing small start-up businesses. Would you please direct me to any references on this subject?
Jazaka Allahu Khairan, and Ramadan Kareem!
Samir
My Answer:
Dear Br. Samir
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
The internet has many references but be careful some are not really screened.
I suggest to you to see the websites of the Islamic development bank, Prof M N Siddiqi, M Anas Zarka, M Omer Chapra, mine at www.kahf.net. There are there many things to benefit from. Remember you should always be critical.
If you want to take formal study and degrees there are several Universities that offer it in Malaysia, Jordan, Qatar, Pakistan and others.
Best Regards,
Wassalam
Monzer Kahf

Wa `Alaikum Assalam Wa Rahmatullah Wa Barakatuh,
Dear Dr. Kahf,
Jazaka Allahu Khairan--InShaAllah I will look up these names and their works. (As for being critical, I don't know that I currently have the tools to be critical in this area--I am so thirsty for knowledge about the practical side--the actual workings--of Islamic economics that I will probably trust any authoritative reference at this point; that is why I am so grateful for your pointing out specific names to look up.)
1. Part of the reason for my question was that I currently work for a non-profit organization, Neighborhood Development Center (which has a continuum of programs for low-income aspiring entrepreneurs, from writing a business plan, through obtaining a small business loan and getting business, legal, and technical assistance, to establishing their start-up business in a business "incubator"--usually an old building that has been renovated for this purpose within a historically "underserved" neighborhood) and we do offer a "Riba free" financing alternative (as part of our loan program). However, this consists mostly of a "buy-sell agreement," where a grocery owner needs a new walk-in freezer, for example, and we would purchase it for, say, $5000 and resell it to him with a 10% profit (and he would be able to pay for it over time). Of course, we do get into long explanations with our (mostly) Somali entrepreneurs when the amount they have to pay exceeds $5500.... But that is another discussion.
I was trying to find out if there are other practical Islamic financing options for small businesses, beyond the "buy-sell agreement." Small businesses, of course, need start-up working capital or need to have a space remodeled or electrically rewired or upgraded (plumbing, for instance)--all beyond the scope of a straightforward buy-sell scenario. Are there institutional "good loans" in Islamic financing, and, if so, how does the institution make a legal profit? Or if 10 Muslims came together and invested $5000 each in a small start-up business, what kind of contract would regulate their contributions over time (whether they are working or non-working partners) and for what time limit? These are the types of questions I am trying to answer, as

well as become educated in alternatives I have never even considered, but that, I am sure, have been successfully developed and applied over our 1400 year history.

2. Briefly about me (I usually don't like to do this, but I feel this would give you a better picture of where I'm coming from--no pun intended :)). Alhamdulillah, Allah SWT guided me to Islam 23 years ago--the best thing that ever happened to me. My grandparents came from Syria and Lebanon and settled in Egypt many years ago; they were mostly Greek Catholic and Greek Orthodox. I was baptized in the Roman Catholic Church (to avoid any conflict between the two previously mentioned churches). I went to a French Jesuits school in Cairo, where I got an excellent basic education (but argued my way out of religion class at age 16 and out of any kind of formal religious practice--Catholicism did not answer any of my "important" teenage questions), then to the American University in Cairo, where, after studying physics and mathematics for two years, I finally obtained a degree in English and comparative literature (French and Arabic).

After college, I worked in Kuwait from '78 to '85, then went back to Cairo for a year, where I met the lady who would become my wife, got reintroduced to Islam (seriously this time); we came to the United States in 1986, I became a Muslim--Alhamdulillah--and we got married. Today, both my wife, Magda, and I are quite active--Alhamdulillah--in educating non-Muslims about Islam. I'm 56, but I have so much more to learn and teach, InShaAllah.

3. Dear Dr. Kahf, I have come to realize in the last few years what an "oppressive" financial system the world has been living in. And I know in my heart (if not through direct practical knowledge at this point) that Islam does provide solutions to remove such oppression. The time is so ripe, right now, for an Islamic financial alternative that will replace oppression with justice and equity. How great a da`wah boost that would be if we could provide relief from what oppresses people most in this and other countries--debt that results from interest! And it does not need to start on a grand scale; it can start with a simple program of true interest-free financing of small startup businesses at the neighborhood level--a sort of modular program that can be replicated locally anywhere!

I know I may be dreaming, but I am so passionate about finally applying what we have been given in the Qur'an by our Lord and Creator SWT for our benefit and success in this world and in the hereafter.

Forgive me for a longer letter, but it is not every day that an ordinary person like me can communicate directly with a real scholar. And for translating Dr. Al-Qaradawi's wonderful book about Zakah you have, Dr. Kahf, my highest respect. May Allah SWT increase us in knowledge and guide us to the deeds that HE SWT approves of and accepts--Ameen.

Respectfully,

Samir

PS. I wish Dr. Al-Qaradawi would update one of his older books: مشكلة الفقر وكيف عالجها الإسلام t is also so much needed today!

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. Samir

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

First, Kull ‘Aam wa’antum bi Khayr.
You gave me a lot of inspiration in your questions and story. The practical approach to poverty alleviation is very different from the theoretical discussions. As you notice educating and rehabilitating the poor is the most important ingredient of this process.
How about creating an Islamic organization for this purpose here in America to which you provide the practical experience?
I can describe to you here some other interest free contracts that provide venues for other financing needs and we can develop the contract in such a way that is consistent with the law of the land:
Istisna’ is the contract that answers the needs for repair works of a shop where you combine material and labor cost you add a profit mark up and price it to the small entrepreneur, Musharakah and Mudarabah accommodate sharing the profit between partners, some of them may be dormant (in Mudarabah) yet they share profit. All these contract provide an exit to the financing institution through time limited partnership and a given number of installments in Istisna’ similar to installments of Murabahah (sale of credit as you described it).
We can start this Islamic organization of micro finance (that I like to see it non-profit) with seed money from donations and borrowed money (goodly loans only) but once it has some past record it can qualify for government grants. There is a possibility that we put it under the banner of Islamic Relief if you know this organization? My disadvantage is, in addition to my age, that I am still working in Qatar, teaching Islamic finance so that most of the year |I am physically overseas.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Shamir
Sent: Saturday, September 04, 2010
Question: University funding
Salam Alaykum Sheikh and uncle,
I asked a sheikh from my local masjid about university loans, he said to take a student loan with interest will remove the blessings from my studies. Uncle please help me as I'm only 17 and don't understand the intricacies of Islamic finance, can you think of any way for me to fund my studies? My parents don't have much money either and it will cost at least £13000 for four years and possibly £32000 if the government stops subsidizing the tuition fees.
Uncle I really need to know of some way to fund the degree in a way that Allah will keep the blessing in my studies.
JazakhAllah Khair,
Shamir
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. Shamir

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
I see the student loans when loaded with interest as Haram and forbidden as any other loan. I suggest that you should finance your study by scholarships, merit and other grants and by work and study. You don't need to be full time in universities if you need financing and find no other sources.
Interest based student loans are Haram except in cases of necessities that may arises while one has other financing plans but some unexpected events happen that distorted the finance plan and make a loan necessary to salvage a current situation.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Rajack
Sent: Friday, August 20, 2010
Question: Interest money
In the name of Allah, the Most-Merciful, the All-Compassionate
"May the Peace and Blessings of Allah be Upon You"
Praise be to Allah, we seek His help and His forgiveness. We seek refuge with Allah from the evil of our own souls and from our bad deeds. Whomsoever Allah guides will never be led astray, and whomsoever Allah leaves astray, no one can guide. I bear witness that there is no god but Allah, and I bear witness that Muhammad is His slave and Messenger.
Bismillah Walhamdulillah Was Salaatu Was Salaam 'ala Rasulillah
Dear Professor.
I hope my correspondence reaches you in High Islamic spirit and you are in excellent health. Please spare some of your precious time and kindly enlighten me on the following:
A Muslim Brother who is a civil servant has a Bank savings Account where his salary is directly credited and thus deriving interest therefrom. At the same time there is an Islamic School (Madrassa) is planning to erect a concrete wall around its building and also wish to asphalt (tar) its yard.
The Brother wish to dispose the interest money as a donation to the School to be spent specifically for the above mentioned work.
Please advise accordingly and treat as urgent.
With thanks.
Wassalam.
A. Rajack
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. Rajack
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Thank you for the email and Happy Ramadan Mubarak to you and your family and our dear brothers and sisters in the cooperative.

It is permissible to use this interest money for building the wall and making the yard in the school. I personally prefer to use interest for giving food to the poor and needy because that is more urgent. But it is permissible to use it for any other benefit to the community at large, improving the school building is one of these things.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Rauf
Sent: Sunday, August 15, 2010
Question: Financing education
Assalaamu Alaikum Sh. Kahf,
I pray that you are doing well, InShaAllah.
Shaykh, I wanted your advice on education-financing products.
As you know in North America post-graduate education can be very expensive. It is more expensive in the US than in Canada. Most students end up taking student loans through government sponsored financing institutions or just plain bank loans. Ultimately, students end up with a large debt by the end of their education period. And unless they pay it all out within 6 months they will be paying interest on the outstanding debt (Law in Canada).
Interest-free loans, though useful, are not always available unless you have some contacts.
I have been doing some research and now with the Islamic Banking education from INCEIF, it has been very helpful in guiding my research as well as product design. I am thinking more along the lines of a sort a "public-private investment fund" that somehow brings government funding as well as private investors together to fund education as a form of investment. I know educational services in and in itself are not an asset, but could these be structured as an "investment opportunity" for investors/financiers?
How would you frame our education financing issue? If you have come across a practical model and/or institute that has done it well, I would appreciate if you could introduce it to me or point me in that direction.
I was really hoping to see you in KL and benefit from your knowledge, Unfortunately I am tied in Canada.
Jazak ALLAH Khayr.
Was-salaam
Rauf
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. Rauf
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Thanks for the email and sorry for the delay, I had a serious computer problem that I hope is solved now.

Education is a service that can be financed commercially on quasi-Murabahah basis. Exactly as Murabahah you buy the credit hours and sell them to the student. Also you can provide housing service and buying other needs on a credit card like arrangement. Where you issue a credit card with a given amount usable for certain goods and services and all its amount plus markup will be due on a given way in the future. Of course it needs a suitable infrastructure.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Monzer Kahf

Assalaamu Alaikum Sh. Kahf,
I pray that you are doing well, InShaAllah.
Shaykh, I wanted your advice on education-financing products.
As you know in North America post-graduate education can be very expensive. It is more expensive in the US than in Canada. Most students end up taking student loans through government sponsored financing institutions or just plain bank loans. Ultimately, students end up with a large debt by the end of their education period. And unless they pay it all out within 6 months they will be paying interest on the outstanding debt (Law in Canada).
Interest-free loans, though useful, are not always available unless you have some contacts.
I have been doing some research and now with the Islamic Banking education from INCEIF, it has been very helpful in guiding my research as well as product design. I am thinking more along the lines of a sort a "public-private investment fund" that somehow brings government funding as well as private investors together to fund education as a form of investment. I know educational services in and in itself are not an asset, but could these be structured as an "investment opportunity" for investors/financiers?
How would you frame our education financing issue? If you have come across a practical model and/or institute that has done it well, I would appreciate if you could introduce it to me or point me in that direction.
I was really hoping to see you in KL and benefit from your knowledge, Unfortunately I am tied in Canada.
Jazak ALLAH Khayr.
Was-salaam
A Rauf
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. Rauf
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Thanks for the email and sorry for the delay, I had a serious computer problem that I hope is solved now.
Education is a service that can be financed commercially on quasi-Murabahah basis. Exactly as Murabahah you buy the credit hours and sell them to the student. Also you can provide housing service and buying other needs on a credit card like arrangement. Where you issue a

credit card with a given amount usable for certain goods and services and all its amount plus markup will be due on a given way in the future. Of course it needs a suitable infrastructure.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam

Assalaamu Alaikum Dr. Kahf,
Ramadan Kareem to you and your family!
Alhamdulillah, we have been progressing towards offering small-scale financing services within the community. We are starting off with used-vehicles, home appliances/renovations, and now looking at education financing. We will be starting out small, in the range of $5K and then raising the bar as we go along.
You had mentioned that education could be financed using quasi-Murabahah. If I understand it correctly, the process would work the following:
1. Student approaches us for education financing
2. We buy the course for the student (pay for the course)
3. We charge the student a mark-up price for the course we paid
Am I missing any steps here?
As well, could do a similar arrangement for professional services financing? For example, if a commercial organization would like to retain accounting or legal services and is looking to finance those services, we could do it based on Murabahah? The reason I ask this is because there is some confusion on the treatment of "Goods" as assets while "Services" aren't. Hence, there is the issue of ownership, I.e. can we "own" a particular service such as accounting service. Since ownership of the asset is required in selling under Murabahah, knowing the ownership status in trade of assets would be important.
Jazak ALLAH Khayr,
Was-salaam
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. Rauf
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
The Steps are correct. In services such as education the condition of possession is dropped because in possession one consumes the service and there will be nothing to sell. Please notice that financing education is similar to outsourcing services. Don’t we contract a company to provide us with a service of professional, just add to the outsourcing the finance element that is the time difference between the time we pay the company and the time it pays the professional, the finance provider pays the role of a company that pledges to give a student the service of a given number of credit hours and the student pays later. Add to it that in Shari’ah services are considered Maal/property for all transaction purposes. But it is a property that can be sold without the condition of possession because it does not apply to this kind of Maal.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin

Wassalam
Prof. Dr. Monzer Kahf

From: Dr. Muniruddeen
Sent: Sunday, August 15, 2010
Location: Mauritius

Question: cam interest money be given as Zakah?

Dear Prof Dr. Kahf,
Assalamualaikum Warahmatullahi Wabarakatuh,
Ramadan Kareem,
I pray that you and the family are all well by the grace of Allah.
I wish to inform you that the article was published in two local newspapers here.
Some people responded and wanted more details. We hope that it could be debated and the Government will InShaAllah allow deduction of Zakah from CSR.
I have two inquiries to ask,

1. Some people are saying that interest money can be give as Zakah. According to my knowledge, it could be given as a charity and except no reward from it. But to use it for Zakah payable is not correct. Technically, it one earns interest from his bank account, the money is put aside for charity, and Zakah is computed on his wealth.

Can you kindly enlighten me on this matter?

2. Can we estimate the amount Zakah for Mauritius?

Population: 1.3 Million
Muslim percentage: 18%
GDP: $9.156 billion (official exchange rate)
I recalled from my lecturer many years ago that we use this formula.
Muslim share of the GDP: 9.156 * 18% = 1.648 Billion
1.648 * 1/8 = 206 Million
1/8: I do not remember what the 1/8 represents?
Or is this correct.
Jazak Allah Khair,
Munir

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. Dr. Muniruddeen
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
I am glad to hear about the response to your articles in newspapers
For the two questions please note the following:

1. Interest earned on a debt (e.g., saving account with a bank) is in fact not earned according to Shari'ah. It is not the creditor's (saving account owner) money. It is still owned by the person who paid it and due to be returned to it. How can you give as Zakah money that you do not own. Interest is not only not owned but also forbidden to own it! Zakah is due in property one owns and it is a part of these properties that is given on the basis of Tamlik to the poor and

needy. Can you give what you do not have? The point of giving it to Muslim charity comes from this fact coupled with the fact that it is wrong to return it to the bank. Suppose this interest is paid by a natural person debtor to a Muslim creditor, in this case it must be returned to the payer rather than given to Muslim charity because the debtor still owns it. Of course this is provided the debtor is not Riba practitioner. The reason that we give it to charity is because we do not want to return it to a Riba practitioner. By giving it to Muslim charity we are preserving the cleanliness of our own property and avoiding mingling it with interest that is dirty money.

2. The calculation of Zakah cannot be done based on GDP. Zakah is essentially on wealth plus certain income items such as gross agricultural output and the saved part of income. I Do not know of a formula that uses 1/8. Sometimes we use capital output ratio to estimate wealth from income. This can be used for the non-salaries components of GDP but capital output ratio is normally higher than one not a fraction like 1/8.

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

From: Aquib
Sent: Saturday, August 07, 2010
Location: New Delhi, India

Question: **Discounting bills of export**

As salam-o-Alaykum
Dear Dr. Monzer Kahf

Here, I am Aquib Khan of Shahid Group of Industries, New Delhi, India, as executive Accountant and Finance Officer. I have joined this firm a week earlier after completing my Post Graduate Diploma in Islamic Banking and Finance from Aligarh Muslim University, Aligarh, India.

As I have in the field of Islamic finance, the Director of the company Mr. Abdullah wants me to Search the avenues to raise the funds (about 10 crores) for the expansion of his retail business I.e. store99 in Shari'ah compliant manner.

The problem is that the FDI is not allowed in Retails in India, so please direct me on these two questions mentioned below:

1. As one of the segment of the Industry in Export. So, on this part my Question is that can we discount the bills of export to raise the fund for our business? Guide me in the light of Shari'ah regulations.

2. My 2nd question is that in our store/retail business most of the high profile people SWAP their Credit Cards for the payments. In this regards, can we discount this Credit Cards collection to raise immediate funds?

Waiting Eagerly for your Reply.

We the students of Aligarh Muslim University had met you in the International Conference on Islamic Finance, Organized at Islamic Cultural Center, and Lodhi Road New Delhi on 3rd and 4th Feb, 2010.

Plz kindly reply on the provided mail addresses.

Zakallah.
Aquib

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. Aquib

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

1) Discounting bills of export is not compliant with Shari'ah; it is in fact pure interest that is prohibited in the Qur'an and the Sunnah. It is a present value against a face value of the debt that has future maturity and higher amount. This is exactly the definition of Riba. you should notice that while Shari'ah does not allow any difference in debt because of maturity (I.e., no time value of debt that is usually called time value of money), it does recognize time value of commodities meaning that a commodity may be sold at a higher price (than the cash price) if payment is deferred. This leads us to:

2) You can reformulate the same in such a way that makes it permissible Murabahah. Sell cash to the factoring company and it sells on credit to your importers.

3) I don't understand the question about credit card. The way I know it is: when a customer pays by his credit card the seller gets its money immediately or upon depositing the slips in his account. It is a max three days. What do you mean by "discounting credit card collection"? However, if a sale is done and the credit card swapping means giving a grace period to customer to pay, discounting this debt is also not Shari'ah compliant.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Rifai

Sent: Friday, August 06, 2010

Question: **Personal Loan from an Islamic bank**

Assalamu Alaykum Dr Kahf,

Currently Dubai Islamic Bank has introduced personal loan similar to HSBC Amana. With my limited knowledge I don't see major differences. I understand HSBC Amana is a Tawarruq method.

This is how DIB works

Can I borrow money with the type of transaction mentioned in DIB website?

Barakalla Feeq

Jazakallah

Rifai

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. Rifai

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

This is Tawarruq too, it is the same using Salam instead of Bay. Just putting the contract of deferred sale first and the other up front. It is not permissible in Shari'ah. The criteria for permissibility is when the commodity is intended (not by checking the hearts of people but by the structure of the transaction itself) for itself by a user of that commodity.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Fawad
Sent: Thursday, July 29, 2010
Question: Interest on taxes
Assalam Alaykum Dear Dr. Monzer,
I hope you are all well by the grace of Almighty.
I have a question regarding payment of interest on taxes owed to government. After some adjustments IRS determined that I owe a small amount in interest.
I have requested them to waive it based on religious grounds. But I am not very hopeful of a positive answer.
I am more likely going to pay and I have strong feeling that it falls into the category of doing something under compulsion. To my understanding there is no sin on a person if he is forced to do something without willful disobedience. There is nothing more I can do except for ask them to waive it. Please provide a scholarly view in the light of Quran & Sunnah.
JazakAllah Khair!
Regards,
Fawad
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. Fawad
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Of course when one is coerced by the laws of IRS what you have to pay whether interest or penalty becomes permissible to pay without sin. But take the lesson and try not to fall under such conditions in the future. I agree with you on not expecting the IRS to accept your request.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

Assalam Alikum Dear Dr. Monzer,
Thank for your reply. I am very clear on this now after your explanation.
Also, when we deposit money somewhere (for example, rental) they put the deposit money in savings account and at the end of rental term send you cheque with deposit amount plus the

interest accumulated. In these situations we don't have any control over it as to what they do with the money, and it is usually their normal procedure.
I hope that this situation also falls under the same criteria and there is no sin on us. What I normally do is take out the amount of interest and give in charity. Is this the correct approach islamically?
JazakAllah Khair
Regards,
Fawad
My Answer:
Yes, you are correct in no Sin InShaAllah and in giving interest to Muslim charity
Monzer Kahf

From: Muhammad
Sent: Tuesday, July 06, 2010
Question: Running business on banks' funding
Assalamu `alaykum wa rahmatullah wa Barakatuh
Dear Dr. Monzer,
May Allah increase your knowledge; please, help us answering this question.
My father has three businesses in Dubai. In running those businesses he took the support of banks...later proper feedback was not put into business as funds were used in different purposes, resulting in losses and debts. Now we realized that running business through banks' support was a mistake and we are worried how to face our debts. Please enlighten this issue in the light of Islam as I don't know whether it is lawful to take support of banks to grow in business?
Muhammad
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. Muhammad
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
First, Dubai has several Islamic banks and there is no reason or justification to take conventional bank loans whatsoever. Any interest-based loan in Dubai is Haram. In fact it is also Haram in all other places but I said Dubai because in Western countries there may be sometimes necessities or quasi-necessities that call for relaxation of the prohibition or tolerating exceptions of the rule.
Second, debt if not interest based is not Haram of course and it is permissible for any business to incur debts and give on credit to customers. Businesses always choose an appropriate balance between equity and debts depending on many factors. This is of course left to experience and circumstances; Shari'ah does not set any level to either.
Finally, it is not permissible to take interest-based finance from any bank to grow a business but it is permissible to take financing from an Islamic bank for the same purpose.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin

Wassalam
Prof. Dr. Monzer Kahf

From: Ali
Sent: Tuesday, July 06, 2010
Location: Kenya

Question: Invoice factoring

ASALAM ALEIKUM,
We are doing business in Kenya, we would like to know what is the islamic point of view on INVOICE FACTORING, is it halal as the conventional companies or banks do it? Or if this is not Halal can it be made Shari'ah compliant and how?
ALI.

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. Ali
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Invoice factoring is pure Riba.
You can make it as Murabahah, and it will be Shari'ah compliant.
The way to do it is to begin from buying the goods (that otherwise are the subject of the invoice) from the seller on request of the buyer and with a promise that the latter will buy them from you on deferred payment and higher price. This way you pay cash to seller and wait for the number of month of financing.
Many people think wrongly that Shari'ah prohibits financing (as a profitable transaction) itself. In fact Shari'ah allows financing when it is based on ownership (notice you own the goods) and prohibits any increment in a debt (in factoring you buy the debt for a smaller sum than its face value).
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Saleh
Sent: Wednesday, June 23, 2010
Location: Algeria

Question: Paying contracted interest

لا تتصور من ذرا ق حقا لفضل..؛
لسلام عليكم ورحمة الله.. وبعد...
أرجو منكم أخي الفاضل أن تفتوني في مسألة تعاني منها الكثير من الجزائريين،
وقد تتبعت فتاوى قنوات جزيرة من ذا شاهد من برنامج الشريعة والحياة معكم ومع الأستاذ عبد الرحمن الشريم حول الربا،
وقد أفتيتم في الحالة التي أذكرها:..
بجواز التوسط بين البائع الأصلي والمشتري النهائي في عقد مرابحة للآمر بالشراء بأن يقوم المصرف الإسلامي بشراء البضاعة من البائع الأصلي ثم بيعها للآمر بالشراء بثمن مؤجل أعلى من الثمن الذي اشتراها به..
وهذا الرأي يخالف رأي الجمهور من الفقهاء الذين يمنعون هذه المعاملة حتى تتخلص السلعة من البائع الأصلي...

يجوز دفع المال سيل الخروج من الربا.. ولا يطبق عليها صفة الربا، لأنها ليس في ها عامل الزمن ..وليس فيها دائما مقابلة مطلوبة دفع ها مسبقاً...

حيث إني قرأت في مذكرات من ذرية بن، وبوليصة قرض من بنك بريوي، قطعة أرض لبناء مسكني ولكتابة وصية لي ..، بعد أن أنهيت عمارة المال عام مضي، والحمد لله،

لجأت لبنك إسلامي لتمويل المبلغ وتسديد القرض بالسرعة للخروج من الربا، (مع أن شروطه أصعب وهامش الربح أكبر..(

وقد وافق البنك الإسلامي على تمويل المشروع.. مع تسديده قرض شراء الأرض..، ولكن مع تردد خصوصية في الموافقة البنك على مضي المدة والمطلوبة تسديدها عن المدة السابقة على تصفية القرض الأول.

وحيث أنه ليس بإمكاني التفرغ لتسديد هذا الدائن مضي المدة لتصفية الدين مع البنك الربوي فسأجبر حينها على المواصلة والاستمرار مع البنك الربوي لإنجاز المشروع وإعادة جدولة الدائن مضي المدة مع أصل الدين وفوائد تبلغ إنجاز المشروع...

وقد طلبت من بنك الإسلامي تزويدهم برأي الشرعي بخصوص جدولة الدائن مضي المدة والمستحقة سابقاً بأسرع وقت ممكن لعرض ها على الهيئة مجدداً والبت بالموافقة من عدم ها على التفاصيل ها...

فأفيدونا برأيكم الشرعي أفادكم الله، وأقذونا من الربا. نأقكم الله وجازكم بمثل خير في الدنيا والآخرة.....

وشكراً جزيلاً لتفهمكم سرعة الجواب.. ولسلام عليكم ورحمة الله وبركاته....؛

ملاحظة: لقد وجدت صعوبة، لم أعرف كيف أدخل إلى موقع بالغة العربية...؟؟

صالح

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. Dr. Saleh

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Sorry for answering in English, it is easier for me to type it.

I would never say that past interest is permissible and I did not say that in the past, not in that al Jazeera program. And the bank may have a good point in refusing paying it and you may have to find other means to pay it.

My opinion on this matter (this is what may have confused you) is: if you contract an interest contract, it is sinful and haram (except under necessities that do not apply to your case and its application is extremely very rare because in necessities' situations banks do not give loans), and you remain under that sin until you settle this contract. To settle you may have to pay all past due interest and you MUST PAY IT BECAUSE YOU CONTRACTED IT, this must pay it does not mean with no sin, it is an obligation because it is a contract that is valid by law and you must not expose yourself to violating of law and be dragged to courts. But of course the sin of contracting a forbidden contract is there and InShaAllah the reward of repentance will overweigh it. Of course you always should make effort to negotiate with the bank to reduce interest to as low as possible. In other words, it is a must to pay and it is sinful at the same time. Remember you brought this paradox to yourself by contracting a forbidden contract that is valid under law of the land.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: sohail

Sent: Sunday, April 04, 2010

Question: Interest, it has ruined me!

Dear Brother, I need to understand, need guidance from your esteem scholars regarding my problem. I am 42 years of age, married with 5 children, my eldest son is a Hafiz -e-Quran, I have tried to live my life as much as possible as a good person, but due to lack of working capital I have taken loans from people with monthly profit, they do not share in my loss, over the past 2-3 years I have suffered heavy losses in my business, therefore, I am unable to pay them their principal and the monthly profit, but these people some of them who are in appearance strict observing Muslims don't understand and are unwilling to give me any relaxations, whereas I have paid them so far more than their principal amount in monthly profits, I have honestly told them that I am unable to pay them their monthly profit but they still insist and put pressure on me to pay them, I am unable to even meet my family's basic needs because of this. I realize that I have done grave sin, but why is that I am only suffering and the person who is taking the profit are not, they are thriving, infect on of them even went for Umrah and one went to Hajj last year, but they still demand their profit from me, I begged them, requested them to stop the profit and receive only the principal in installments, but they do not listen. I pray regularly, but now my Iman is very weak I have repented asked Allah's forgiveness but my problems do not go away, the more I try the more my problems get worse. It is now the situation that I am away from my family for the past 2 months. Please help me and guide me as to what I should do and how in the light of Shari'ah I deal with these people whom I have paid more than their principal amount in profits over the last 3 years. Please help me I am very disturbed and need guidance.
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 Br. Sohail

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

The fact is: the contract of getting investment on the basis of a given amount profit per month with no contribution to losses is not permissible. This is a Riba contract and it is invalid from Shari'ah point of view. Further if this contract is permissible by law where it is done, you have to fulfill it inspite of the sin involved in it.

It seems that at present, the only solution is to have an amicable agreement with them to accept any way out of this contract. The contract, as you described it, is in gross violation of Shari'ah and it is sinful to make and to keep running, it is prohibited to both of you lender and borrower.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Sara

Sent: Sunday, April 04, 2010

Location:

Question: Renting or buying a home

Bismi Allah Al-Rahman Al-Rahim

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
I just found out about your website, Al-Hamdulillah, and we would be more than happy to hear your opinion regarding our case. My husband is Syrian, I am European and converted Muslim (Alhamdulillah).We live in Norway for 4 years, and we intent to stay here and build up our own family(Insha'Allah).We are renting a modest flat in Oslo, and we pay about 1000 euro monthly for it (it's a normal rent for this city and country).We are practically paying the owner's loan as it's taken also from a bank. We moved to this flat one year ago when the owner of the previous rented apartment started to grow up the rent. We preferred to take this one, being close to Masjid, so my husband can perform daily the Fajr prayer to the Mosque, and both have the jobs near the house. In Norway there is no Islamic Financial Institution yet, the State Banks are providing among others, the following solution: They buy the house (example: with 150 000 euro),I sign a contract with the bank to pay monthly installments for 30 years(800 euro per month),so the final price for the house is going to be (288 000 euro).Is it permissible to take such a loan with the condition that the monthly installment will not increase over the contracted amount? And in case of advanced payments from us, the monthly installment will decrease gradually?
Hope to hear from you soon, and may Allah reward you for the efforts to guide on the right path the Muslim communities all over the world!
Best regards, Ammar and Sara

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. Sara
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
This is an interest loan, no doubt about it. You know that interest is prohibited.
Religion and its Shari'ah are sent down from God to human beings to make their life better and more joyful. This means that when certain adversary circumstances may happen we either bear with them until they change, change these circumstances or sometimes relax the ruling. Relaxation of rulings have certain conditions such as necessity or inconvenience that affect a large number of people.
Accordingly, many scholars, including the Fatwa council of Europe and the Second International conference on Fiqh that was held in Detroit in America studied the issue of house purchase when there are no Islamic finance institutions for Muslim minorities who live in Western countries, a case like yours, and came up with the view that because housing, and buying a house gives sense of stability socially and economically, that is necessary to any family and because this matter affects a large number of people and religion is sent to remove hardship and make living convenient it is permissible under these circumstance for Muslim families who live in Western countries to buy a house to live in on interest basis when there are no Islamic finance institutions available. I thing this case applies to your family as explained in the question and I believe you may consider availing of this Fatwa.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam

Prof. Dr. Monzer Kahf

From: Azam
Sent: Saturday, January 30, 2010
Question: Installment sale
Dear Prof.Dr.Monzer Kahf,
Assalamu Alaikum Sheikh.
I need to buy a component for my PC. Its original cost is Rs.7830/=, but I'm not in a position to pay the amount in full & purchase it. There is a monthly installment scheme available for this, for which the monthly installment is Rs.725/= X 12 months = Rs.8700/=.
If I'm to select the monthly installment option, is it permissible under Islamic Perspective?
Jazakallahu Khairan.
Regards,
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
Of course whether the difference in the amount is fair or not that is a matter that you should know about it more than me because it depends on the local market. As regard whether this deal is permissible or not from Shari'ah point of view this I am answering here:
Scenario one: the installment scheme is offered by the same seller. It is permissible provided you make the contract without option in the price. That is you make the contract on 12 monthly installments of 725 each, a total of 8700 with no reference in the contract to the cash price.
Scenario two: the installment scheme is offered by an independent company. In this case the company must by it on your request for the cash price and take delivery of it, then after delivery sells it to you for the price of 8700 payable on 12 monthly installments.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

FATAWA INTEREST RIBA LOANS 2009

From: Mansoor
Sent: Tuesday, December 22, 2009
Question: student loan linked to inflation
Dear Mr. Kahf,
I have a short question regarding the student loan linked to inflation which you have already commented upon on more than one occasion. You mentioned that a small number of scholars

deem it permissible; I would be grateful if you could mention any of them and what general methodology they follow. What I mean is that I only take my fatwas from scholars who adhere broadly to the four Sunni madhabs as opposed to any other historical madhab or Ijtihad opinion.
so:
1. Is indexation something deemed permissible by any scholars historically?
2. The minority who deem it permissible today - to they rely on traditional Usul from the four schools or is it a new Ijtihad?
salaam
Mansoor

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. Mansoor
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
I am sorry I refuse to answer your question because of your incorrect and inappropriate stand on the concept of Fatwa. I believe Fatwa on contemporary issues must abide by the principles of Shari'ah, its Maqasid and its detailed text not by historical views and positions. In fact in our research and studies we are finding several inconsistencies and incorrect positions in the historical schools, Sunni and others. I am Sunni and I abide by Islam only.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Habib
Sent: Wednesday, December 16, 2009

Question: Lease purchase and Student Loans in Islam

Dear Br. Dr. Monzer,
Assalamu alaikum.
I hope you are well. Please see below two important questions on lease purchase and Shari'ah compliant Student loans. I will appreciate your views on the query.
Best regards,
Habib
Lease purchase: My husband wanted to take advantage of the 50% tax rebate on new cars for small businesses and we wanted to ask if it was haram if we purchased a vehicle for his business this way. After extensive research with the car buying companies they said the only way we could purchase this vehicle is through a \'hire purchase\' agreement where they do not charge us any interest except only if we default on repayments. InShaAllah we will not be defaulting because the money is available but we wanted to be able to claim back 50% of expenses through the tax offset available to us. They said that this was the only way available that the Australian consumer law would allow. So therefore no interest would be charged if

payments were made on time. I would like your opinion on this matter before we go ahead and do anything. Please reply as soon as possible.
Salamalaikum
Purpose
A Hire Purchase arrangement is an agreement to purchase a vehicle subject to payment terms to the finance company. You will automatically own the goods when you pay the final payment, different to a lease.
How it works
Term: The term of finance agreement can be from 1 - 5 years.
Deposits: Deposits are not required. You might choose to trade in an existing vehicle in order to put in a deposit to reduce the amount to be financed.
Residual/Balloon: You can choose to have a balloon payment as the last payment of your finance agreement. This balloon payment is usually between 10% - 40% of the cost price, but may be as low as one dollar, dependent upon the equipment. This decision is usually influenced by the level of monthly payments you are comfortable with.
Owner of the goods: The financier retains legal title (i.e.: owns the goods) during the term of the agreement. You automatically secure ownership upon payment of the final installment.
Accounting Benefits: For income tax and GST purposes, a hire purchase agreement is treated very differently to a finance or operating lease. Under GST, a hire purchase agreement is treated as a "taxable supply" on the commencement of the arrangement between the hirer and the financier.
With a hire purchase arrangement, there deemed to be a sale of the equipment from the financier to the hirer, the GST liability arises at the commencement of the arrangement. Even though the total amount payable under the agreement will be paid by periodic installments and ownership of the equipment will not pass to the hirer until the final repayment. The financier, being the supplier, is responsible for the payment of the GST liability.
Therefore the amount financed is inclusive of GST, and your monthly repayments are not subject to GST unless you are on a cash basis for GST. (Seek advice from your accountant). You can claim the interest component of all repayments. The depreciation of the goods is fully tax deductible providing goods are used 100% for business purposes.
The goods you purchase become an asset that shows on your balance sheet for your business. The goods will also be a contingent liability until the end of the finance agreement. You may be liable to pay fringe benefits tax and should refer to the ATO at: www.ato.gov.au/businesses for further information)
You should always seek advice from your accountant on the rules and how they apply to your particular business and equipment.
Please get back to me as soon as possible because this offer is only available in Australia until the end of the calendar year.
Kind regards
Zoubade

Dear Zoubade,
Assalamu alaikum.

Thank you for your email. Though I can give you my views, I do not feel comfortable to give a fatwa (as I do not feel qualified to do so). The transaction you mention is very similar to the one used by Islamic banks (Ijarah wa iqtinah), but of course the contract that will be used is not going to be Islamic. However, some scholars have permitted use of conventional finance if you need the car for business and Islamic option is not available. To confirm this, I am copying this email to Dr. Monzer Kahf (monzer@kahf.com), who may be in a better position to give you an answer.
Best regards,
Habib

Dear Professor Ahmed,
I hope this finds you well.
My name is Alaa' Al-Samarrai and I am contacting you on behalf of the Student Affairs Committee (SAC) of the Federation of Student Islamic Societies (FOSIS) to seek your advice and expertise.
We are currently working on a project entitled "Ethical Student Loans" which aims to promote and make accessible Shari'ah compliant student loans to Muslim students in order to eliminate obstacles in funding for Higher Education. Therefore, we are consulting scholars and academics from a range of backgrounds in order to gain more clarity surrounding the issue.
As you're probably aware, students in the UK are required to pay their tuition fees for University degrees upfront, and the general cost of tuition fees for one year, based on 09/10 figures is £3,225 (subject to change every year). Students have the option of requesting a tuition fees loan from the Students Loan Company which will pay their fees on their behalf. Students then pay this back in installments once they are earning over £15,000 a year, at a 9% cut of whatever they earn above that. Repayments include the cost of inflation (arguably, interest) on top of the sum of the loan itself.
In light of the above, what is the permissibility of student loans according to the Shari'ah? And if it's contradictory, what in your opinion would be the best solution/viable alternative to the problem?
Your thoughts and advice would be highly appreciated.
Best regards,
Alaa' Al-Samarrai

My Answer:
Dear Br. Dr. Habib, Mrs. Zoubade
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
My Answer:
Bismi Allah al Rahman al Rahim
Alhamdu Lillahi Rabbi al Alamin, wa al Salatu wa al Salamu ala Sayyidina
Muhammad, wa ala Aalihi wa Sahbihi Ajma'in
I am sorry that the previous email went without message only by mistake
According to the explanation of the question if this condition is the only violation of Shari'ah or say the only interest clause in the contract, it is OK to take this contract because the choice to pay on time or not is in your hand and you know that you are not going to be delinquent. Then

you are not going to invoke the application of this clause. Same thing we have in credit card. To put it simply; is it not permissible to accept a choice between a permissible matter and a prohibited one and sign my acceptance knowing that I will only choose the Halal?
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

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. Prof. Habib
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Indexation is controversial. There are views that consider it permissible. I personally accept it if it is done on the basis of known inflation rates in contrast to forecasted rates. When it is done on past known rates it is only a matter of preservation of the property of the lender. Suppose the loans are given from a cooperative that obtained funds from donations, wouldn't we like to preserve the funds so that they will not vanish or disappear because of inflation?
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Housam
Sent: Thursday, October 15, 2009
Location:
Question: Paying interest to charity
Dear Dr Kahf:
I have a question and I appreciate your help with an answer
I have currently a retirement account (SEP type) and because of the market status I have it all in a money market account.
I want to get rid of the interest given in that account on a yearly basis, what I am planning to do is to withdraw that amount from the account and pay taxes and penalty on it and then dispose of the rest to charity, is this the right way to do it or I have still to dispose of an equivalent amount to the interest paid without deducting the amount that is going to the taxes and penalty.
Also do I have to get the amount that I need to dispose of from the account or I can pay it out from other source?
Thank you much
Housam
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. Housam
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
You can pay the interest from other resources to Muslim charity.
If you actually withdraw an amount (out of earned interest) and pay on it tax and penalty, this amount that is actually paid may not be considered earned interest because it is a cost of obtaining it, then you can only give the net interest to Muslim charity. What you cannot do is deduct an estimated amount on funds not withdrawn actually. How would you deduct an amount that is not charged?
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

Dear brother
but if I am going to pay the amount of interest to charity from other sources, then I have to estimate the amount that is going to be charged for taxes and penalty to be able to figure out the net amount of interest that I need to dispose of.
Please note that there is no way to avoid the taxes and penalty when withdrawing the amount from the account.
So what should I do if I elected to pay that interest from other sources, do I pay the full amount or pay the estimated amount after taxes and penalty?
Housam
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. Housam
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
In my opinion you cannot do that, part of interest remains in your account because that is an assumption not a real loss. If you actually pay penalty and tax, then you can reduce earned interest by that but how would you reduce it if you did not actually pay it? You claim “I assume” but I still invest the total amount in my account and earn on it interest or permissible return!
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Hisham; Munir
Sent: Monday, September 28, 2009
Question: Loan with processing fees
AA Dr. Monzer,

I wanted to ask you about 0% Apr credit card loans while they take 3% processing fee for the loan. Is that allowed given that I plan to invest the money for a short period of time and pay it all back before the time comes when the interest fee starts kicking in.
Your response is highly appreciated.
Munir

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. Munir
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
This processing fee include interest for the transfer. Processing of a loan may take ten or twenty dollars. Any amount taken beyond the actual cost of processing (literally the actual) is considered interest. Interest on a loan does not have to be periodical, percentage of principal or a function of time. Rather: any increment on the amount of the loan is interest.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

AA Dr. Hisham and Dr Hussein,
Belated Eid Mubarak to you and your family.
I had a question that I have been searching for answer for and emailed
Dr. Monzer Kahf about (You probably know who Dr. Monzer is). The question is listed below, and Also Dr. Monzer' s answer is listed below.
May you please share with me your input on the matter.
"I wanted to ask you about 0% Apr credit card loans while they take 3% processing fee for the loan. Is that allowed given that I plan to invest the money for a short period of time and pay it all back before the time comes when the interest fee starts kicking in."
Baraka Allahu feekum.
Wasalam,
Munir

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. Munir and Hussain
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
I don't like this back and forth when we deal of a Fatwa.
The 3% charge collected by a credit card company is interest because it is way above the actual cost of processing a loan on the credit card.
If you take cash from a store and the store manager/owner asks you to pay the merchant fees that he pays to the credit card company that is usually

2-5% because he is only doing you a favor by giving you cash and he should be compensated for the fee charged to him by the company. In this case the owner is correct and right but whatever you pay as a cost of taking the cash is again interest because it is not a real cost of processing a loan but an increment on the loan. This is interest.
When you go to a merchant and he asks you to pay extra if you pay by credit card for what you purchase (in the Middle East, Europe and in America too) is a different matter. Some merchant's cuts their profit to a minimum that does not include the charge of the credit card (by the credit card company on the merchant) this is why they do not like to take credit card but if they have to they ask for an extra 3%. This is not Riba but pure permissible sale. It is more common in the Middle East because use of credit cards is not as common and because of they cut more edges on prices. It does exist in America and Europe in some gas stations and small retail shops. Of course large stores have more profit margin that they do not need to do that.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

Salam Br. Munir,
I am cc'ing Br. Dr. Monzer above who is known as an expert on Islamic finances. I had the honor to host Br. Monzer in the 80's when I was at Stanford when I was active in ISNA as a West Zone representative.
I myself agree with Br. Monzer on what he said. There is a huge difference between buying things using a credit card and taking a loan on your credit card. The first one gives you around 45 days to pay in full with no interest incurred while the latter charges you interest from the first day. That is why I have my credit card linked to my checking account and deducted in full at the end of the month from my checking account.
Any transfer usually costs around $20; the strange thing is that overseas like in the Middle East, most stores add 3% to the price if you use a credit card which is illegal if reported to the credit card company.
Salam,
Hussein

Walikum assalam,
Jazakum Allahu Khairan,
I asked for me personally as several people brought the issue up recently and they are practicing it. They take the money and invest it and before the due deadline they will pay it back in full and not incur any interest charges. I have close relatives who did that.
It seems from what you are saying that the "transaction" fee being 3% of the borrowed amount is too high and is considered interest even if they are masking it and giving it another name (tala3ub fil 'asmaa').
I looked online, including Islamonline, and couldn't find a clear answer for this question. Maybe this is a good time to have a written answer from qualified people like you.
Wasalam,
Munir

Assalamu Alaikum Munir,

I have not had the pleasure of meeting Dr. Monzer to this moment. I have met several of the younger "Kahfs" and have always held the family in high regard. May Allah bless them all. Now that I am in New Jersey, I have a chance to meet more of them Insha'Allah.

I agree with everything said so far about this charge being interest. I do, however, want to bring up the Hanafi provision for Muslims living in non-Muslim countries to be involved in contracts that would be prohibited under Islamic law, including those involving Riba. Some scholars might allow borrowing money the way you describe based on the hanafi provision. One of the key reasons behind this provision is that Muslims should not be put at a disadvantage, because of being Muslim, in a system that is not based on Islam. We have discussed that in the past in some of my classes and analyzed a lot the pros and cons of adopting such a position. In the case you describe, however, I don't think the hanafi provision applies. The main reason I think so is that a person taking such loan is assuming the entire risk of the business they embark upon. So, in case of loss, the lender would be left with having to pay back the loan, most likely with interest that would keep accumulating for as long as they are unable to repay in full. I am just bringing this up in case someone argues. w'Allahu A'lam.

Hisham

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 All

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Please notice that this Hanafi position does not apply except for Muslim in the occupied land of Palestine, WE ARE NOT IN DAR HARB LIVING IN AMERICA. It is a false argument. Besides, applying it in America and Europe falsifies any need for Islamic banking and finance and any effort to create them in these lands.

Please do not cc me of any further dialogue on this matter!

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Ali

Sent: Monday, September 28, 2009

Location:

Question: interest money

AssalamuAlaikum Brother

Thank you very much for your valuable time. I really appreciate all the effort you have put into your website. It has been a valuable source of information for me.

Please could you guide me for the following points?

1 - In the UK the government provides new born children with £250 to invest in a trust fund or savings account. Now the only one available which is 'Shari'ah compliant' is provided by the

children's mutual. This company is mainly a company that deals in interest and invests in haram organizations, but provides this service for Muslims (similar to HSBC bank). They invest money according to the FTSE Shari'ah Islamic Index. This index requires investors to pay 5% of any dividends. I believe this is also the same with the Dow jones Islamic index. I have read in many fatwas that purification is also required of any capital gains. Now because these indexes do not stipulate purification on capital gains, does this mean that these are not in fact Shari'ah compliant, and is my Childs money that is in this account halal? Otherwise I could deposit money into a traditional interest bearing savings account and discard of the interest.

Purification is required of both dividends and capital gain, if you cannot acquire info you should do it to the best you can guess.

2 - The Islamic bank of Britain invests savings of their investors according to the FTSE Shari'ah index. Therefore only pays purification on dividends and not capital gains. Should I deposit my money with the IBB?

Yes you may deposit with it because it is better than conventional banks, you still make a guess on the purification of capital gain

3- On IslamOnline.net an Egyptian scholar said that money from shares should not be used for Hajj as this money is doubtful due to company involved in interest. Is this the case with money deposited in Islamic banks that follow the Dow Jones and FTSE Shari'ah index where only money from dividends are purified and not capital gains. If this is the case is it better for me to invest in 'islamic bank' or a traditional bank.

Money from interest should be given to Muslim charity and must not be used for Hajj or any other spending of yours because it is not yours! Money from Shari'ah compliant investment can be used for Hajj. OF COURSE, Shari'ah compliant investment in the West requires purification as mentioned above because this investment is based on tolerating small evils! Remainder can be used for Hajj.

4 - My family bought the house we live in 1999 on interest mortgage. They did not look for a islamic mortgage, but there was none available at that time anyway. In 2007 my brother and I purchased another house to rent out. This was again on traditional mortgage. My brother done all the dealings as I didn't know anything about it. We bought it so when my family and my brother's family grow, we have enough accommodation. My question is, if this transaction is haram, does it mean that when one of us lives in it in the future we will be committing more sin? Any surplus income we make from it through rent - is this haram? If for some reason we sold the house, would the proceeds we make be haram?

It is not Haram for any of you to live in this house, this reduces the mistake! Price differential should you sell it is not really Haram because it is a difference in value of house not on the loan. Yet, the fact that it is bought by interest loan make a serious point that needs purification through charity and good deed, there is no amount of this charity and its maximum is the full price differential

Ali

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. Ali

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Please see my answers in red below the questions:
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Wael
Sent: Wednesday, August 26, 2009
Question: giving from interest accounts to a Muslim daughter
Salams
Dr. Monzer, pls. help replying the following question:
Assalamualaikom, I am a Muslim woman married to a Dutch man for 8 years and has a daughter of 5 years. My husband was a Christian but converted before our marriage. Now he started saying that he really never converted for real and has been always a Christian. I am going for divorce and planning to go back to my country of origin InShaAllah, my questions are the following:
1- I need some financial help to buy a house for me and my daughter; can he take a loan from a bank dealing with Riba (he will take it to give it to me)?
2- He will pay for his daughter every moth a given amount of money, is it Halal money as he is non-Muslim?
3- Whenever he dies does Islam allow his Muslim daughter (InShaAllah she will be brought up as a Muslim) to inherit him as he is non-mole?
Jazakom Allahu khairan and don't forget me with DUAA hatta yuthabbetni Allah.
Wael
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.
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
May Allah help you and give you the strength to hold on to His Straight Path.
1- If the father of the girl takes a loan on interest and give you the money, the Riba is his responsibility and you take the money free of Riba. It is Halal to take this money and use it to buy a house.
2- It is also Halal to take the money you need for the girl and for yourself from the father as long as you are the care taker of the girl until she grows out of your need and out of his need. This money is the father's responsibility even if he turn back from Islam.
3- If the non-Muslim father and his Muslim daughter were living under Islamic family law, she does not inherit from him. But if he lives under Dutch law and you and the girl live in a different country she can take whatever he assigns to her in his Last Will (by the way, you can also take anything he assigns to you too) or by law of his land because this is not considered inheritance. This is a last will and Shari'ah does not apply to him, he can assign anything to anyone. Also getting by virtue of the law of his land is not inheritance (from Shari'ah point of view) because

our inheritance system does not apply to non-Muslims in their land. In fact, it is not fair to apply our laws to them in their land.
I like to add that there is another face to this matter, in this special case where the father turned from Islam back to another religion. Is it permissible to do so? If it is not permissible, then we only recognize this change of religion in matters that do not affect the rights of others. In other words, his responsibility toward his daughter and her inheritance from him goes by the Shari'ah but his living with you goes by his turning back to other religions.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Azam
Sent: Wednesday, August 19, 2009
Location:
Question: Loan with interest
Dear Prof. Dr. Monzer Kahf,
Assalamu Alaikum Sheikh,
One of my friends here in Sri Lanka wants to apply for the Student Visa to the UK. He has to pay GBP £ 2000/= to a College in the UK in order to get the offer letter. In Sri Lankan Currency, this costs around Rs.400,000/. Since he is from a middle class family, he is not in a position to pay that amount immediately. Therefore another person has agreed to pay that amount on behalf of him, but he (my friend) should repay that amount with an additional sum of Rs.50,000/. In other words, the person sponsoring is giving Rs.400,000/ & getting back Rs.450,000/.
I think this additional sum of Rs.50,000/ is a pure interest. What do you think about this…….????
May Allah bless you……
Best Regards,
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
This transaction is pure interest. It is forbidden to have any increment in such a loan.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Samhouri
Sent: Friday, August 07, 2009
Location:

Question: Home financing

Salam u Alakum Br. Monzer,

I have heard that obtaining financing from a bank for a bank owned home
(Foreclosure) is not haram. The reason for this is because it only involves two parties (buyer and seller) as opposed to traditional financing which involves three parties (buyer, seller and financier).

Please advise your thoughts on this matter

Ahmad Samhouri

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. Ahmad,

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Getting finance from seller is permissible PROVIDED the contract itself is permissible. The way that makes it Shari'ah complaint is when the price is deferred or installments and the sale is contracted at the deferred price.

It doesn't matter if this installment price is higher than the cash price and it does not matter if the difference between this higher installment price and the cash price is calculated according to a certain rate, any rate. What matters is: sale is contracted at one price the installment price.

The Prophet, pbuh, advised that if one makes the contract as a cash price and then adds an increment for deferment (of course installment is like that) the difference between the two prices is then pure Riba that is forbidden in the Qur'an and Sunnah. Meaning that even between two parties only there may be Riba if the contract is made as sale for a given price and then add another amount for accepting payment on installments.

The reason is apparent: interest is an increment in a debt. Once you contract a sale, the contract transfers ownership of the house and creates a debt on the buyer. Then postponing payment for increment becomes Riba because it is an increment in a debt!

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Salam U Alaykum professor,

Thank you very much for your response. Your help is greatly appreciated. I want to see if I understand this correctly,

If the contract states selling price $250,000. It is not haram? (Even thou the market value of the house is $150K)

However, if it states selling price $150,000 and 5.5 interest (totaling
$100K over 30yrs). It is haram?

What are your thoughts on various Muslim Banks? Any recommendations? Any that are not legit?

Thank you,

Ahmad Samhouri

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. Ahmad
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Yes, your understanding is correct but you should always relate it to the thin line that makes the distinction "in what is the increase, a commodity price or a debt?"
I cannot give opinion on entities and persons. But apply the criteria: 1) does the company have Shari'ah adviser that you trust, 2) does the contract mention loan and interest or purchase and sale or lease.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

Salam u Alakum,
I have another question; it appears all contracts with Islamic bank must mention loan and interest due to the Federal Reserve and IRS requirements for disclosures for home financing companies. Does this mean that these contracts are not Shari'ah compliant?
Jazakum Allah keir,
Samhouri
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. Samhouri
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
No, Brother, you info is incorrect. Most Islamic finance provider here in America offer Ijarah Mutanaqisah (leasing with diminishing ownership) based on owning the property together and/or Murabahah, both are Shari'ah compliant. May be one or two only offer "standard bank document as contract. A contract determines the relationship, it is what goes to court or arbitration in case of dispute. It is true that at the end of the year they give you a form that calls what you paid interest, this is only for the purpose of allowing you to benefit from the tax deduction. THIS DOES NOT DETERMINE YOUR CONTRACTUAL RELATIONSHIP.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Aibek
Sent: Wednesday, July 22, 2009
Location: Kyrgyz Republic
Question: **: Islamic monetary operations instruments**

Dear Mr. Monzer Kahf,
Hope you are doing well, and your flight from Bishkek was enjoyable. I also hope that you liked our country. As you remember, we had a conversation about Islamic monetary operations instruments and you suggested that liquidity absorbing instruments based on Qard-Hasan and Al-Wadiah agreements are not advisable to use. I would be very grateful to you if you could provide me with more detailed information on why it is not advisable to use these instruments. And also I would be very grateful to you if you could provide me with some information about Islamic monetary operations instruments that are in standard practice. Thank you in advance. Looking forward to hearing from you soon.
Faithfully yours,
Aibek

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. Aibek
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
1) Qard Hassan
Please notice the concept of Qard Hassan in the Islamic law. It is an act of charity to help a person with no financial or material benefit to the lender. It is a loan that is only rewarded by Allah. This is because a loan creates a debt. What is a debt? It is an interpersonal relation that is an abstract asset to one party and a liability to the other party. A debt cannot grow or create an increase because, unlike physical assets, it does not produce any utility. A debt is not like a bicycle that produces the service of riding, or a house that produces the service of living in. This is why a debt earns no income or return or interest. In other words, there is economic justification for interest because it is paid by one party for no utility given to him in exchange.
The loan in Shari'ah is defined as an act to help others with no element of material or financial benefit to the giver. Any benefit is thus interest, even when it is hidden under any other name. For example, the Prophet, Peace and Prayers be upon Him, prohibited making a sale and a loan together because the price of the sale my hide an interest of a loan, he also prohibited selling at an option of two prices (one cash and one deferred) because once a sale is done it creates a debt of the cash amount then the difference between the two prices is interest on this debt.
Qard Hassan therefore cannot be issued with any condition, explicit or implicit, of giving an addition to the provider of the Qard, any such giving is prohibited as being plain interest regardless of names one may give to it. There is a well-known rule in Shari'ah that is acknowledged unanimously as derived from the verses of the Qur'an and the Sayings of the Prophet. This rules proclaims: "a loan that brings any benefit (material or financial) it is then a Riba". Therefore any promise to give any increase on the Qard Hassan transforms it into a Riba. Please notice that Riba may be fixed or variable, paid in advance or after, all these do not matter in Riba, what matter is: it is an increment or increase over a debt.
Because of this clear and strong prohibition of interest under any name or form, the Sukuk principles were developed. The basic foundation of Sukuk is that they represent a real asset that is used productively. Sukuk can give fixed return when they represent properties (like buildings, an airport, ten aircrafts, a dam, a power plant, etc.) that are rented to the user of the

property. The Sukuk holder earns a fixed periodical rent. Sukuk may also be issued on variable return when they represent a part of a profit generated project (like a partial ownership of a company or an airline or farm or any other project).
2) Wadiah is a concept that fits safety deposits in banks. The bank cannot use it and has to leave it as it is in the box that can only be open by two keys together.
3) Tools of monetary policy in Islamic system.
Of course you need to notice that these tools are developed as needed and as the circumstances may be. For addressing and controlling the amount of credit banks may extend we have: changes in the rate of mark up in Murabahah, rent in leasing, maximum profit in Mudarabah and Sharikah. We also have changes in reserve and liquidity requirements and changes in the margin of seriousness (percentage of the price contributed by the customer in any finance transaction) that banks are required to obtain from customers. We also have the sectorial or general credit ceilings.
For changing liquidity we have open market operation that must use Sukuk. Of course this requires the issuance of Sukuk of different kinds, so that the central bank can use them in buying and selling for managing liquidity. You should realize that you still can manage liquidity through other means of monetary policy.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

Dear Mr. Monzer Kahf,
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Thank you indeed for your answer. It is very valuable for us. So Qard Hassan cannot be used as monetary operations instrument, but still I have a question concerning Wadiah Yad Dhamanah. I studied Malaysian Islamic Monetary Instruments and I found out that in Malaysia they widely use Wadiah agreement as a liquidity absorbing instrument. I would be very grateful to you if you could give your point of view on this.
cid:image001.jpg@01CA0A40.559BD0A0
Faithfully yours,
Aibek
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. Aibek
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
1) Although I know the answer very well, I wanted you to be comfortable with the references. Please look at the definition of Wadiah in the first box. Its reference is from Bank Islam Malaysia. A wadiah suits safety box concept. But whence the trustee betrays the contract it becomes a guarantor of the principal. It is of course inappropriate to establish a system on contract violations! Besides, if we look in Fiqh literature we'll find the meaning of "it becomes guaranteed", it is it becomes a loan on the trustee and therefore guaranteed. This is in contract

of when the trustee does not betray the contract (by using the Wadiah) and keep it in a safe place only, then the trustee is not responsible because it is Amanah with it. THE RULE IS: IN A LOAN (QARD HASSAN) ANY CONTRACTUAL GIVING IS INTEREST AND ANY GIVING THAT HAS THE MEANING OF CONTRACTUAL (BECAUSE IT BECOMES USUAL OR CUSTOMARY OR IMPLICITLY REQUIRED) IS CONSIDERED CONTRACTUAL.

Wadi'ah وديعة

Safe custody. Originally, safe custody is referred to as Wadi'ah yard Amanah, I.e. trustee custody, which according to Shari'ah, the trustee custodian has the duty to safeguard the property held in trust.

Wadi'ah yard Amanah changes to Wadi'ah yad dhamanah (guaranteed custody) when the trustee custodian violates the conditions to safeguard the property. He (the custodian) then has to guarantee the property.

http://www.bankislam.com.my/Your_Guideline_to_Islamic_Financial_Terminologies.aspx#67

2) The quotation below is from ISRA the Shari'ah organ of the central bank of Malaysia. This is the concept we applied on saving accounts in our discussion with the colleagues in the NBKR because these savings are normally guaranteed. We combined the concept of guarantee and Mudarabah so that we give them a share of profit on a smaller balance and we keep a high liquidity proportion of the account that is guaranteed. But please notice in the definition below that once you consider this account eligible for profit distribution it cease of being guaranteed. This is because you cannot combine giving a return with the guarantee since any such giving is tagged INTEREST.

Wadiah and Mudarabah Current Account

The Islamic banking institutions have proposed to offer current account based on wadiah yad dhamanah, together with Mudarabah. Under these principles, the bank acts as a trustee and entrepreneur while the customer acts as a depositor and capital provider respectively. Both parties would agree on a ratio of profit-sharing, which must be disclosed and agreed upon by both parties at the time of opening the account. The guarantee on the deposit will only be given if the account balance does not satisfy the conditions of profit sharing. However, if the account balance comply with the conditions of profit sharing, the customers will have to bear all the risks of financial losses (no guarantees on deposit), since the contract has now changed to Mudarabah. The issue is whether the current account mechanism of combining two types of contracts, I.e. wadiah and Mudarabah is permissible in the Shari'ah.

Resolution

The Council, in its 5th meeting, held on 30th April 1998 / 3rd Muharram 1419, resolved that current account products based on the combination of two contracts, I.e. wadiah and Mudarabah is permissible in the Shari'ah.

Issuer: Shari'ah Advisory Council, Central Bank of Malaysia.

Source:

http://www.isra.my/index.php?option=com_content&view=category&layout=blog&id=4&Itemid=18&limitstart=24

3) Lastly notice below that this Wadiah that is used by the central bank of Malaysia violates the above rules of Shari'ah because it is issued with an implicit promise and continuous practice of giving return on them. You cannot give dividends on a guaranteed Wadiah and once you give

it becomes usual and customary, besides when issued there is an implicit contract that a gift is going to be given for it. ONCE OF THESE IDEAS ALONE MAKES IT INTEREST!

Wadiah Acceptance

Wadi'ah Acceptance, is a transaction between BNM and the Islamic banking institutions. It refers to a mechanism whereby the Islamic banking institutions placed their surplus fund with BNM based on the concept of Al- Wadiah. Under this concept, the acceptor of funds is viewed as the custodian for the funds and there is no obligation on the part of the custodian to pay any return on the account. However, if there is any dividend paid by the custodian, is perceived as 'Hiba h' (gift). The Wadiah Acceptance facilitates BNM's liquidity management operation as it gives flexibility for BNM to declare dividend without having to invest the funds received.

Under the liquidity management operation, BNM uses the Wadiah Acceptance to absorb excess liquidity from the IIMM by accepting overnight money or fixed tenure wadiah.

Source: http://iimm.bnm.gov.my/index.php?ch=4&pg=4#2

4) For the use of NBKR, all you have is a part of a bank that gives Islamic finance, there is no problem that requires use of liquidity absorbance mechanisms, and you can only use credit limitation methodologies. Once you have many Islamic finance entities and a functional Islamic Inter-institutional Money Market (the IIMM in the above quotation) there are tools that can be used better than wadiah such as Inter-Islamic banks deposit certificates that can be used for overnight and for longer periods and Sukuk and others.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Nadeem

Sent: Tuesday, July 21, 2009

Location: Toronto, Canada

Question: selling insurance policies and inflation/interest

Respected Sir,

Assalam Alaikum,

Hope this finds u in best of your health and spirit.

I m a new immigrant to Canada .Recently I did my certification in Life License course and have got an opportunity to work in Sunlife Financials (www.sunlife.ca <http://www.sunlife.ca/>) as an advisor.

My job will primarily of selling insurance policies for first few months.

I wish to have guidance from u if doing this type of job is Haram in Islam.

I will wait for your mail anxiously.

Wassalam,

Best Regards

Nadeem

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. Nadeem
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
You know insurance contract is controversial. Many scholars argue that it is not permissible on the ground of the ambiguity involved. A minority of scholars believe that it is permissible with certain conditions, I happen to be in this group. Consequently, I believe that it is permissible to sell insurance provided the conditions are fulfilled. There are two conditions for permissibility of insurance as a contract between two parties: the contract must not contain any interest clause and the object of the contract should be permissible. Accordingly, the life insurance contract that has interest clause in it is not permissible to sell. The other condition relates to what is insured. For instance, insuring a bar or a casino or a shipment of liquor is not permissible and it is not permissible to sell such insurance. This means that while working in insurance one should avoid selling these kind of contracts
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

Respected Sir,
Assalam alaikum,
Hope this finds you in best of your health and spirit. I have a certain query pertaining to commercial banking and about its validity in Islam.
Is money earned on fixed deposit in any commercial bank kept for certain period of time is haram or not?
I will wait anxiously for your reply.
Best regards
Nadeem
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. Nadeem
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
If this earning is from a commercial bank, it is definitely interest that is prohibited in the Qur'an and the Sunnah. The amount earned must be given to Muslim charity. Islamic banks do have fixed term deposits but they are not of fixed return. Their return is calculated at the end of each period and they distribute actual profit to depositors who also bear the risk of loss should a loss happens.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

Wassalam Sir,
Thanks for your reply. I have one more query generally to have better understanding.

Suppose there are 2 persons (A) and (B).
(A) Lends (B) a sum of $10.00.At present let's assume $10 can buy 10 kg of iron ore.
(B) Returns $10.00 to (A) after 3 yrs. but at that time $10.00 can buy only 5 kg of iron ore.
Therefore just to have same buying power if (A) wants to have $20.00 will this difference of $10.00 between principal ($10.00) and money now demanded ($20.00) will be regarded as interest/usury or not.
I will wait for your reply anxiously.
Best regards
Nadeem

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. Nadeem
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Yes it is interest. Wouldn't such a case happen when money was gold and silver? It actually happened many times in all societies. Besides interest is a price of the loan (debt) not a compensation of inflation. Look at this way: you gave $10 not 10 kilos, so you get back what you gave, if you gave 10 kilos you get them back too.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Zainab
Sent: Friday, June 24, 2011
Location: Kansas, USA

Question: Ethical issues in the prohibition of Riba

Al Salam Alaykum wa Rahmatu Allah
Dear Dr. Kahf I hope this email finds you well.
I am Zainab Radhi, a Law PhD student at the University of Kansas. Most of my research related to Islamic Economic System and Finance. I have had the honor of reading most of your online articles with regard to issues of Zakah and Waqf, and I believe you are doing a wonderful job that benefits many researchers in the world. I am currently writing an article with regard to the "prohibition of Riba", however I am not looking at it from a purely religious view, but a morally and ethical one as well. I understand this might not be your area of research but I was wondering if you would not mind help me rebuttal some arguments in favor of Internets and Riba or maybe refer me to someone whose area of research would be related to that topic.
Thank you and Best Regards
Zainab

My Answer:

Please look at my paper objectives of the prohibition of Riba and M N Siddiqi the economic aspects of the prohibition of Riba.

Keep in touch; this is an area that is very dear and extremely important to me. I consider Riba a violation of basic human rights because it deprives the owner from right of entitlement.
Prof. Dr. Monzer Kahf

Al Salam Alaykum
Dear Professor Monzer, I hope this email finds you well.
Thank you so much for your reply, I was so happy to hear back from the person I have been reading his articles for the last 4 years. I have read your article "Maqasid al Shari'ah" and I have two questions which I will be very grateful if your time will allow answering them.
1) In your article you based your argument on the assumptive that debts are a kind of asset that is not able to grow because of its abstract nature. My question is; is this a legal rule or is it based on Shari? Rule and if so what is it? Also, how about if I borrow $100 and invest them and make them $200 wouldn't the lender be able to say that his loan has in fact "grown" to 200, what would be the counter argument here?
2) I usually am faced with two arguments that I am finding it hard to counter: a) Interests are in fact good for the borrowers for the simple reason that it is better for someone facing financial difficulties to borrow money and invest it and earn 50% with 50% interest than not to borrow any money and make nothing. b) If the lender does not charge interest , he/she will be harmed by freezing his capital for 5 years, for example, with the lender while he could have invest them and make profit. This fact discourages any lender from lending his/her money.
Those arguments are not supposed to be made by the government since governments should always work for the best interests of its people, they are put by capitalists private Banks, which is the case in all the US banks.
I highly appreciate your help and support.
Thank you and best regards
Zainab

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. Zainab
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Your questions require either direct talk or you should attend a course with me. I will comment only on the first one, leaving the other two for a phone call. I am now in California and You may reach me at …….
There is assumption about debt. Its nature is such that it does not increase. Can you imagine a debt to increase? How can it increase? It is a matter of realism not any assumption. This is the nature of debt in reality. The reason is that debts do not have utility of their own. Debts can only be collected but they do not produce utility like cars, cloth, cows or apple. Objects that have utility of their own can produce increments (notice increment is value). But objects that have no utility of their own (intrinsic utility) do not create value.
You may like to call me now until 11 am California time or try me at some other time for the other 2 questions.
Wa Allahu A'alam

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

From: Roshaan
Sent: Friday, June 17, 2011
Question: Prohibition of Riba
Hi Sir,
This is just a general question regarding Riba. Let's say a man has 3 wives and 25 children. They are all in a very poor condition. They don't have proper home to live, they don't have proper clothes to wear and they don't have proper food to eat. They are in so much trouble and need, that if someone doesn't help them out they would die of hunger or thirst. Under these circumstances this man is very much tempted to take a loan. However, there is no lender in his society who is willing to give him an interest-free loan. So should he go about taking such a loan with interest or should he accept his death along with his other relatives?
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.
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
This question is fabricated in an intelligent way. When this person exists in real life either all around him are like him to the extent that no one can help any other, as in famine situations or he is among normal persons (regardless of their religion including the man who would give him an interest loan) then there will be many who will help him on charity basis. This is one reason why your question is not intelligent, the second reason is: the interest loan provider will not give such a person any loan because there is no wealth to guarantee it. Didn't you hear the saying that "lenders give you umbrella when it is shiny but when it is rainy they don't."
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Roshaan
See, from here it is really strange: Riba is very close to being trade, then how come so extremely sinful? Btw... The example I mentioned earlier was just a dilemma. If a person gets into such a situation, does he choose between what is more Haram than the other, and go for the less haram? How does Allah judge such situations?
My Answer:
Please do not write me anymore. You do not seem a person who seeks knowledge. Allah is much wiser than doing what you said.
Prof. Dr. Monzer Kahf

From: Islam on Line, live Fatwa

Sent: Tuesday, June 09, 2009
Location: Nigeria
Dear Dr. Monzer,
Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
Following is a financial question about the ruling of investing money for a stable interest
First Name: Suleiman

Question: Investing my money for a stable interest

Salaam Brother.. I am student in UK pursuing my masters in Investment and Finance. I reside in Saudi Arabia and intend to return back after my studies.. What I wanted to enquire is since I'll be working in the banking sector, is working in banks haram and above all is the Saudi Stock market haram, as all the world markets are haram as thy are based on speculation. If I work in an investment bank, will all my earnings be haram... Jazaak Allah
Jazakum Allahu Khairan for your constant help
Yours,
Muhammad

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. Suleiman
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
What is Haram is to write or be a witness to a Riba contract or any other contract that is prohibited. Writing include all functions that are part of writing a contract like approving it, filling application, promoting it, signing it typing it, etc. of course all banks have many other activities that are not Haram and the income of people who do these activities is not Haram either.
For stock market again not everything in it is forbidden. Speculation is difficult to pin down as you very well know because in the final analysis what makes a difference between trade and speculation is intention and/or frequency. I would argue that some practices in stock markets are not permissible such as day trading, currency internet trading, commodity futures trading, and the like. Of course there are transactions that are also Haram because of the object of a transaction such as trading bonds and brokerage in these transactions is also not permissible. In Saudi stock market like in any other markets there may be stocks that are not permissible to trade such as stocks of conventional banks because the main line of business is not permissible but there are also permissible stocks such as shares of Islamic banks and Islamic insurance companies. Of course brokerage for permissible stocks is also permissible.
Finally, I advise you that because Saudi Arabia has several Islamic banks and all conventional banks have Islamic divisions you really do not need to work in a conventional bank unless opportunities are so much blocked in front of you. Working in a conventional bank, even if you do not do any contribution to interest contracting, is helping the institution and this exposes you to the “touch” of Riba or its “dust” as our beloved Prophet pbuh put it.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam

Prof. Dr. Monzer Kahf

From: Rizwan
Sent: Wednesday, May 20, 2009
Location: India

Question: Disposing interest money

Respected Scholar,
Assalamalekum WRB,

I live in India and as you know we don't have an Islamic bank concept here. In such a scenario it's difficult to find an alternative to save ourselves from interest money generated from our savings in the banks. As advised in Islam we at our family set aside this money to give to poor and needy with complete realization that we don't earn any rewards[Sadaqah] out of it and neither this money belongs to us.

My concern here is, is it wrong or inappropriate to give this money to relatives/close relatives even when they are in Dire needs of it? [I mean we avoid it since this money is impure and we try to help from Zakah budget or from our own money]

To elaborate further I have a maternal aunt who is a widow and has 4 girl children out of which 3 are from her Husband's first marriage. I help her with my Zakah money for their day to day expenses by lending a certain amount every month. But at times I am unable to help as I would have my own commitments.

Sometimes I feel like helping her with this interest money as at times they have more needs like now when an alliance has been worked out for one of the daughter or for one of other daughters' education which us crucial for her future.

Please guide me in this regard stating whether or not I can use the interest money to help them, so as to do the best thing in the sight of Allah.

Jazakallah Khair.
Thanks & 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. Rizwan

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

YES, it is permissible to give interest money to poor/needy relatives for whom you are not responsible to provide financial sustenance. (A Muslim is required according to Shari'ah to spend on his needy parents, children and female unmarried siblings and of course wife regardless of need). In this case of maternal aunt my answer is of course you can give her your interest money, it is better to give it to a needy relative or neighbor than to a needy outsider following the same rule of distributing Zakah to the poor and needy. Finally, while giving away interest money is not considered Sadaqah it is surely InShaAllah rewarded for keeping it away from one's own money and preserving own money pure and clean.

Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin

Wassalam
Prof. Dr. Monzer Kahf

From: Latifa
Sent: Wednesday, May 13, 2009
Location: United States

Question: Disposing of interest earning on brother

Asalamu Alaikum wa Rahmatullah,
My name is Latifa. I was reading your fatwa on Islamonline where a man asked whether he was permitted to spend interest money that they had collected to pay off his brother's debt in order to make his own money halal. You mentioned that it was since he was not obligated to spend it on his brother. Jazakom ALLAH Khair for your work on behalf of Islam and Muslims. I wanted to ask you: Would you please provide evidence (detailed evidence) to back up this answer. I know you gave the correct answer but I want to learn from it and it would help me if you could provide the evidence for this and any other fatwas.
Jazakom ALLAH Khair
your sister

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. Latifa,
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
The rule is that on such purification money you apply the rule of Zakah in regards to the poor and needy. In Zakah the rule again is to look at those people for whom you are responsible and exclude them from eligibility because when you spend or give Zakah to them it amounts to saving your own liability. Hence parents, wife and minor children are excluded because a man is responsible to provide these with all living expenses the same he provides for himself. Spending on minor brothers is disputed among scholars as there is no text about it. But spending on the sustenance of adult brothers is not the responsibility of a person. This goes under the general solidarity of Muslims and Muslim communities for which Zakah is ordained. If the money of Zakah can be given to an adult brother so is the money of purification.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Naheed
Sent: Thursday, April 30, 2009
Location: Britain

Question: View on Islamic Bank of Britain

Assalamu Alaikum Dr. Kahf,
I recently read your article on IslamOnline.net, titled "The Global Financial Crisis: Ideas for Long Term Solutions: Short Notes", translated by Dr. Ahmed El-Gharbawi.

Masha Allah it was very interesting.
I have also come to know that you have great knowledge on a wide range of subjects like, Islamic banking, finance, economics, and Islamic transactions (Mu`amalat), to name but a few. That is why I was wondering if you could kindly enough share your opinion on the halalness of Islamic Bank of Britain - they use terms such as Wakalah, Murabahah, Mudarabah, Qard and Musharakah, to name a few.
I look forward to your reply,
Wassalam

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. Naheed
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Thank you for your kind email. Please notice that I do not give any opinion on individual entities. You may ask me about a specific contract or transaction. The names of transactions that you mentioned are known and circulated in Islamic finance and economics.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Sahra
Sent: Tuesday, April 28, 2009
Location: Pakistan

Question: Islamic Economics and interest

first let me introduce myself my name is SAHRA, I am taking a course for (modern institution of informatics and management) (MIIM) in Pakistan, I am taking for the subject of ISLAMIC BANKING & FINANCE, so please I want to help me for the side of question because I read your letter in Islam-online so I want to ask you a question which is (1) what is the difference between Riba and Sood? (2) monetary policy in islamic economy?
please send me as soon as possible the answer for this mail.
thanks for your reading.

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 Sahra
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
1. I don't know what the word sood means because I don't speak Urdu but if you mean by it interest given by banks on deposits or charged on loans that they give, it is then exactly the same as Riba as used in finance because this is the exact meaning of Riba as given in the Qur'an. Please read verses: 275-9 from Chapter 2 especially the last one that defines Riba as anything above principal in a loan.

2. For the second question I suggest that you should made some homework in reading relevant articles on my website.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Sherif
Sent: Monday, April 27, 2009
Question: giving interest money to needy family members
Assalamu Alaykum
I hope you are doing well. I also hope that your family is doing well too.
We have two questions that we are hoping you can help us with:
1. Can interest money be spent on family who are in need? There is a guy who has money in the ban which he collects interest on. He wants to clean his money now after knowing this money may not be halal. He has a family back home which is in need of a car. He is asking if he can spend this money to buy them a car.
2. We have a brother who lent another brother a substantial amount of money as a no-interest loan. The lender was expecting his money back within a short period. And therefore, he was paying Zakah on it every year. Now, it has been a long time and it does not look that the lender will be getting the money back any time soon (especially in this economic situation, according to the lender). Does he still have to pay for the Zakah el-mal on this money?
Jazak Allah Khairun for the help. I hope to hear from you soon InShaAllah.
Salamu Alaykum
Sherif
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. Sherif
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
1. Interest money can be given to poor relatives except those for whose living expenses the giver (person who earned the interest money) is responsible. This means you cannot give it to parents, grandparents, minor siblings and unmarried sisters. I wouldn't recommend it for adult's brothers either. The principle that applies here is the same as those to whom Zakah may be given. I have another point to add, in all our "back home countries" a car a luxury not a necessity. This interest money is made Halal for poor and needy because of their poverty, otherwise it is not Halal for a person who is not in poverty. I doubt that it is appropriate to buy a car with it for any family "back home." On another point you may use that money to give a car to a charitable organization like Red Crescent Org. for official use because such organizations provide public general relief on charitable basis.
2. It seems to me that once the due date passed and a debt is not paid back you cannot literally sort it as a good payable debt. In the case on hand if a long time has already passed after maturity the debt becomes no good! Hence, no Zakah is due on it until its collection and the

next Zakah due date of the payer comes. As described and expected it seems this debt is now not subject to Zakah.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Amina
Sent: Monday, April 27, 2009
Question: Car financing from conventional banks
Assalamu alaikum,
I have a question which I need clarification on.
If one lives in a society where there are no Islamic Banks for one to access a facility(auto finance or mortgage) but there are fund managers that deal purely on Islamic products and you approach the fund managers for auto financing, which you thought you would be granted with the facility.
The issue is that you committed yourself, borrowed money from someone and paid almost half the price of the car to the car dealer so that he would not sell the car to another person hoping that when your access the facility from the fund managers you will pay back the money you borrowed. But unfortunately, you were not granted the facility, the money you borrowed is stuck with the car dealer which he said he cannot refund but you can purchase the car and you are unable to pay back the money you borrowed. Can you go to a conventional bank and obtain a loan to pay back the money you borrowed? Please note that the car is a necessity because I do not have a car. I need to go to work, take my kids to school, etc.
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. Amina
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
In this special case if you could not find another Shari'ah compliant finance or personal and family loans it is permissible to get finance on conventional basis if it proved to be the only way to save your honor in paying the loan and your money deposited with the car dealer and you're getting a car.
BTW, many thanks for sending the Central Bank document by the other email.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Ali
Sent: Friday, April 17, 2009
Location: Pakistan

Question: Profit disbursed by National Savings

Dear Dr. Monzer,

Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

Following is a financial question about profits of governmental organization

In our country, there is a governmental organization National Savings, they give profit per 100,000 basis. Please tell us, is this profit Halal or it's an interest, which is Haram in our religion, and it must be avoided. In addition, what is the main difference between Islamic banking and traditional banking, and Islamic banking is Halal! Also Is prize on prize Bond of different amounts Halal?

www.savings.gov.pk is the web site of this institute abt prize bond on same web site thanks for helping

Jazakum Allahu Khairan for your constant help

Yours,

Ali

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. Ali

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Islamic banks finance on the basis of sale, lease or sharing contracts. All this is permissible. Conventional banks finance on the basis of loans and interest. This is not permissible in Shari'ah.

I can't tell you about the National saving scheme unless you give me full description of its contract.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Muhammad

Sent: Friday, April 17, 2009

Location: United States

Question: Return on 401K account, and permissibility of insurance

Dear Dr. Monzer,

Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

Following is a financial question about a student loans and insurance accounts

I live with my family in the USA. My wife and I are currently repaying our student loans which are of course interest based loans. I have a 401k account and my initial thought was to contribute to my account for a while and benefit from the dollar for dollar matching by my company and the returns on the account. My plan was to withdraw the money from the account to repay my debt once I have sufficient money (I am aware of the 35% penalty to withdraw 401k money). My logic was since I am not sure how Shari'ah compliant is my 401k investment, I can use the money to repay a loan that bears interest and thus I am not going to

live off this money but rather use it to get rid of debt. My wife is in a similar situation as she has student loans and owns a life insurance account that pays her dividends at the end of each year. Her parents purchased the account when she was a child and after she converted to Islam a while back we started thinking of taking the money out of this account. Our logic of how to use the insurance money is similar to what I have mentioned about the 401K as we are thinking to use the money in the insurance account (plus dividends) to repay our loans. My question is: since the investment returns from the 401k and insurance accounts are not Shari'ah compliant, can we still use them to repay our student loans OR should we withdraw our money from the accounts, only keep the principal and donate the returns on the accounts?
Jazakum Allahu Khairan for your constant help
Yours,
Muhammad

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. Muhammad,
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
I GOT MIXED UP ON WHAT YOU WANT TO EXACTLY ASK! Here are a few points of relevance:
1. Whenever one happens to fall in the vice of interest contract one has to exit of it as soon as possible. Accordingly, try to pay as fast as you can these student loans and put in that direction as much as you can of your resources/income.
2. It is permissible to subscribe to 401K to benefit from the employer matching contribution. Investment of these funds is normally mixed of permissible and non-permissible. You should make your best effort reasonably to acquire info on the percentage of permissibility and keep that part in addition to your principal and the matching contributions, the part of income determined not permissible should be given to Muslim charity. It cannot be used to pay interest due on you or any other charges, permissible in Shari'ah or not, as long as they are with the law of the land and you have no legal way to escape them. The reason: this non-permissible income, including interest, is not yours and cannot be used to dispose your obligations.
3. You can borrow on the 401K, the system requires you to pay interest on this borrowing, but in fact this interest is credited to your own account. It is not considered interest from Shari'ah point of view. Hence, it is permissible to borrow from your 401K account even if you have to pay this interest.
4. Life insurance is permissible. Dividends derived from it are most-likely interest based. If so at least the part that is interest cannot be used to pay your own loan or its interest as explained above. The part of dividends that is not interest or similar Haram can be used to pay the loan. Since this insurance is paid for by other persons, your wife can use the principal to pay her and/or your loans if she is permissible to withdraw the principal according to contract.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Mohamed
Sent: Thursday, April 16, 2009
Location: United States

Question:

Dear Dr. Monzer,
Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I live with my family in the USA. My wife and I are currently repaying our student loans which are of course interest based loans. I have a 401k account and my initial thought was to contribute to my account for a while and benefit from the dollar for dollar matching by my company and the returns on the account. My plan was to withdraw the money from the account to repay my debt once I have sufficient money (I am aware of the 35% penalty to withdraw 401k money). My logic was since I am not sure how Shari'ah compliant is my 401k investment, I can use the money to repay a loan that bears interest and thus I am not going to live off this money but rather use it to get rid of debt. My wife is in a similar situation as she has student loans and owns a life insurance account that pays her dividends at the end of each year. Her parents purchased the account when she was a child and after she converted to Islam a while back we started thinking of taking the money out of this account. Our logic of how to use the insurance money is similar to what I have mentioned about the 401K as we are thinking to use the money in the insurance account (plus dividends) to repay our loans. My question is: since the investment returns from the 401k and insurance accounts are not Shari'ah compliant, can we still use them to repay our student loans OR should we withdraw our money from the accounts, only keep the principal and donate the returns on the accounts?
Jazakum Allahu Khairan for your constant help
Yours,
Muhammad

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.
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Here are a few points of relevance:
1. Whenever one happens to fall in the vice of interest contract one has to exit of it as soon as possible. Accordingly, try to pay as fast as you can these student loans and put in that direction as much as you can of your resources/income.
2. It is permissible to subscribe to 401K to benefit from the employer matching contribution. Investment of these funds is normally mixed of permissible and non-permissible. You should make your best effort reasonably to acquire info on the percentage of permissibility and keep that part in addition to your principal and the matching contributions, the part of income determined not permissible should be given to Muslim charity. It cannot be used to pay interest due on you or any other charges, permissible in Shari'ah or not, as long as they are consistent with the law of the land and you have no legal way to escape them. The reason: this non-permissible income, including interest, is not yours and cannot be used to dispose your obligations.

3. You can borrow on the 401K, the system requires you to pay interest on this borrowing, but in fact this interest is credited to your own account. It is not considered interest from pay this interest.
4. Life insurance is permissible. Dividends derived from it are most-likely interest based; if so or at least the part that is interest cannot be used to pay your own loan or its interest as explained above. The part of dividends that is not interest or similar Haram can be used to pay the loan. Since this insurance is paid for by other persons, your wife can use the principal to pay her and/or your loans if she is permissible to withdraw the principal according to contract.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Malik
Sent: Tuesday, April 07, 2009
Question: Islamic Banking and Finance Books
As Salaam Alaikum Dr. Monzer Kahf,
Recently I've been trying to get my hands on as many resources (books or websites) on Islamic Finance. Are there any books that you would recommend that can give a clear understanding on Islamic Finance and buying a home? I live in New York and I'm trying to find an Islamic bank that I can work with that is not dealing with usury so I can buy a home. I've yet to find a resource that can clearly explains in "layman's terms" how Islamic Finance works in various investments.
It seems like there are a lot of banks that say they are Shari'ah Compliant but when you peel back the layers they are not. Where is a well-intentioned Muslim to go to get the right information from a reputable source?
Any answers you can provide, InShaAllah, would be greatly appreciated.
JazakAllah Khair
Malik
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. Malik
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
There are many Islamic banks all over the world that are Shari'ah compliant even when you peel all layers! The propaganda against them comes from either the ignorant of the ill-intended. The book that you need is yet to be written but there is a lot of info on the internet and many easy manuals that are also there that need your kind discretion to select and read. In America there are a few companies that provide Shari'ah compliant home finance. You need to look carefully for what does the contract that you sign read. If it reads loan and interest, it is not Shari'ah compliant but if it reads lease or Murabahah, it is most likely permissible. The second point you look for is the Shari'ah advisors of the company, do you trust those advisors? There

are companies that claim offering Islamic finance without any appropriate Shari'ah advice that is a false claim!
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Malik
Question: Islamic Banking and Finance Websites
Wa Alaikum Assalam wa Rahmatullahi wa Barakatuh
Dr. Monzer Kahf
Thank you so much for your guidance. This will be very helpful when I move forward in finding the appropriate Shari'ah compliant bank. I can't thank you enough. Are there any internet sites that you would recommend that could help me in continuing my understanding of Islamic finance?
JazakAllah Khair
Malik
My Answer:
Dear Br. Malik
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Please take a look at the websites of Islamic Development bank, mine www.kahf.net, and try to find the websites of Prof. M N Siddiqi, Mohammad Anas al Zarqa and International Association of Islamic Economics.
Best Regards,
Wassalam
Monzer Kahf

From: Emal
Sent: Thursday, March 19, 2009
Question: Interest loan for business
Salam Alaykum!
I've got a question according to the subject: bank-credit (with Riba)
I've heard that under certain conditions it is allowed (halal) to take a bank-credit for example to buy a house and I wanted to ask, if it's also allowed to take a credit when I want to open a bakery (bread-store). I asked my family and my friends if they would give me money to open a bakery store, but nobody has that much money to support me. another reason is that I don't have a safe job and I wanted to go into business for oneself.
So I want to know if its halal in this case to take a credit from the bank? because I don't have any other choice to get to so much money
Hope you can help me and may Allah bless you
Thanks a lot
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 Emal
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
What is Halal is Halal and will remain so until the Day of Judgment and what is Haram is Haram. No one can make a change in the rules because they come from the Qur'an and the authentic Sunnah.
Of course there are circumstances and situations where something may become tolerable under conditions of necessity or quasi necessities. It may be sometimes necessary for families living in the Western countries to buy a house and they may not find any Islamic finance facilities. For such circumstances we may tolerate a Haram for the necessity. The case of making a new business does not fall under necessity but the case of saving a business that is under stress may be. The difference is apparent.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Rauf
Sent: Monday, March 16, 2009
Location:
Question: **Interest rates benchmarking**
Assalaamu Alaikum Sh. Monzer,
What is your opinion around Islamic Finance firms using interest rates as benchmarks for Murabahah-cost plus contracts?
Jazak Allah Khayr.
FiAmanAllah
Rauf
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. Rauf
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
No problem at all as long as the contract is Murabahah. Rather they can’t do otherwise.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Ebraheim
Sent: Friday, March 13, 2009
Location: Albania
Question: **Buying furniture by bank loan**

Dear Dr. Monzer
As-Salamu Alaykum, please help us in answering this question; the questioner is from Albania:
"Salamu Alaykum, I am currently building a house for my family, and in couple of months I need to buy furniture for the house. There is a furniture shop in my town that offers interest-free loan to the customers. Shop owner admitted that he will pay the interest to the bank, which means I will not have to pay to the bank no interest at all. The only amount I have to pay to the Bank is administrative fee for the Bank service which is 20 Euro in total. Again, for me payment will be without interest, but the bank will take interest from shop owner. Is this regarded as coming under the heading of interest-based loans? Is it permissible for me to take this loan or not?"
Many thanks for your effort
Muhammad
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. Ebraheim
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Of course if you do not sign an interest contract with the bank, the transaction will be permissible because it is not of your business what relation the seller has with the bank.
But if you sign an interest loan contract with the bank and you have a pledge from the seller that he will pay its interest, you are responsible for what you sign! It is an interest contract. I wouldn't accept this route.
Another solution (and many sellers in America do that): the seller gets his own financing upon the sale from the bank on interest and he offers you delayed or installment payment. This is usually what is called in America zero interest finance. You do not sign any contract with the bank. And you sign only the purchase price with the seller with due payment or installments.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Rabia
Sent: Tuesday, March 03, 2009
Question: **Witness in Loan Agreement**
Assalaam Alaykum,
I just wanted to ask you if a witness also needs to sign on a loan agreement of the borrower.
Rabia
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. Rabia
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Theoretically NO because a loan agreement can also be verbal. The question is: would witnesses and notarization add strength to the contract in case of litigation and execution? The answer is of course positive.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Arthur
Sent: Monday, March 02, 2009
Question: Interest paid from the bank
Brother Monzer Kahf,
I found your name and read about you on islamonline.net. I understand that you have an upcoming session but I cannot ask my question due to the fact that I will be in work at the time of the session. I would greatly appreciate it if you would answer my question and guide me to the correct and straight path that Allah has revealed to us. The question regards using interest money accumulated in bank accounts being used to pay income taxes and other taxes. Is it permissible to use the money in this way? Or should the interest money be distributed in some other way? Your help is would be greatly appreciated. Jazakallah khair for you time in helping me.
Arthur
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. Arthur
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Interest money does not belong to any Muslim to whom it accrues. Giving it to charity is only because we need to keep our money pure from being mingled with this spiritually dirty money. This is why (when you give it as charity) it is not considered Sadaqa and cannot be given away as Zakah because Sadaqah and Zakah can only be from things you own and things that are pure "Allah does not accept but the Pure" as we are told by our beloved Prophet, pbuh. Of course by giving it to Muslim charity you are rewarded for your effort of keeping your own property clean and pure. Please notice that in principle such money should be returned to its owner (the payer who gave it to you) but since the payer is a practitioner of Riba it is practically wrong to give it back to the payer and it is also wrong to keep it! This is where giving to Muslim charity came!
By the same token because it is not yours you cannot use it to dispose of your duties. A tax (just or otherwise) is a personal duty on you and you are required to pay it while interest money is not yours at all and you must not use it in any way that disposes of your own duties.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Samy, Islam on line
Sent: Saturday, February 21, 2009
Question: paying penalty on delayed installment
Assalamo Alaykum Wa Rahmatu Allah Wa Barakatuh
Dear Dr. Kahf,
I have a company and I asked someone to be a partner based on 50% for capital and 50% for work. After a year we had some issues that we could not resolve then my partner asked me to calculate any Arbah and get him out of the company. I agreed based on finding somebody to buy his shares, however I did not find any one to buy his shares and my answer simply was "I have no body to buy your shares… do you have any?" he answered no and asked me for giving him any other options to pay him his shares. After long discussions we agreed to give him his money plus Arbah till that time (the time of the agreement) over the coming 2 and a half years based on equal installments and he is not responsible for any Khosara or Arbah since he is out from the beginning of the installments and deal with the total number as a loan.
After a year he talked to me and asked me for paying him a penalty because of holding his money and benefiting from it in running my business.
Do I have to pay him any penalty? Would this be Riba?
Wa Jzaka Allah Khairan
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. Samy,
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Once you agreed on a settlement and that settlement includes a definite amount to be paid at a definite future date that amount become a debt on you and any increment in it is a prohibited interest. It is forbidden to ask for it and forbidden to pay it.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Olfat
Sent: Saturday, February 21, 2009
Location:
Question: Deducting interest from taxes
Assalamu alaikum,
In Canada, the interest paid on loan for investment is considered tax deductible.
I understand that "Riba" is forbidden. However in this case it seems that the individual taking loan for investment or business would pay interest on the loan for the year till he/she files for tax return & consequently that interest is refunded.
Is that acceptable for a Muslim living in North America?
My other question is what are the alternatives for Muslims in Canada?
The tax we pay on salary is around 40%

Retirement registered savings plan (RRSP) offers tax shelter but then the full amount is taxed at withdrawal when retiring.
The forms of investment in RRSP are GIC(which is sort of a savings account that gives fixed interest. This is deemed of course "haram". So any interest gain, I give out for "Sadaqah".
The other form is mutual funds. Taking into consideration that I estimate an amount of money & give out "Sadaqah or Zakah" to purify that money from any "Riba" dealings that the bank surely deals with. I tried to put funds in mutual funds that are pure equity. That product just doesn't exist at the bank. There is always a percentage of bonds, or bank based investment.
Knowing that equity market is crashing right now. What are the options?
Here is the list of "haram"
Interest on saving
Dividends
Any sort of fixed income
Bonds
Trusts
Other options that I think are halal:
Real estate (Even with prices falling down, it's way beyond reach to an average person to purchase a home in cash)
Mutual funds assuming they're not dealing in any forbidden activity. Due to high market volatility it's not recommended.
So what does an average Muslim do other than putting savings on the side without any investment & loosing value as years go by plus being taxed at 40%?
In short, it seems that due to the global existing financial system, all sorts of income generating or investment is "haram", what are the options of "halal" out there?
Jazak Allah kul kheir,
Olfat

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. Olfat
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Let me sort out a few points before talking about an answer:
1. Zakah is one of the basic pillars of Islam, any Muslim is required to give it to Muslim poor and needy or to charitable organizations that distribute it to Muslim poor and needy, interest money cannot be used for Zakah payment.
2. Interest money that a Muslim may earn from any source should be given to Muslim poor and needy or to Muslim charities. It must not be kept mingled with one’s own money in order to keep the latter pure and clean.
3. The word tax deductible means you reduce the amount of income that is subject to tax by the amount of interest (or other business expenses), it does not mean that the amount of interest is returned to you.

4. You talked about deduction of interest from taxable income of investment, but then you talk about tax on salaries. In business investment all expenses are deductible but in salaries tax on house mortgage is not deductible in Canada.

Now let us come to an answer:

1. You made your own list of Haram and Halal! A thing that is normally not usual when you ask about what is Haram or what is Halal. For instance, it is not Haram to put money in IRSP and get tax deduction for it, you can deposit this money with the Muslim Housing Cooperative in Canada and gain Halal income on it. Even if you find no other way, it is still permissible to deposit with IRSP with a conventional bank and give interest for Muslim charity but you still gain the tax deduction that you said it is 40%.
2. You can choose to make a business and charge it with many expenses and get them be tax deductible but you cannot do the sale if you are a salaried person.
3. At this time, as you said investment in shares is very risky, so is most other forms of investment and it seems that one of the best investments at this time of crisis is to keep you money under the mattress! Of course unless you can find a good opportunity of long term buy at the present low prices.
4. You still have the opportunity to give to Muslim charity and get deduction on these donations!
5. Finally please seek an advice of a tax shelter specialist in Canada, she/he may be able to give you better ideas on what you can invest in and get a maximum tax shelter.

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

From: Funke
Sent: Wednesday, February 11, 2009
Location:

Question: Investing interest money

Dear Prof Kahf,
Salaam Alaykum
We hope your family is fine.
We kindly need your opinion on some issues:
Our State Governments have accounts that generate interest every month. They want to invest the interest proceeds with our Capital in form of temporary endowment for feeding people during Ramadan and other societal reorientation projects.

1. Is it permissible to take interest proceeds from government to invest for societal benefits? Does that translate to trading with Riba?

It is permissible to take interest money and invest it in permissible uses to the benefit of the depositor of this money. This does not amount to trading with Riba. The prohibition is focused on lending against increment. For a Muslim, if it happens that interest money is generated to her/himself this money should be given away to charity.

2. Is it permissible for us to ask government to give their interest proceeds for investment?

My preference is that interest money be distributed to needy causes, but if you know that it is not going to be distributed immediately either because of logistic reasons or because of desire and processes of the holder of this money (the government), then it is okay to ask for investing it by/in us. It is more so if you know that alternative use is to keep it in conventional banks earning more interest, then by asking for its investment in our o=company you will be reducing the evil of Riba.

3. Is it permissible for our company to earn a fee on the management of these endowments that its principal originated from Interest generated from other sources?

Yes, because these fees are against your services provided to manage this money.

4. What investment tenure is possible for such an endowment as it originates from an Interest income? Can it be invested and grown?

Here again my preference is to distribute this money for needy causes (these don't have to be only poor and needy but include the general causes of the Country/people). But whenever there are more obvious benefits in holding their distribution for a period of time or hindrances in distributing quickly, investing them in Shari'ah compliant ways is the best alternative for as long as it is better to invest or until obstacles removed.

We pray for God's Guidance to you and your family.

Many thanks to you, your family and other brothers and sisters in the company and their families.

Wassalam.

Funke

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. Funke

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Please see my answers in red below the questions.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Ramadan

Sent: Tuesday, February 10, 2009

Location:

Question: Loan from Canadian banks

ب خص و ا ال ق ر ا ض ر ت ق ا ل ا ر ف ا ر ص ا ل م ن ا ض ر ا ت ق ي ف ي ب ي ل ا د ن ك ي
ا ل ا خ ض ي ل ة ل ل ك ت و ر
ل س ا ل م ع ل ي ك م ر ح م ة ا ل ل ه و ب ر ك ت ه
ب س م ا ل ل ه ا ل ر ح م ن ا ل ر ح ي م ا ل ح م د ل ل ه ر ب ا ل ع ا ل م ي ن و ا ل ص ل ا ة و ا ل س ل ا م ع ل ى س ي د ن ا م ح م د و ع ل ى ا ل ه و ص ح ب ه ا ج م ع ي ن
ا ن ا م ا ا ل ا خ ت ا ل ي ا ل ف ا ض ل ة ا ل ا س ت ا ذ ة ا ل ك ر ا م ي ا ل ل ه ي ح ف ظ ك م و ي ب ا ر ك ف ي ك م و ي س د د ا ل ل ه خ ط ا ك م
ا ن ا ل ا ن ت ظ ا ر ا ل ا ج ا ب ة ع ل ى ر س ا ل ت ي ا ل ت ي ب ع ث ت ه ا ل ي ك م ف ي ا ل ي و م ا ل ث ا ن ي ع ش ر م ن ش ه ر ا ل ل ه ا ل م ح ر م ف ا ت ح ة ا ل ع ا م ا ل ج ر ي ا ل ه ج ر ي ة ا ل ن ب و ي ة ا ل ش ر ي ف ة ,
ف ي م ج ا ل ا ل ا ح ت ف ا ظ ب ا ل ا ح ت ر ا م ا ل ك ا م ل ل ل ش ر ي ع ة ا ل ا س ل ا م ي ة ف ي ك ل ت ع ا م ل ا ت ه ا ل م ا ل ي ة و ا ل ت ج ا ر ي ة ,
ف ق د ع ا ن ى ك ث ي ر م ن ا ل م س ل م ي ن ف ي ك ن د ا م ن ا ل ا ق ل ي ا ت ا ل ك ر ي م ة ا ل ت ي ت ع ا م ل م ع ا ل ب ن و ك ا ل ر ب و ي ة ,
و ل ا ش ك ف ي ا ن ا ل ا ق ا م ة ف ي ك ن د ا م ن ا ل ا ق ل ي ا ت ا ل ك ر ي م ة ا ل ت ي ت ع ا م ل م ع ا ل ب ن و ك ا ل ر ب و ي ة ,
ل ا ش ك ف ي ا ن ا ل ا ق ا م ة ف ي ك ن د ا م ن ا ل ا ق ل ي ا ت ا ل ك ر ي م ة ا ل ت ي ت ع ا م ل م ع ا ل ب ن و ك ا ل ر ب و ي ة ,
ل ا ش ك ف ي ا ن ا ل ا ق ا م ة ف ي ك ن د ا م ن ا ل ا ق ل ي ا ت ا ل ك ر ي م ة ا ل ت ي ت ع ا م ل م ع ا ل ب ن و ك ا ل ر ب و ي ة ,

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. Ramadan,

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

It seems to me that your situation is a typical one for the application of the Fatwa of the Islamic Fiqh Conference of 1999 in Detroit. Since you need a house for living and the Islamic option is not available to you because of its conditions, the conventional option becomes permissible.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Hajara

Sent: Tuesday, February 10, 2009

Location: Africa

Question: Setting price conditional on period of payment

Salaam alaykum Professor Kahf,

I saw the question below and wanted your opinion. What kind of contract is this?

The query is, Mr. Z needs say Rs 500,000 as short term finance (say 6 months), for buying certain assets for business and offers Mr. X, 10% of Mr. Z,'s sales (not profit) during the 6

months, as benefit. If there are no sales during this period, Mr. X will only get his 500,000 back. If there are any sales, he will get 10% on the sale value as his incentive plus the 500,000 he financed. Is this Halal? If not, what makes it Haram?
Hajara

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. Hajara
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
The answer to this question should be known to you Sr. Hajara, is it not a loan (capital guaranteed) that generates a benefit? Any material benefit from a loan is Riba. From another angle, you can earn if you own a thing that creates increment, does the lender own an asset that creates increment? This transaction, as described, is a loan with interest that is not determined in advance and rather left to chance and unknown circumstance? It adds an element of gambling (as the increment may or may not happen) to the interest basis of it!
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Yuyun
Sent: Wednesday, January 07, 2009
Location: Malaysia

Question: Inflation and interest

Assalamualaikum prof
I'm student from Malaysia, I would like to ask your opinion about the Islamic banking services and practices nowadays. I also wanted to ask your opinion regarding the relation between inflation and Riba'. May you tell me more about it? I hope that you can give me the answer as soon as possible.
Thank you prof. for your cooperation.
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 Yuyun
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
1. Islamic banking is doing well; Islamic banks are expanding, growing and increasing in number. Some banks practice, in some of their transactions not all, a few contracts that are controversial such as ‘Inah and sale of debts in Malaysia and Tawarruq in Saudi Arabia.
2. There is scientific evidence on any causality relation between interest (Riba) and inflation although it is well known that sometimes one affect the other, back and forth. We cannot make a claim that inflation is caused by Riba or interest is a compensation of inflation. However there

is sufficient evidence that Riba may be a cause of the business cycle or at least a reason for its blow up and expansion. The present crisis has a lot to explain that in fact Riba through debt sale (discounting or securitization) was a major element in the domino effect that pulled down many financial giants.
3. I suggest that you should read some textbook on inflation, money and banking to have more background on these matters.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Ibrahim
Sent: Wednesday, February 04, 2009
Location: Netherlands
Question: Information about Islamic banking and finance
As salamu alaikum wa rahmatulahi wa Barakatuh,
Dear Dr Kahf,
My name is Ibrahim and I live in the Netherlands. I am a Student of International Business and Management Studies. I have many questions to ask you, mostly about Islamic business in general (economics, investment, finance, banking, management, Marketing, Entrepreneurship). First, is there any college or university that you know that teach this subjects Islamically here in Europe, Asia or anywhere in the world? Are there any Islamic financial, investment institutions that operate without dealing with interest rate? What should I do to learn these subjects or some of them in the light of the Quran and Sunnah and later be able to practice them and survive in this world of business competition? I think I have to stop here for now. I hope hearing soon as possible.
Barak Allahu fikum,
Ibrahim
My Answer:
Dear Br. Ibrahim
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
I don't know of any school in Europe that offer dependable program in Islamic econ or Islamic finance. I am presently a part of a new program of MS Science in Islamic Finance that just started in the fall 08 I hope it is a very good one. I can confidently recommend it. It is in the Faculty of Islamic Studies in Qatar Foundation, Doha Qatar. The Faculty itself is now specialized in graduate studies.
Meanwhile I suggest that you check the Internet for website of Islamic development bank, International association of Islamic economics, Mabid al Jarhi, Muhammad Anas Zarqa, Mohammad Nejatullah Siddiqi, and mine at www.kahf.net <http://www.kahf.net/> there are many useful downloadable publications that can make you busy reading them.
Best Regards,
Wassalam
Monzer Kahf

From: Yaman
Sent: Friday, January 23, 2009
Question: interest in the contract
AA baba -- InShaAllah all is well with you and mama and Noma. I have been shopping for car to replace the civic and am not in a hurry Alhamdu Lillahi because I want to wait for the right financing.
I think I know the answer to this question, but want to ask just to make sure.
The dealership's lender does not offer zero percent financing, but the dealer claims he is willing to deduct the interest amount from the vehicle selling price. The contract will remain interest-based, but he's compensating by lowering the base/principle price. My understanding is that as long as the contract is interest-based, then it is unacceptable. Is that correct or can this scenario be okay somehow.
I realize obviously that the first choice is for the contract to state zero percent interest and am working towards that. 5 years with zero interest has become rare among Japanese car dealerships... even with American cars it is now rare.
Your thoughts on this question are appreciated. Salams
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 Son Yaman,
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
The contract you sign in this case is not permissible as being interest-based. A close alternative that is permissible is: if the dealer signs with you the loan contract that he pays the interest and you benefit from the loan whereby you only pay principal of the loan and the dealer pays its interest. I have an alternative for you in another email.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Rabia
Sent: Friday, January 23, 2009
Question: witnesses on loan agreement
Assalam Alaykum,
For the loan agreement since a notary republic would cost money and seems cumbersome is having two witnesses as sufficient with address and phone numbers. Also I wanted to humbly ask you if you would be willing to provide a brief testimonial regarding Iana's Interest lending program for our website. We would like your comments to encourage people to donate and support the organization. InShaAllah also help to build credibility.
We would really appreciate your feedback!
Rabia Sheikh
Iana Financial
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. Rabia
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Yes, from Shari'ah point of view, it is permissible to have the contract signed by two witnesses. But please notice that the matter of notary public is not a matter of Shari'ah, it is rather a legal matter in your Province and in Canada in general. Please check with your own legal counsel whether it is ok to have the loan and charge documents only witnessed. In USA, we usually have a public notary in every office, it is easy for any American to be a notary public, is it the same in your Province? if so why not having one of you become a notary public?
For the support statement I will be glad to sign one. Please write anything that is suitable to your website and email it to me I can sign it and send it back.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Hisham
Sent: Monday, January 19, 2009
Location: Malaysia
Question: drafting Riba contract
Dear Sir,
I am sorry Sir, I believe I have to gives all the relevant facts as a nature of my work. I have tried to summarize the facts and questions from the original version (which is much longer) and this is the result.
Please sir, I seek your patience to spend some time to read and answer this long question. With your help and the information you give me, I pray to Allah to reward you and I sincerely hope that I will extend this 'amal maaruf and nahi munkar' work to the society here. May be there are also some goods to take my case as your study case or a discussion material.
I am 37.I have been a lawyer for 10 years and a partner to a medium sized law firm in a small town. I now have a car, a house, got married, have children, save some moneys and assets and the rest speaks for itself. It was then, a good career.
It was for the past 1 - 3 years, I got to know the word "Riba". I read and read, and the more I know about Riba, the more I get scared. Surely this new knowledge affected the happiness of my life. I am now in dilemma. Part of my work seems to be involved with the elements of Riba. This is serious. Sincerely I cannot deny that my work involve Riba.
Sir, I definitely don't want to go the hell. Not even for a second. Although it is not an easy task not to do a single act of sins but certainly not a sin of Riba which is of high ranking of major sin. It's rather not wise to carry on with other good deeds while at the same time letting oneself with the evil deeds of Riba. I really understand this, but my 'Iman' is too weak, although it is for the best of my akhirat to leave anything to do with Riba in total. In reality of my legal works, it is not easy.
But a final decision is to be made.

Confusing Matters, be that as it may, I do notice there are issues as to the exceptions to sins of Riba as in the case of darurah, Maslahah, and hajiyah. This has confused me a lot. There is an investment scheme which contains Riba that has been ruled by Fatwa council in Malaysia as halal due to Maslahah or darurah. There are also other opinions which say that all the Islamic financial products are not truly Islamic product and therefore still have the elements of Riba causing the situation of Darurah is applicable at its full effect and extent.
Allah is the reason I met you. I can only hope you will be the last (expert) person to help me.
The lawyers' works in Malaysia may be described as below:--
1- A legal firm may be owned by one lawyer (sole proprietor) or by partnership (at least 2 lawyers- They share profit and liability at the percentage agreed between them. (Could be 50%-50%-70%-30%).
2- They are lawyers working as lawyers but not owner nor partners of the firm known as legal assistants. However some do get shares as determined by the firm.
3- Nowadays in Malaysia, there are increasing numbers of Muslim lawyers. I do not know how many lawyers and legal firms all over Malaysia. I believe there are equal numbers between Muslim lawyers and non-Muslim lawyers (mostly Chinese and Indians).
4- I believe the non-Muslim lawyers especially the Chinese lawyers are more successful and have strong financial positions.
5- It may be said that the business market of lawyers is controlled by non-Muslims maybe due to the reasons business market are substantially controlled by them.
6- In private practices, there are so many Muslim lawyers, thousands of them (especially young lawyers) working for non-Muslim lawyers or firms owned by non-Muslims.
7- A Muslim lawyer can open up a small firm.
8- In private practice, these lawyers work closely with all financial and banking institutions inclusive of all banks be it conventional or Islamic banks, foreign or local banks.
9- What happen now, there are very small numbers of Muslim firms acting as panel lawyers for major banks and most of these major banks are also conventional banks which most of the products are conventional which are Riba base or have elements of Riba.
10- Most of Muslim lawyers who own small or medium sized firms are panel's solicitors of local banks which are Islamic Banks (BIMB, RHB Islamic Bank, CIMB Islamic Bank etc.) and conventional banks like Maybank, CIMB, Agro Bank, Southern Bank, Hong Leong Bank, Bank Rakyat, etc., as you know. (We refer this as 'Banking works- for lawyers).
11- Other than banking works which consist of conveyance and litigation works, there are also criminal defense works on criminal's cases, running down cases etc.
12- Right now, there are so many (thousands) of Muslim lawyers in private practice and most of them do the legal banking works. So do my small firm.
The legal Banking works consist of two:-
1) Documentation works (Conveyance).
2) Legal Actions (I.e. in court)
Documentation Work:
All kinds of loan agreements (no need explanation). This can be big and luxury businesses for lawyers depending on the amount involved and the number of cases/instructions they received per month. Briefly, the role of Solicitors is to perfect and complete the legal loan transaction and only on its legal advice and legal undertaking, the Bank will then release the loan money to

the loanee/borrower. Clearly and surely to your opinion, the lawyers role and work in this field and area of working is Riba and haram.

Legal Actions (I.e. in court)

After loan documentation is complete. The Riba money is disbursed to the Borrower or third party. The customer or the Borrower is now obliged to make repayment of loan in the manners stated in the loan agreement. In real life, there are so many defaults involved (millions of dollars). Here comes the second part of the lawyer's role.

We are instructed to claim the amount owing by the borrower. There are many modes of legal actions but that is not important. The problem is that we are working for Bank to claim money from Riba loan transaction. (Principal sum + the Riba sum + the accumulating interest and the judgment interest) The money we claim may be out of the principal amount or the interest amount or the interest within interest amount.

I have read some parts of your opinion which was quoted by Mr. Zaharuddin, Malaysian (a Scholar On Islamic Financial matters) in one of his articles as below:-

(1) Bank interest is a kind of Riba which is prohibited in the Shari'ah. It is also prohibited to give it, receive or take it, write its contracts and be a witness on them. Hence, any job that requires a Muslim to make a contract of Riba, or be instrumental in making it such as negotiating it with the customer, getting it signed or signing it on behalf of the bank and other jobs related directly to making a Riba-based contract with regards to deposits or financing in a Reba based bank is prohibited. There are jobs in banks that do not relate directly to Riba such as guards, tellers, treasurers, research, buildings and machines maintenance, etc., I personally quote two of the greatest Muslim scholars' views regarding that as follows:

His eminence Sheikh Muhammad al-Siddiq al-Darir of Sudan and His eminence Sheikh Muhammad al-Mukhtar al-Sallami of Tunis are of the opinion that such jobs are not included in the prohibition. However, they maintain that jobs which support the Riba-based operations are prohibited." Sheikh `Abdus-Sattar Fathallah As-Sa`eed, professor of Qur'an Exegesis and Qur'anic Sciences at Al-Azhar University, states the following:

"We would like to clarify two important points. First, the economy is usually associated with Riba (interest). If you are obliged to work in this field, then there is nothing wrong, and you are excused for doing so. You must, however, repent to Allah, and ask Him to forgive you while striving hard to find another lawful way of earning a living.

Second, if you are directly involved in dealing with Riba, and it is your career and means of earning a living, then you are not allowed to adopt this kind of work.

Finally, working in interest-based banks is not the normal choice of career for a Muslim. You are allowed to work there only if you find it extremely difficult to find a lawful way of earning a living. Try to keep in mind that you should leave this job the moment you find a more suitable one. If you are driven by the sincere intention to find a lawful way to earn a living, Allah Almighty will make it easy for you, in sha' Allah."

I do understand and accept the illegality and the prohibition of Riba and the consequences of dealing with Riba in the hereafter.

I know that your opinion is based on one hadith of the prophet s.aw, although I do not know whether the hadith – is sahih. If sahih, we must accept it. But I do believe the nass and legal references/authorities on this are very strong and convincing- on the simple understanding-

that one is responsible if one take part in the work of evil/sin , small part cause small sin, big part cause big sin. –but Riba is undeniably major sin.

So if it is haram –it is haram. If it involves Riba in what so ever manner by what so ever part- it is haram. This I understand and accept. But there is a concept of darurah, Maslahah, hajiyat etc., which is recognized in Islam. So I also understand and accept. What I really don't understand is its true meanings and applications especially in the work deals or have the element of Riba. It is this words that confuse me –If it comes under darurah– it still haram but the wrong doer is not sinful because of darurah situation. (I am only interested in the issue of darurah in Riba or Riba related works).

What is actually considered darurah –TO ALLAH? The first issue; As to the first confusion is the test to determine –the work is haram or halal- The direct or indirect connection of the work to Riba:-

There are jobs in banks that do not relate directly to Riba such as guards, tellers, treasurers, research, buildings and machines maintenance, etc., I personally quote two of the greatest Muslim scholars' views regarding that as follows:

His eminence Sheikh Muhammad al-Siddiq al-Darir of Sudan and His eminence Sheikh Muhammad al-Mukhtar al-Sallami of Tunis are of the opinion that such jobs are not included in the prohibition. However, they maintain that jobs which support the Riba-based operations are prohibited."

At the first stage, there are leaders of the country; there are Muslim ministers, legislatives, economists who have the power and controls to the administration of this country and in making and annulling laws and regulations. If the country is showered with Riba, they are the first group of people to be blamed. How not direct their responsible are? to the spreading of Riba in this country. Only they have the power-to enact, implement and enforce laws. Only they can make ruling with respect to the banking practice in Malaysia. I have read on the decision of Federal Court in Pakistan, annulling laws which allow Bank's Interest and therefore illegalized Riba. In relation to the legal work of Riba, there are so many Muslims working in Conventional Bank, from small position the CEO. They all play their parts in strengthening the Conventional Bank – the main player of Riba.

Just because there is small part of the Bank which produce Islamic product, can the sins be erased? How do we put the line between the works which are direct and the works which are not direct? One in hell –one is not in hell (in heaven?). The office boy which is considered a not important role escapes the sins of Riba whereas the manager, the marketing officer are cursed with the sins. They all play their parts (be it small or big) in the Riba business and get paid accordingly. How small or big theirs sins are, depend on their contribution and role, bigger role, bigger sins, should it be that way?

For a loan transaction to be completed by a solicitor it takes few people from sectors of working to dispose their part of jobs. A few bank staffs and officers need to study and evaluate the loan application in order to approve it. Only upon approval, the bank will issue a letter of offer to the customer, if the customer agrees; he will sign as acceptance to the offer. The Bank will then appoint a solicitor from the bank's list of solicitors and then instruct the solicitor do the legal works and the last part, if everything is in order Some Ustaz try to blame us meanwhile they the one who strongly support the system which allow Riba to live to the fullest by supporting those in power. So far I have yet to find any articles or materials discussing 'darurah, Maslahah,

hajiah etc. in depth with respect to the issue of Riba in banking business especially in loan matters. No writings or discussions on works that are so closely related to Riba like bankers, lawyers, auctioneers, judges, accountants etc. {I never read or found a comprehensive and convincing discussion on darurah in financial matters– normally it always discussed only not more than half a page- Why not we discuss the issue of Darurah in relation to All the works or jobs which have the element of Riba.}

Please sir. Most so called religious people and Islamic scholars, they just shut the arguments down by saying" just accept it"---"if you have 'iman' (faith) but if you don't have iman, you may find a great difficulty to accept- and however lengthy the explanation, it would not change you....

We lawyers are trained to evaluate matters by reasons and good argument – we do accept nas al Qur'an and hadith. But there is also the concept of darurah etc.

There is nothing wrong to ask for a strong arguments and reasons, even the prophet Musa alaihisssalam crave to see Allah just to strengthen his 'iman' (faith).

I need a satisfactory and convincing answer because it will have a great effect and implication to so many Muslims in those fields of work. If they are to leave their professions, they deserve good reasons to doing so. If it is haram work, My Muslim lawyer friends, thousands of them and many more to come from Islamic university, national university, etc. will be dragged in the valley of disaster.

Yet not so many of them understand the nature of their Riba work. Some of them might understand and have some awareness of Riba but try to make they believe – it is all DARURAT. They however do not really understand 'darurat'. Believe me; I talk to some Muslim lawyers which are also Shari'ah lawyers... 'Darurah' is their answer. They are arguments to apply the defense of Darurah in wider sense due to the weak economic situation of the Muslim population in Malaysia compared to the non-Muslims, for instance the investment of ASB (Investment Fund for Muslims) which clearly contain Riba but allowed in the name of darurah or Maslahah, a national Fatwa by a council of muftis in Malaysia. I believe they all concurred in making the decision. Can all the reasons, arguments and justifications be applicable in the situation of lawyers work and profession?

Other arguments: - Is that not a case of darurah if all Muslim are to withdraw from doing the legal banking works on Riba transactions. Then all the jobs will be given to the non-Muslim lawyers? In Malaysia, there are non-Muslim at -45% and Muslims at 55-% making the population of this country. There is civil law (secular laws) and Shari'ah laws. There are also civil courts and Shari'ah court. Civil law are more established in this country and have much wider jurisdiction. The Civil Court has more jurisdiction and superior than Shari'ah court. The non-Muslims especially Chinese people have more control over the economics. Also in financial matters, we have conventional and Islamic bank conventional and Islamic products. Again, the non-Islamic bank is superior over the Islamic bank in term of the value of fund and the value of business. The biggest Islamic bank is the Malaysian banking the biggest bank in Malaysia. BUT its Islamic business are only small portion (not more than 20% (I believe) and the rest are conventional products. I believe all Muftis of every (13) state in Malaysia do concur that conventional products have the element of Riba –although they do not say it loud and clear enough to make all the Muslims people really understand. But what I also do not understand is

that I never found any fatwa from any of them, illegalize all the Muslims to take up conventional loans (unless the entire Islamic banks turn down their application)

As at today I believe there are still many Muslim people subscribed to the conventional loans. If it's truly haram and Riba why not issuing the fatwa that is haram for the bank (people in bank) to market Riba loan to Muslims. Although Malaysia is said to be in the endeavor to be halal hub center, I am not so excited. How many years more it takes to let this country drown in sins of Riba.... who should be responsible to those who are now drown in the sins of Riba? What happen if they die yet they have not freed themselves from Riba? I am sorry, every time I find a title of darurah in a book, the examples given are the same and typical; the bank workers and some other jobs. The reasons and explanation are so little. In this contemporary era, three are many kinds of work inclusive of some important professions that has the element of Riba.

Why can't the exception or the special circumstances given to the bank workers in general is extend to the profession likes lawyers.

How may we put a line between works which is halal and haram in a conventional bank? A manager is punished for having important part in Riba whereas a general or office boy is saved from sin of Riba for having a small part in Riba. The manager of course has to do a lot of things to secure a case of loan transaction. An office boy is instructed to Photostat the copy of the letter of offer of the Riba Loan. Of course, small role; is he not guilty for a small part of major sin.

Both are working in that bank on their own freewill. One makes $500 a months the manager makes $5,000 a month. The one gives fried rice to his kids out of the income from Riba work and the other one buy pizza for his kids.

Talking about the direct and indirect test – the role of the office boy is at the 1st stage in the creation of Riba transaction. The loan of Riba is approved in the name of letter of Offer to the customer whose is to sign as an acceptance. Here is the birth or the creation of a Riba transaction.

The role of lawyer comes into picture only when they are given a letter of instruction instructing them to complete the transaction as per the letter of offer, it's secondary not primary, at the second stage. If I am not mistaken Dr. Yusuf Qaradawi has opined that the defense of Darurah is applicable in the case of all Muslim workers in Conventional bank. The learned scholar stated that if all the Muslims workers are to abandon their Jobs in conventional bank, the economics of the banking business will be control substantially by the Jews or non-Muslims... Can't such presumption be applied to the role of Muslim lawyers?

I have to say that since I became a lawyer in 1997 --- there are not so many Islamic banks but now (2008) there are quite a numbers of Islamic banks, so it is undisputable that after the Riba loan transition is completed, the loan money is disbursed. We will get payment (legal fees) from the customer or in certain cases from the bank, (According to the scale of fees set by the relevant laws). It is the laws of the country that has stipulated the role of lawyers. They have undertaken to compensate bank in the event of the Bank suffer damages due to the lawyers mistake. There is why lawyers are insured (with a high premium).

So the questions are:-

(1) Is the lawyers' works in loan transaction haram and Riba? Is the defense of darurah applicable? If darurat is applicable, are all the moneys received from the transactions halal, can be used for Zakah and performing haj in Mecca?

(2) How about our work in representing bank to claim outstanding moneys from default customer? The claim normally consists of the principal sum and the interest and cumulative interest. ? Also Riba and Haram, or Darurah?

(3) If it is Riba, Haram and No Darurat, what should we do? What happens to the money we have spent? What should we do with the moneys in the bank, the assets?

(4) Let say, after 10 years, we never really sure, how many percentage is the Riba business and how many percentage is not Riba business?

(5) I am a partner to a firm. I want to leave Riba works. Let say, other partners do not agree. So I surrender all my right as partner and I have no obligations to do all works including Riba work? As a result I would only receive a monthly payment as royalty or allowance let say $Rm3,000-00 for 5 years. Is it halal? The allowance is meant for Islamic business. That is my demand. The business of Islamic business is as strong as Riba business and surely more than RM3,000 a month. . Is it halal? The firm still carries my name but in the letterhead I am considered as legal assistant – I am not obliged to do any work. The payment is due to my contribution to the good will of the firm. Would I still be considered as having a part in the work of Riba my partners and firm, and therefore commit sins of Riba?

(6) How about the works of other people like auctioneer who auction the land charge over Riba loan, the judge allowing Riba claim and awarding interest? The land officer who allow Riba loan documents to be registered in land office?

(7) Application of Darurah. Is there any different to the following:-

7.1) The lawyers who are working as an employee involves in Riba transaction and the partners of the firm?

7.2) A lawyer who is a partners to the firm but not doing all the Riba works and say that the money and portion of his share is from non- Riba cases. ?

7.3) Staffs of the firm (not lawyers) who also involved partly in the Riba case?

7.4) it has been 10 years of practice. The source of incomes comes from much kind of cases including Riba cases. . (Banking business mix Riba and Islamic). How?

Please sir. Help me.

Yours faithfully,

Hisham

My Answer:

1) Any work of a lawyer or a secretary in drafting, typing, correcting, reviewing etc. Any interest loan agreement is prohibited and covered by the Wrath of Allah as mentioned in a correct and authentic Hadith. These actions are parts of writing a Riba contract. There is no necessity to do that whatsoever. The principle of necessity is invoked only when there is an unbearable damage caused to life, religion, mind, posterity or property. A Muslim is supposed to avoid such actions and if it happened that she/he did them then money received for these actions. Is not Halal and it must not be refunded to payers because it is a price of a service they received. It should rather be given to Muslim charity. It cannot be used as Zakah payment and it is not Halal for all other usages.

2) It is permissible to represent a creditor (even if the loan is interest-based) provided you ask only for principal. Claiming the interest or asking a court to impose paying it is forbidden in our religion.

3) You seek forgiveness from Allah and add more of the good deeds including prayers and Sadaqah. Allah promised in the Qur'an that good deeds remove bad actions and wipe them out. Sincere repentance requires to be accompanied by quitting bad actions.
4) You make your best educated guess and judgment.
5&6) Writing, recording signing typing and every part of the activity of creating an interest based contract is not permissible. Giving judgment of imposing interest is also Haran. Each Muslim is responsible for his or her own self and is required to follow the right path and only advise others to do the same.
7.1 No difference and No necessity, as there are many activities lawyers can make that do not involve Riba
7.2 You cannot claim that.. If you are a partner in a company or partnership you must put in the founding contract a condition that no interest transaction can be made. In a Partnership whatever each partner does of the business of the partnership is done in the name of all partners not only for that partner's self.
7.3 It is prohibited to do any part of writing a contract on interest or be a witness to it. Actions that do not make a part of writing are not prohibited and their income is not Haram.
7.4 Make an educated estimation.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Hisham
Sent: Monday, February 02, 2009
Location: Malaysia
Dear Sir,
Important Matter
Thank you so very much, sir. I was praying to Allah to reward you with the very best reward in this life and hereafter.
Last Question:
I wish I have such clear answers 2 years ago. But I think it is blessing in disguise. As I believe I am now stronger to deal with this Riba Issue. As if this answer reached me then, I do not if I were strong enough. Now I do accept your opinion and I want to follow it. I want to leave all Riba related works but there is one issue I need your help and opinion?
To be frank to you, my firm is about to split/dissolved unless we are able to reach a settlement. Of course, one major reason is disagreement of Riba works.
My firm namely "ABU (not real name), HISHAM & RAKAN-RAKAN (Associates)". My name is Hisham and my partners' name is Abu (not real name), now the firm has been established for 10 years. The last two years is like 'cold war' between us.
We have 2 branches of legal firms in KL and PJ, using our name; they pay us a monthly payment of let say 1k every month to each of us. All of their work mixed Islamic and non-Islamic, but now they say they are more Islamic cases than non-Islamic cases.
I have explained Riba to may partners, but they believe they can apply the concept of darurah in Malaysia (in a wider sense) due to dual economic system and the non-Muslim control of the

economic. . Therefore it comes under Maslahah. There is one fatwa issued by one state in Malaysia allowing Muslim lawyers/legal firms to do Riba works on reasons of Maslahah but the portion of work must be of small percentage. I am not satisfied with this fatwa as many loopholes as to the reasons and justifications of this fatwa.

Therefore, my partners and lawyers don't want to stop but insist in continuing Riba cases such Riba conveyance work and Riba litigation work. They have their reasons and 'fatwas'. One of them they say it would not be easy to justify to the bank (who have Riba and Islamic product) that they would accept Islamic assignment of case and would reject the Riba cases…etc.

Actually, I have told them may be the best thing is to dissolve the firm, this idea do frighten and shock all the partners. I admit I am also worried...

If the firm is dissolved ...logically there will be:-

(1) Financial problems.

(2) All the panel banks will look with suspicious and some may stop sending cases be it Islamic bank or conventional banks

(3) Rumors will be spreading by those irresponsible firms and lawyers

(4) A lots of new things have to be done to start again, and it's not easy to get panel ship.

(5) We will not allow Islamic or conventional banks ... they have same attitude towards lawyers, therefore no panel no cases from them, even though it is our client, because it is their moneys

So I was given new options as to save the firm:-

(1) I have no role in the firm as long as I was paid let say a total of RM4,000-00 (from all the legal offices) a month without having to do anything. I don't have to any work for the firm.

(2) The payment would be intended and consider to be paid from the income of Islamic cases by Islamic cheque via Islamic account. They say Islamic business is bigger than non-Islamic business.

(3) One Thing I am sure is that they have more than enough Islamic income/money to pay me the amount of RM4,000-00 Islamic money every month. The Islamic income is surely more than 4,000-00

(4) My name is no longer in the section of partners in the firm's letterhead. Since I only receive a fix and small income, I do not want a liability of a partner

(5) I have made my stand clear that I would not help any Riba cases at all and I would try to help on Islamic cases (moral duty not obligation).

(6) They know that I would like them to leave all Riba work, I hope may be one day they will, InShaAllah.

(7) We are now working on these options/alternatives to save the firm.

(8) I am only afraid that I would still be in the sin of Riba since I may be considered as still having a role or contribution be it small or indirect as the firm

(9) I prefer this option as I want to further Islamic study and do a lot of other thing. Money is no longer my priority. I am now writing a book on Riba. I also want to do da'wah works.

(10)If the firm is dissolved, I would have to do a lots of things on works

THE QUESTION:

(1) So Sir, What is your opinion on this arrangement? Is the deal acceptable in the eyes of God? The money I receive monthly, Is it Halal or haram? If not halal, do you have any other suggestions -- to save the firm and to save me from Riba? I am now in dilemma and confused?

(2) Let say if I have a total asset and cash of 300,000, what should I do? A mixture of Riba and Islamic money, 5-10 years ago, Islamic bank and product are not strong. Therefore Riba money may be more than Islamic money.
My income for the past two years has not been so good... I am now hoping that I can settle all my debts and monthly liabilities. Of course I need this money. It would not be easy for me to give away all the money or most of it to the charity. I am planning to do Shari'ah cases on free basis (no actual payment from poor clients) (with intention and agreement that they pay me the legal fees from my money I gave to them as charity ... or Sadaqah, until I am satisfied I reach the particular amount to illegalize my money..... Wassalam.
Yours faithfully
Hisham

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. Hisham
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

1) What is prohibited is the part of a lawyer's work that drafts, writes or review the Riba matters. There are many other legal matters with conventional banks that are not prohibited whether in documentation or in litigation that are not prohibited and the fees for them are also permissible.
2) I cannot and nobody can make judgment on behalf of Allah (Subhanahu wa Ta'ala). I can. Tell whether an action is acceptable to God or not! I can sometimes tell you whether it is in compliance with Shari'ah or not. But of course, you are the one who knows how much of the actions of your firm is directly related to writing Riba contracts or claiming Riba in courts. If you think that the partnership makes little of the prohibited activities and your name does not contribute to the prohibited activities it is then permissible to let your name be used in all permissible activities and get the income thus generated.
3) For the second question, again it is you who determines what is not legitimately earned of your accumulated savings. Nobody can interfere in this, it is only and strictly between you and Allah. Whatever is not earned legitimately should be given to Muslim charity.

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

FATAWA INTEREST RIBA LOANS 2008

From: Samy, Islam on Line
Sent: Tuesday, December 30, 2008

Visitor Question: Difference between Interest and Usury

Dear Dr. Monzer,

Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
What is the difference between interest and usury, and is it true that Riba is not obtainable in paper and coin currency?
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. Abubakar
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
To make it in a few words: Riba is clearly prohibited in the Qur'an and the Sunnah, many verses and Sayings. Verse 2: 279 defines Riba when it makes the condition for repentance to get ones principal only. Of course the sequence is in a loan contract not in sale because before that the verse 2:275 says that sale is permissible and Riba is prohibited. What the definition from Verse 2:279 of Riba? It is simply anything above the principal in a loan. This is in fact the definition of interest as we know it in finance. Therefore The FINANCIAL RIBA= INTEREST identically.
On the other hand, there is another kind of Riba in sale contract, that has nothing to do with financial Riba, it rather relates to sale of currencies and quasi currencies. This is so because the word Riba means increase or increment, that is why it is used in both financial Riba (then it is equal to interest) and sale differential that is a different kind of increment.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Tamir
Sent: Tuesday, December 23, 2008

Question: Interest on donation on credit

Assalamu `alykum Dr. Monzer,
I hope you're doing fine and enjoying Allah's blessings.
I have a personal question about a new program designed for Canadians to help them donate more and at the same time get better tax refund. I got to know about the program from a friend of mine. I would really appreciate your look at the attached chart to see the step-by-step process of how the system works and educate me on whether it is totally unacceptable from the Islamic perspective or there is a room for consideration.
Your earliest reply is greatly appreciated.
Jazakum Allahu khairan.

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. Tamir
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

The scheme that you sent me as done by COIP (Canadian Org for International Philanthropy) is really devilish. It is based on using loopholes on the tax system and playing with prices of the MU (medical units) and differences allowed by law in interest rates. If I were the tax law interpreter in Canada I will not allow this scheme, although it is legal on the surface and I am confident that this will happen in the near future. In my opinion the legal ground that I will use in illegalizing this scheme is the prior arrangement between the company that refinances the loan and the COIP on the price of MU, this prior arrangement reveals its devilish intent! the calculation is based on the point that the amount of interest differential (remainder of pre-paid interest) given to the finance company equals the present value of the new longer term loan given by it to finance the purchase of the MU owed to the COIP. That ends up with the government refunding a tax that is larger than the final cost to the donor.
Your question is whether this scheme can be used by an Islamic organization. My answer is NO because of two reasons: 1) it is double interest based. Once in the donation on credit and two in the refinancing with a different entity; and 2) the immorality involved, in a cool way, this is a scheme to cheat the tax authority and take illegitimate money from the government, regardless of whether taxes are permissible or not from a Shari'ah point of view.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Reema
Sent: Friday, October 31, 2008
Question: Interest based line of credit
Assalaam alaikum Brother Monzer,
Please let me know a time when I can talk to you regarding a business we are thinking of doing. The person with whom we are going into a 50/50 partnership is alright with paying interest on a line of credit. We do not believe in it and the line of credit is in our name. How can we get around the interest factor? Can we ask the partner to use the line of credit and just give us a fixed salary? Basically, we would be asking him for rent for our credit line - if there's such a thing. Are we responsible that he uses it with interest? Are there any suggestions you can make? Once again I am bothering you for your advice. If you feel you can answer by e-mail it is fine because I think I have misplaced your number from 3 years ago.
Jazak Allah khair
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. Reema
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
I cannot answer the question with half info. For a Muslim, it is sinful to enter in any contract that is interest-based, line of credit or otherwise. It is worse if the contract is in your name and you are not the beneficiary of it! It means that you bear the sin and someone reaps the material benefit. On the other hand, in a partnership, a partner may not take a fixed salary because that

contradicts the sharing principle that is basic to the concept of partnership. Lastly, one may be employed in a company or by a person that deals on interest provided that the employee should not do anything that violates Shari'ah including writing interest contracts.
Wa Allahu A'alam
Wa AL Hamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Reema
Sent: Monday, November 03, 2008
Dear Brother Monzer,
Assalamu alaykum. I hope you got my previous e-mail. A new development may have happened and I wanted to ask your advice. As you mentioned in your e-mail we can be employed by such a person who does business and pays interest to do so. The business owner is willing to hire us on a salary but would like to use the line of credit which is under our name. We will have nothing to do with the line of credit and no partnership between us will exist. We will be given a 1099 form as an independent contractor/ self-employed to file with the IRS at the end of the year. Is this possible under Shari'ah?
Jazak Allah khair
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. Reema
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
If the line of credit is in your name you carry the burden of it in this life and in the life after! And someone else reaps its material benefit! I wouldn't accept it for you or for anybody else! If the interest-based line of credit is in your name you are doing a non-permissible contract, period. As an employee, you can be a salaried person with a company/person provided you do not do anything Haram, including writing or signing an interest contract because the Prophet, pbuh, told us that invokes the curse of God.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Samy, Islam on Line
Sent: Thursday, October 30, 2008
Question: Signing on Behalf of Mother on Her Interest Accruing Account
Dear Dr. Monzer,
Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
Respected scholars I have two questions: 1.) My mother has had an interest accruing account which she has not used in the past few years. Aside from the money acquired via interest, most of this money has been earned by my mother. When I turned 18, the account then was

registered under my name. My mother says that she requires the money from the account. In order for her to get any money from this account, I would have to sign for it. Am I being sinful by signing this account over to her?? It is her money and I may be in the wrong by withholding it from her. 2.) Some people believe that thought is energy and by thinking things we can directly bring them into being. Essentially, it says that we create reality with our own thoughts. It is sometimes referred to as mind power. Is this belief heretical or blameworthy in any way?
A speedy response would be appreciated respected scholars. May Allah reward you for your honest efforts? The reasons are that the first Question is pressuring me and the second, may have to do with shirk
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. Abdul Qayyoom
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
There is no sin in signing checks to your mother to withdraw her money from the account. As long as she owns the money it is not any of your business to take any action on the principal or on the interest that has accumulated in this account. You must however, politely and respectfully, always remind her that interest is prohibited and must be given to Muslim charity and that she also must move her savings to an Islamic bank if there is one in your country. the earning she makes in an Islamic bank is Halal.
For the second question, I know that no mind power can ""directly bring them into being"". This is untrue and definitely unacceptable. On the other hand, the power of mind is the main mover of changes in human behavior. This is in application of the Verse that means that Allah would not change your affairs unless you change what is inside yourself. But I am not an expert in this area please address this question to other Muslim experts who are specialized in human psychology and behavior. There are quires few whom I know in Kuwait and other countries.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Samy, Islam on Line
Sent: Tuesday, October 21, 2008
Dear Dr. Monzer,
Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

Question: Job Involving Interest

I first want to commend and thank you all for the great job you are doing to help us stay on the right path. I am going to joining university shortly and chose economics as my major as I was very keen to learn more about this subject. But now I realize that with an economics degree the only jobs available for me would have to involve interest. Are there examples of jobs (requiring economics degree) without involving interest? What should I do? I cannot change my major now. Thank you. 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. Faisal
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
There are many jobs that require economics degree, but do not involve interest like Jobs in research, in ministry of finance, economy, planning and municipalities; also in the private sector. This is of course besides Islamic banks. Go ahead with the help of God and study this important branch of knowledge, keep in mind to make your study for the sake of helping building better economy based on fairness and moral values as derived from Shari'ah
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Sanusi
Sent: Monday, October 20, 2008
Question: Depending on banks in business activities
Ask Sheikh,
I came across your fatwas. I have a few questions to ask you regarding my position with Riba based financing. We have a family business which has been around for 30 years or so....In the past around the 70's we did not have any Islamic banks yet. As a result all our activities were conducted with conventional banks. So my question is...is a Riba based loan contract is the money being loaned classed as haram money? Or is it just the money which is out of the Riba itself which is haram? Please help me clarify this? And what would be the position of our business profits?
Secondly, there's a JV deal to purchase buy and sell land. After profiting from the deal we found out that the deal was not permissible because it had contingent clause that came with the sale? Is it ok to proceed taking the profit as we only knew at the end of the deal that it was not halal? And if not whatever money owed to other stakeholders do we have to pay it out of a new halal origin or can be distributed from those funds on the deal itself?
Thank you for your help.
Wassalam
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. Sanusi
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
An interest based loan does not transfer the ownership of the borrowed money and if it alone generate any further return then its return is not permissible too.
But when you borrow on interest for a business any profit generated does not came from the borrowed money alone but from management too and it is always assumptive, arbitrary and

difficult to distribute the return between management and capital. This only leaves making donations to charity as much as you can as the only means to purify the existing business assets.
For the second question, I need to know: what is the thing that made you feel that the contract is non-permissible? If a violation of contract rules is substantial to a contract the whole contract may be null and void. This leaves properties' ownership the exact way as it was before this contract.
On the other hand if the violation is not substantial there may be room to correct it by certain action especially removing the non-permissible clause and its outcome from the relationship. If you give exact details I may be able to help tell how to go from where you are now on this matter.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: FIROZ
Sent: Tuesday, October 14, 2008
Question: Offers with zero interests
Assalamu,
I'm firoz Indian, now working in Saudi Arabia. There is one Electronic shop they offer 1 year installment with some % of interest. I know it is haram, but there was one month special offer that 0% interest shopping. When I checked with them they explained that during this one month their sales will increase double and double because of this offer and from their profit they will pay to bank some certain profit share because bank is paying their amount.
I have purchased one items thru this scheme. Some people are saying it is also haram because bank is involved and amount paying by bank etc. etc. Could you please clear me is it haram or not because we paid only cash sales price, no extra amount?
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. Firoz
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
If you purchased certain merchandise from a seller on installment where is the Haram in it? That is your answer, is it any of your business what the seller does with other people including his bank? Do you give yourself a right to interfere in other people affairs that do not belong to you? Don't you buy bread, cloth, food, rent a house and do all kind of transaction with many people, does that give you a right to question each one of them how did the baker get his wheat and how the cloth seller bought his merchandise and how did the person who rent you the house purchased it? Whenever you make an exchange transaction with any person your relation to that person is limited only to the contract between you and that person and you have nothing to do with this person's life and how she/he conducts relationship and transactions with others. In other words, it is not only none of your business and does not

affect the contract you have with the seller but questioning it is also wrong because it amounts to poking your nose in other people's business and invasion on their privacy!
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Ahmad
Sent: Monday, October 13, 2008
Question: Working in Riba micro finance
Dear Dr. Kahf:
I would like to know if it's Halal or Haram to work for a non-profit organization that provides Micro-credit I.e. loans to help the poor around the world. These are easy-terms loans, but interest is involved (non-Islamic finance)....Jazaka Allah Khairan...
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. Yahia
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
What is Haram is Haram, helping the poor does not make it permissible. It is rather as Haram as providing the rich with interest-based finance. There are several experiments and studies on Micro finance, the Islamic ways. ..
Writing Riba and approving its contract or encouraging a person to take are all forbidden in our Religion?
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Samy, Islam on Line
Sent: Wednesday, October 08, 2008
Dear Dr. Monzer,
Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
Question: Having an Interest Loan
Salam 'Alaykum learned brothers/sisters, I live in a country where there are no Islamic (non-Riba) financial systems and have a small start-up business of my own that typically requires funding. I currently have an interest paying loan and wish to return it due to the grave consequences of Riba. However there are no alternative halal sources. What do I do? Will Allah punish me should I continue to use interest money or are there exceptions where no other sources exist? I also have no other source of livelihood... JazakaAllah Khairan.
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 Sr. Zainab
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Riba is prohibited in Shari'ah and that prohibition has no exception. Of course any prohibition (except murder) may have the exception of necessity. I do not see starting a business a real necessity that warrants relaxation of such a very grave prohibition, besides being risky too. You should help creating an Islamic financial institution in your country in order to help you and other Muslims around you.
On another ground, No human being can claim to know what Allah would do to a sinner. Allah told us in the Qur'an that he may forgive any sin except the sin of associating partners with Him. All is most forgiver and most merciful at the same time he has very severe punishment!
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Haroon
Sent: Monday, October 06, 2008
Question: Saving in banks
Assalamu Alaykum Brother Dr. Kahf,
I hope this finds you in the best of health. I have a question regarding savings. I'm 23 years old and I took a year off of university to work and try and lighten my debt. Am I allowed to put money in a savings account in my bank? It obviously incurs interest, but what if I'm able to calculate that and separate it from what I'm actually contributing from my own. There is this GIC account which says if I put in 500 bucks, I can go from there in terms of saving. It's just that I don't know how to save money and I don't know how a Muslim is supposed to do it either. Your help would be appreciated. Jzakallah for answering my previous question.
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. Haroon
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Interest is prohibited in our Religion and if a Muslim happens to earn interest he/she is required to calculate that amount and give it to Muslim charity in order to keep pure own money. If it helps you to put your savings in a saving account, you may do so provided that you should give away the amount of interest on it, otherwise, deposit small amounts of savings in a checking account, it does not generate interest. Of course if you save in an area where there is an Islamic bank, you may deposit in it in a saving account and it gives profit on it that is Halal and permissible to keep for yourself.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam

Prof. Dr. Monzer Kahf

From: tooba
Sent: Friday, September 19, 2008

Question: Salary of employees working for banks

I'm the student of FATIMA JINNAH WOMEN UNIVERSITY Rawalpindi Pakistan, doing my masters in ISLAMIC STUDIES with the specialization of ISLAMIC BANKING. I have a question for the answer of that question I need your help. The question is, Is the salary of employees working for banks on interest, HALAL or Haram?

Please answer my question as soon as possible. I will be very thankful to 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 tooba

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Prohibition of salary depends on either of two things: 1) if the work you perform is prohibited; it is then prohibited to take money for it. Some works in conventional banks are Haram such as being a loan officer that prepare or approve interest contracts. Other works may not be Haram such as being a teller or a researcher. 2) if the exact money (the exact papers handed over) is stolen or the like, that is obtained by the payer in a way that is shamefully prohibited such as theft or price of armed robbery or the like. Riba is an exchange contract that is prohibited as a bad system and because it is unjust not because of shame. Besides not all income of banks is from Riba as there are several kinds of transactions that banks do and make profit from that are permissible.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Anne
Sent: Sunday, September 14, 2008

Question: Gift and inheritance from persons dealing in Riba

Br. Monzer, as salaamu 'alaikum,

I had a question if you don't mind:

My parents do not pay Zakah on their property even though they are Muslims (I've told them many times that they should, but they don't) plus they've put their money on interest bearing accounts and earn interest that they keep. Is it halal money for me, if my father gives me, let's say $100K as a gift, knowing that Zakah wasn't paid on any of his wealth and it is mixed with interest? Can I accept it as it is? How about the money I was to inherit from him, should he pass away?

Jazakum Allah.

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. Anne
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Gifts that are given by your parents, the way they are doing their affairs as described in your question, to you are permissible to accept, it is the sin of the earner of interest but the privilege of the gift recipient! The rationale behind this ruling is that by accepting a gift from a person whose income is mixed, you are not doing any prohibited thing; specifically in relation to interest, you are not a taker, giver, writer or witness to interest contract.
I also suggest that you should not get bore from continuously advising them about Zakah and interest, keep doing it nicely and politely until they start giving the Zakah and avoiding interest.
For inheritance, it is the same; it is permissible to accept your share of inheritance should a parent die even though a part of the estate may have come from interest and the like. Of course the moment you become owner (that is the moment of death not the time of distribution and assignment) it becomes your responsibility to avoid interest and the new property that becomes yours should be added to your other Zakatable assets in regard to the Zakah year and Zakatable assets.
You should also remember that when we say it is not Haram to accept it as gift or as inheritance, we do not mean that you are not on the very edge of the Haram because for sure a part of this money is from interest, but you did not earn it, the earner is another person. I therefore recommend that you try to purify your money by giving charity.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Anne
Sent: Monday, September 15, 2008
Dear Br. Monzer, wa 'alaykum as salaam wa Rahmatullahi wa Barakatuh -
Jazaka Allah. You are always so generous with your time.
Would the case be any different if I were to ask for money from my parents because I need it? My parents are generous and have given large sums of money to my other siblings (to help out with buying a house, etc...) but I have been hesitant and did not ask. If I asked, they'd give to me, too. Knowing that the money is the way I described, is it better if I did not ask for it though we do need it to help us buy a home (I.e. does passively receiving it make it different from actively asking for it)?
Jazaka Allah.
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. Anne
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

If your parents are responsible for your expenses (I.e., you are single and not working or earning sufficient income from your own resources) it is your right to ask for father's financial support to satisfy all your needs.
But if you are financially independent from them by being married or having own resources, it is morally wrong to ask for help while you know that a part of their income is from Haram, unless you can specify that they give you out of principal or other Halal resources. But from the legality of Shari'ah, it is still permissible to take it even if you ask for it unless you ask them to give you specifically from this Haram earning because you do not deserve it, it is deserved by the poor and needy and wanting money to buy a house does not mean you are in this category.
I wouldn't suggest asking them anyway!
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Anwar
Sent: Sunday, September 07, 2008
Question: Why Riba is prohibited
Assalamu Alaykum.
I would appreciate it very much if you could explain the following in the light of Qur'an and hadiths:
1. We know that interest is harm in Islam but if someone asks when renting a house, car , equipment is allowed why not renting money is permitted. A house can be rented out for several months at a fixed rent per month; similarly an amount of money should also be rented out for months/years at a monthly fixed rent. This rent can be paid either by fixed amount of money or other wealth like crops/grains etc. per month.
2. Someone says that a product cannot be sold/bought in Islam without seeing the product. In other word selling/buying of documents is not permitted in Islam. Can you please explain?
Thanks and best regards
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. Anwar
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Yes I can explain it, but that takes a longer time than I like to write in answering an email question! I suggest that you either come or attend one of my training courses, that are done in almost every corner of the world or at least read some of my writings on my website www.kahf.net.
Meanwhile, can you think of the differences between Money and a house or car?
Goods/services can be sold on description, provided specifications are stated in full along with other conditions in the contract.
Wa Allahu A'alam

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

From: Rizwan
Sent: Monday, August 25, 2008
Question: spending on brother treatment from earned interest
Dear Scholar
Assalamalekum WRB,
Hope this email finds you in good health.
Last year I had posed a question regarding using the Zakah & Interest money for my brother's treatment & future treatment, which you can find in this mail's history along with your reply to it. Alhamdulillah, so far I have been able to stick to what you guided in this regard, i.e., take care of my brother on my own and not from Zakah or interest money and InShaAllah I intend to do so as long as I am capable of it or until I find a halal investment plan to support his medical care .
I have few questions which are relevant to the scenario explained before. Recently after disposing some ancestral property we accumulated some money. I decided not to take any share in it as I felt my brother and my sister are more deserving of it. Since I am the only bread earner in the family, last year I paid the Zakah on this amount from my earning not from the amount deposited in my brother's & sister's name. Am I being right in doing so?
And as my responsibilities are growing, I sometimes get distressed at the fact that I have to pay a big amount from my savings towards Zakah on funds deposited in my brother's name and my sister's name and jewelry bought for my sister who is yet to get married. Always I get questions in my mind that, are these amounts really Zakatable? As neither my sister nor my brother are earning.
Please Guide me in this regard, to have a firm and the right opinion in my mind....
Warm Regards,
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. Rizwan
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
1. It is permissible to pay the Zakah due on another person, especially brother, sister and spouse, on behalf of that person, it is InShaAllah rewardable to both of you. If you are the guardian of both of them and they are either minors or in a mental position that does not make them fit to make financial decisions you need not inform them about the Zakah payment on their behalf, but if they are fit to make financial decisions you must inform them before you pay it because Zakah is a personal worship that requires intention on the part of the owner.
2. The funds and jewelry of your brother and sister are subject to Zakah if they reach the amount of Nisab and a lunar year have passed regardless of whether they are earning any income or not because Zakah is on these wealth items. They are considered rich in the EYES of Shari'ah and they are in fact rich in the eye of every one, imagine that there are people in the

world that don't have even a bite to support their stomach! Zakah, being a personal duty, is obligated on the owner. If the funds owned by your brother and the funds and jewelry owned by your sister reach Nisab (About Euro 1000 or equivalent) and 354 days passed on the first day they own Zakatable property they are subject to Zakah at the rate of 2.5% every year (that is why guardians are advised by the Prophet, pbuh, to invest such funds on behalf or orphans so that Zakah does not wipe them out through time). Moreover, if the ancestral properties that you liquidated were subject to Zakah, Zakah is due on your brother and sister from the moment they owned shares in those properties because they became owners on the same moment the previous owner, from whom they inherit, died.

3. You are not required to pay the Zakah on the properties of brother and sister. If you are their guardian you can pay it from their own accounts and if you are not their guardian you should advise them to pay it. What I suggest is: make the deposits in an Islamic bank so that they generate some income from which you pay the due Zakah. You do not need to burden yourself with the Zakah that is due on your brother and sister.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Rizwan

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 IslamOnLine. 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 Leukemia.

I have the complete responsibility of my family on my shoulders now, as my elder brother is schizophrenic. We as a family Alhamdulillah 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 Zakah amount. Please guide me in this regard.

With immense hopes of getting a reply....
Warm Regards

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. Rizwan,
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 of 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

From: mahmoud
Sent: Sunday, August 17, 2008

Question: Mother draws money from interest-based account

AssalamAlaykoum Professor Monzer,
Hoping you and the family are very well. Sorry for disturbing you very often. This is one of the questions that came to us. Here it is:
As-Salamu Alaykum Respected Scholar I am a teenager and am unable to work due to health reasons. I live with my mother who has now stopped working. And I rely on her for household goods and food etc. She draws money from an account, which accrues interest. I do not know the exact amount of certain lawful money as opposed to interest money. I have completely no idea. And my mother would get provoked if I posed a question regarding this, let alone try to find out. So it is uncertain. Am I allowed to take money from her unconditionally? If not, would the following things be classified as necessities? 1) Household goods such as toilet paper, towels, plastics, 2) Electricity, 3) Food such as fruit, nuts, dairy and meat products, 4) Transport (lifts etc.) 5) Help from the domestic worker whom she pays. (Who is paid mainly via lawful wealth?) 6) Help from the domestic worker if she is paid mainly from the account which I mentioned above.
Jazakum Allahu Khayran and we ask Allah to put all these things in your good records InShaAllah. Ameen.

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. Dr. Mahmoud
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Please tell this young man:
If you are unable to work and earn your living and you live with your mother who takes charge of all your expenses, you should just accept whatever she gives you, don't embarrass her about any question and just be kind and thankful to her and always show her how important it is to obey the commands of Allah and to avoid what He prohibits especially interest and other evils. Pray for Allah to show your mother the right things and give her the power to avoid any interest and any other Haram income and to forgive her if she earns any such things.
You can eat normally and live normally out of what she gives you, Nothing is Haram for you, just be normal without any extravagance in all matters that you mentioned. Whatever she earns from interest, it is her matter may Allah forgive her.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Marcus
Sent: Thursday, July 31, 2008
Question: is Riba only on gold money?
Dear Sir,
I am dosing my 4th year law from National law school, Raipur. Currently I am pursuing PG Diploma in Islamic Banking and Finance. I have a doubt regarding this topic. Kindly enlighten me on this topic.
1. Does Riba enter into every commodity or is it confined to gold, silver, wheat, barely, dates and salt?
Waiting for a positive reply.
Regards,
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 Mr. Marcus
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
The fact is: Riba in finance deals only with time. This is what is referred to in the Qur'an and most of the Sunnah. Riba in finance, as a matter of definition from which all finance applications fall through easily, is a contractual increment in a debt or a loan. Loans can be of money or any items that falls under Mithliyyat.
The Hadith about the six items relates to another kind of Riba that is Riba in sale contracts. The most important aspect of it is the Sarf contract (currency exchange). It applies to gold, silver and other currencies.

In my opinion, the other four items are there because they were quasi money at the time of the Prophet, pbuh. Hence in my opinion, we must apply the same requirement (Yadan bi Yad) when we deal with any similar items. These are in today's world items that can be characterized like cash crops or their like. Schools of Fiqh went on this matter in different directions but anyway this issue is almost an issue of the past that has no modern applications at all.
Please write me if you need any more clarification.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: sajid
Sent: Thursday, July 31, 2008
Question: Riba multiplying in double
As-Salamu `alaykum!
I had a question regarding interest transactions. Did Allah SWT prohibit all interest transactions in general or only those where money or land is multiplied in double triple which leaves too much burden on the people? Also I have read that Imam Ghazali seems to have said that little interest which doesn't put too much burden is OK. Is that true? Please advise.
Jazaka Allahu Khair.
My Answer:
Wa `alaykum As-Salamu wa Rahmatullahi wa Barakatuh.
In the Name of Allah, most Gracious, most Merciful.
All praise and thanks are due to Allah, and peace and blessings be upon His Messenger.
Dear brother Sajid,
Almighty Allah prohibited all interest and He even stated in 2:275 that the remnant of it must be discharged. Imam Ghazali and all other Muslim scholars never said that any part of Riba is tolerated. Riba is defined as any increment in a debt regardless of its size or the purpose of the debt. It may be for financing real estates, business, purchase of goods and services or even consumptions. All and any increments in a debt are Riba and are haram.
Allah Almighty knows best.

From: Samy, Islam on Line
Sent: Thursday, July 24, 2008
Dear Dr. Monzer,
Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
Question: Notarizing interest loan
Dear brothers in Islam. My question is a difficult one for me, because I didn’t know how to answer it. This is the scenery: A goes to B (a bank) and requests a loan with interests. B gives the money to A, but the bank wants a guarantee: A must mortgage his house in guarantee. So, A and B sign the loan contract, so that means that it exists; but in the case of the mortgage, for its constitution and existence, the Administration must write a document to constitute the mortgage that guarantees the fulfillment of the obligation of A, that means A has to pay the loan with the interest or the bank will get the property of his house. My question is: knowing

that the loan contract already exists before the mortgage constitution, is the Administration considered one of those who fall in Riba, although it only signs for the existence of the mortgage (just a guarantee) and not for the loan based on interests, because it is previous? So, is this indirect collaboration of the Administration considered equal as the determination of the X per cent of the interest tax, or considered to be one of the witness of Riba, even though the contract already exists and its action is independent of the contract? Jazaku Allahu Khairan.

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. Muslim

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

It seems there may be a little problem on the part of the administration that records this kind of mortgage. Let me take two scenarios:

Case one: the mortgage only refers to an already signed/existing interest-based contract and puts a charge or lien on a property, it may or may not mention that the loan contract is interest-based and the rate of interest charged on it (in most of the times it refers to the amount of loan, rate and amount of interest charged, period and method of payment). The basic function of this mortgage is a mere guarantee and recording it seems to me permissible as it does not fall directly under giving the loan but it is rather a supporting document that is not an integral part of the interest-based loan.

Case two: The mortgage document is itself the main document of the interest-based loan as done in housing loans in many states in America. In this case the mortgage document itself contains all the conditions of the loan and represent the main loan document. Recording this kind of document amounts to recording the interest-based loan itself and the action of recording it is a part of the action of witnessing it because it makes the authentication/certification of the loan. This is the exact objective and essence of witnessing it. In this case the recording administration is covered by the Wrath that touches the witnesses.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Samy, Islam on line

Sent: Tuesday, June 24, 2008

Dear Dr. Monzer,

Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

Question: Taking Interest-based Loan to Buy a House

In the Name of Allah, Most Gracious, Most Merciful. All praise and thanks are due to Allah, and peace and blessings be upon His Messenger. Dear brother in Islam Al Salam alaykum I am a Swiss Muslim live in Switzerland. I live in a rented house for around 10 years; this house has 2 floors, 2 families live in this house each floor one family. The owner of the house wants to sell the house to one of these 2 families (my family or other family). The owner propose us first as

we are living in this house much longer than the other family. We want to buy house because our children grew up and go to school in this area and my old father lives in the same street and. The house cost 1550000 Swiss Franc. The money we saved is only 700000 francs, to be able to buy this house it is necessary to take interest-based loans from banks, we rent this house since 10 years already and we are paying rental fee which the same amount I am going to pay to the bank as interest , if the other family will buy the house, they will ask us to leave because they always wanted to live in the part we rent as it bigger and nicer, and we cannot easy find new house of apartment in the area where we live now. We only want to keep this house and no attention of doing business or earning money in this bank deal. Any prohibition may have certain necessity circumstances that call for relaxation. This applies to Riba and too many other prohibitions. Of course, a necessity must always be given its right weight since it is Allah, the Most Knowledgeable, Who is going to screen our truthfulness, not anyone else, can you justify this case as necessity and advise us to go ahead and buy the house or say hasbiallah wa nimaalwakeel. May Allah guide you to the straight path, and guide you to that which pleases Him

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 Sr. Susi

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Here we are faced with a common need that applies to your case and many other Muslim families that live in Western countries that have no Islamic house finance facilities. I believe that this kind of need calls for relaxation of Riba and if I was in your place I would go ahead and take an interest-based loan and buy the house. I pray to Allah to help you pay this loan to the bank in a very fast way InShaAllah.

Wa Allahu A'alam

Wa AL Hamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Samy, Islam on Line

Sent: Sunday, June 08, 2008

Dear Dr. Monzer,

Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

Question: Paying Income Tax from Earned Interest

Can interest from bank deposits be used to pay income tax? 2) If the tax is deducted at source on earned income, can an equivalent amount of bank interest income be utilized for personal use?

Jazakum Allahu Khairan for your constant help

My Answer:

Bismillah al Rahman al Rahim

AL Hamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in
Dear Sr. Sameena
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
The answer to both questions is: NO.
The reason is that using interest to pay any of your legal obligations (regardless of whether we judge them just or not) amounts to taking them to yourself. That is a personal use that implies that you took the interest as your own property.
According to Shari'ah interest is not factually earned and must be given to Muslim charity (in principle must be returned to the payer, but since the payer is a bank whose business is to give and take loans on interest you must not return it to this kind of payer).
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Samy, Islam on line
Sent: Tuesday, June 03, 2008
Dear Dr. Monzer,
Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
Question: Paying Income tax by Interest
When I got married about 2 years ago, my wife had about 2000 pounds to pay as a student loan. So, I paid this loan off for my wife as I had some savings. I used the interests that I had on my savings to pay the interests of her loan then I paid the actual loan with my own money. Was that right? Can I pay interest with interest? Keeping in mind that I do not accept interest and I would have normally gave it away.
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. Ahmed
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
In application of the rule one must not do that. You cannot pay interest that is due on you (in your case your wife) with earned interest. The reason is: earned interest is not in fact earned and it is still owned by the party that paid it to you. . . But whenever this party is a practitioner of interest transactions we will not return it to the payer and we rather give it away to Muslim charity on the ground that is similar to property that is in your hand but has no owner. When you use it for any reason that relieves you from an obligation (although this obligation you, or your wife in this case, entered into by mistake and in violation of Shari'ah) you have otherwise to pay it from your own money that amounts to taking interest to yourself. To the best of my knowledge there is an agreement on this principle and in some collective Fatwa there is an explicit statement that one may not use earned interest to pay obligated interest.
Wa Allahu A'alam

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

From: Rehan
Sent: Monday, May 12, 2008

Question: Halal business and funding

Dear Dr. Kahf,
As Salam Alaikum

The e-mail below is your response to my email received almost 2 years ago on the subject of halal business and funding.

Although our plans got delayed somewhat we are now at a point where we want to seriously pursue the acquisition of a medical billing company in the US and have identified private equity investors that we want to present our business plan to over the next couple of weeks.

We are finalizing the business plan and have run into a situation where your advice would be of great help. We are keen to keep away from any interest-based funding for the acquisition. Although we are confident we should, InShaAllah, be able to get private equity funding for the long-term capital requirements, one problem we anticipate is the reluctance of investors to fund working capital, and they may either offer to advance that amount to us as a bridge loan on interest or they may advise us to approach banks for the working capital requirements. It might become very difficult to explain the Islamic theory of Riba to these investors, as they would be accustomed to dealing with interest on a regular basis.

May I request your advice on a couple of issues?

1. Per the business plan I will have an ownership stake in the company in the US that will conduct the business. Since my US partner (or the investors) would not mind taking such interest-based loans and if taking a working capital loan becomes imperative in their view, is there any way to structure the ownership of the company such that I do not remain responsible (from a Shari'ah perspective) for the interest-based loan taken by the company? OR,
2. Could you suggest any way in which we may be able to get the investors to provide funding for the working capital without bringing in the Shari'ah angle (so as not to create any bias in the investors' minds)?

Your advice would be much appreciated. Wassalam.

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. Rehan
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I don't see any way in which a company a Muslim like yourself, or I is a part of its establishment can take, within the limits of Shari'ah, any interest-based loan from banks or from other persons, partners included. The only way that I can imagine it permissible is if outside the company a person borrowed on interest and then offered this money as her/his principal in the company being established, we do not reject such money. Besides, In India there are no Islamic banks that you may approach to give you a Murabahah line of credit to finance working capital.

Banks in the Gulf finance working capital on the basis of Murabahah line of credit, this is Shari'ah compliant, and the same can be arranged with an individual too. It is formulated in a way that may look similar to interest line of credit but it is not interest. You agree with a financier, on allowing you finance up to a certain ceiling on Murabahah basis. And by virtue of a Wakalah he gives you can buy goods and services (that you need) for him and he pays for them (on your notification) and then buy them from him on mark up for a period that is consistent with your excepted inflow of funds, this arrangement can continue until you build up your own working capital equity. This arrangement can be done with a partner providing this Murabahah line of credit instead of a bridge loan. You can make the arrangement without calling it Murabahah as long as it is in conformity with this concept in all its details.

Finally, I don't see a possibility of having a partner/investor with you and him being an insider can be not aware of the fact that you want to avoid any interest-based transaction, if this knowledge would turn him away, I expect it is going to happen under any Shari'ah -compliant arrangement!

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Rehan

Assalamu alaykum Dr. Kahf,

I am taking the liberty of writing you directly on a subject that I need some clarity on. I am an Indian Muslim and I run an offshore Medical Transcription company (offering a service to doctors in the US transcribing their dictation on patients they see/treat/operate on.)

My first question relates to a business I would like to start. There is an opportunity now to offer services apart from transcription to healthcare providers in the USA like clinics and hospitals in the form of Medical Billing services. I am sure you are aware of this business however I will explain it a little here for the sake of clarity - Since most people are covered under some form of health insurance in the US, doctors most often have to collect their reimbursements for services rendered from the health insurance companies that cover their patients. The healthcare providers have to follow some procedures like filing claims (bills for services performed) with the health insurance companies and then have to follow up with these companies until they get paid. Such services can be outsourced to companies that do this for a percentage of the collections and they are called Medical Billing companies. I am now interested in setting up an offshore Medical Billing business in India. My question is – would this be a halal business to do since we would be collecting funds from the health insurance companies on behalf of the doctors?

My second question relates to the funding of this business. I have a partner (Indian Muslim) in the USA, and he has suggested that we buy a US Medical Billing company so that we can get a ready platform from which to start. He says that the usual way to do such acquisitions is by investing only a small part of the purchase price, with the rest being funded by seller financing (where a seller agrees to accept a majority of the value of the company in deferred payments over 1-2 years) and the rest by bank loans to cover the reminder. The bank loan will obviously

carry interest but my partner says that is the normal way to do these acquisitions in the USA. Can this loan from the bank for the purpose of buying the business be considered halal?
Wassalam,

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. Rehan
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
1. Taking fees for your services that you mentioned from funds collected from insurance companies for services of health care providers is Halal, no doubt about it. Billing insurance companies and collecting funds from them by health care provider's amount to accepting the Hawalah of patients on these companies. This has nothing to do with the insurance contracts between patients and companies at all. It is permissible to accept Hawalah and collect it. And obviously your share for your services is also permissible. This is so even according to the view that defies insurance! Besides I argue that insurance in permissible with a few conditions that are fulfilled in health insurance. This is the view of great scholars lead by the late Sheikh Mustafa al Zarka; it is also the opinion of the late Maududi.
2. Seller financing may be formulated according to Shari'ah but definitely, an interest-based loan to acquire a business is not permissible and interest is one of the gravest sins as known in Shari'ah.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Dr. Monzer Kahf

From: Samy, Islam on line
Sent: Tuesday, April 08, 2008
Dear Dr. Monzer,
Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

Question: Paying back Loan with Interest

Two years ago I started going to school. To finance my studies I first thought that the financial aid was a grant from the government that I don't have to repay. After I started for three months I found out that it was a loan that I have to repay with interest after graduation. Now I have finished my graduation I want to ask if I should repay the whole amount or pay the monthly payments for ten years knowing that either way there is an amount of interest that I have to pay. In addition my financial situation doesn't allow me to pay the whole amount at once, because I need to travel to see my parents this year... please tell me what should I do?
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. Ahmed

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
You certainly should have checked on the interest issue the day you applied or at least the day you got the loan. It is a mistake on your part no doubt and please try to remove that by Istighfar and as much good deed as you can. This interest loan is now a legal obligation on you and you should try to pay it as quickly as you can to reduce the amount of violation to Shari'ah and reduce the time period of being under an interest loan and of course reduce the amount of interest that you have to pay. If you can pay it all you must do that otherwise you should pay the maximum that you can the soonest you can.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Samy, Islam on Line
Sent: Thursday, April 03, 2008
Dear Dr. Monzer,
Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
Question: Paying interest on delinquent income tax
I started a company last year. I could not pay income tax that year because it was my first year. Therefore I had to keep it in the bank. This year I will have to pay the income tax of last yare with interest. My question is can I use the interest the bank gave me to pay the interest the tax authorities will charge me with? Thanks a lot for the answers.
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. Rachid
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
My answer is NO. Interest that you earned is not your from the Shari'ah point of view. You do not own it. It is still owned by the bank but since it is given by the bank according to its own system and within the law you do not return it to the bank you MUST GIVE IT TO MUSLIM CHARITY. The moment you got it, it becomes due to charity and you never own it.
On the other hand, interest you owe the income tax authority is imposed on you unjustly (or may be justly because you must not delay payment of your legal obligations) but it is imposed on you as a person. This makes it your duty to pay it and you cannot use money that you do not own for this purpose. In my opinion you made a wrong judgment by delaying tax payment and you know it is going to create interest payment. You should not let it do that by paying it on time.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Samy, Islamo on Line
Sent: Thursday, April 03, 2008
Question: Using Earned Interest to pay Income Tax
Dear Dr. Monzer,
Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I started a company last year. I could not pay income tax that year because it was my first year. Therefore I had to keep it in the bank. This year I will have to pay the income tax of last year with interest. My question is can I use the interest the bank gave me to pay the interest the tax authorities will charge me with? Thanks a lot for the answers.
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. Rachid
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
My answer is NO. Interest that you earned is not yours from the Shari'ah point of view. You do not own it. It is still owned by the bank bust since it is given by the bank according to its own system and within the law you do not return it to the bank but MUST GIVE IT TO MUSLIM CHARITY. The moment you got it, it becomes due to charity and you never own it.
On the other hand, interest you owe the income tax authority is imposed on you unjustly (or may be justly because you must not delay payment of your legal obligations) but it is imposed on you as a person. This makes it your duty to pay it and you cannot use money that you do not own for this purpose. In my opinion you made a wrong judgment by delaying tax payment and you know it is going to create interest payment. You should not let it do that by paying it on time.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Hijaz
Sent: Wednesday, April 02, 2008
Question: any relation of Riba to inflation?
Assalamu,
In my previous email I forgot to mention the countries inflation rate, it is about 24%. But the trader charges us 30% more than cash price, is it fair? And also I could not find the Qur'anic verse, saying acceptance.
Wassalam.
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. Hijaz,

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Once again the answer is YES. Suppose inflation is zero, each commodity has a spectrum of prices across time, for clarification and argument purposes we summarize them by three prices: Price B is when the payment and delivery are both done at the time of contract; Price A is when payment is done at the time of contract and delivery is deferred, and Price C is when payment is deferred and the delivery is done at the time of contract. Under normal circumstance these prices, are: A<B<C. because of the same argument I mentioned in my previous answer. The difference between each price and the other is market determined and depends essentially on the utility differentials across time. This is the Islamic argument and this is what we expect to have under circumstance that have no interest at all and this is what is mentioned in all books of Islamic jurisprudence including those written since day one of Islamic thinking and writings, they always says that time affect prices of goods and service because this is a human reality whereas Riba is an increment in a debt not in a price of a commodity and debts do not change across time! This argument remains valid between any two, buyer and seller. Now add to this inequality the expected inflation!
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Annas
Sent: Sunday, March 30, 2008
Question: Riba and installment sale
Dear Dr Monzer,
Jazakum Allahu Khairan both for your quick and helpful responses, and your greetings and cheerful words. And I am very much looking forward to the opportunity of meeting when you happen to be close to Germany!
Myself, I shall InShaAllah speak at the Academy of Management Conference in Anaheim Los Angeles (08th August – 13th August). I will be in California most likely InShaAllah around 25 July. In case you are around and not too busy, I would be most grateful for the chance to give you a personal salaam while there!
I am further very sorry for my own late response, but I have been travelling and can only now read and respond to my e-mails.
As regards the below issue, my knowledge is very limited and confined to what I have read from you and other valuable authors.
The question of brother Hijaz I understand. How can it be Islamically justified that something which is sold for 100$ cash can be sold for 130$ on installment basis?
Your explanation of the stance of Islam on the concept of time of value of money, I also comprehend with no difficulty.
The concept of the time value of goods I also understand – from the perspective of customer. He is ready to pay more lately in order to have more utility now. But how about the seller, who has 100 cell phones on stock? How does this concept apply to him? Because in both cases (selling on installment basis and for cash) the seller gives away the cell phone at the same time, which means that there is no difference in time value of the product for the seller when it

comes to the two selling contracts (installment and cash). For him, the choice is ultimately and effectively between receiving cash immediately (and being 100% sure that he gets his money) or between receiving his money in installments over the course of one year (with a probability that the buyer gets broke and does not fulfill his obligations). That means that the seller is equating

Time Value of Product [Give away product today] + Money [Get 100$ at time T 0] And Time Value of Product [Give away product today] + Money [Get 130$ in installments from T 0 to T 11]

Now if we solve this equation what we see is that for the seller the question appears to boil to one of time value of money (and of default risk). For him, 100$ today is equal to 130$ over the course of one year. For the seller it appears makes a difference whether if not he receives money now or later, because money he has now is a) not liable to default risk and b) can be reinvested in his business. In other words, while Islam does not know the concept of time value of money (that money creates an increment automatically as time passes by), business men apparently do know it. Or else, what would be the Islamic explanation for charging this high premium for selling the same product at the same time? If it is not time value of money, is it only the probability of default that justifies this premium?

From the perspective of the customer I have no difficulty at all with the argument. It is fair for him to pay more. But from the perspective of the seller I am not quite sure it has become evident for me from below e-mail why he should be able to charge more.

I would be most grateful if you could elaborate in two or three lines on this.

Jazakumu Allahu Khayra Al-Jaza',

Wassalam Alaykum Wa Rahmatu Allahi Wa Barakatuh,

My Answer:

Dear Br. Annas

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

It is the same argument since it makes no difference whether this utility is a "business" utility or a personal one. After all in final analysis a trader is only an intermediary!

Here is an answer I added to the same person when he made another comment, what do you think of it?

Dear Br.

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Once again the answer is YES. Suppose inflation is zero, each commodity has a spectrum of prices across time, for clarification and argument purposes we summarize them by three prices: Price B is when the payment and delivery are both done at the time of contract; Price A is when payment is done at the time of contract and delivery is deferred, and Price C is when payment is deferred and the delivery is done at the time of contract. Under normal circumstance these prices, are: A<B<C. because of the same argument I mentioned in my previous answer. The difference between each price and the other is market determined and depends essentially on the utility differentials across time. This is the Islamic argument and this is what we expect to have under circumstance that have no interest at all and this is what is mentioned in all books of Islamic jurisprudence including those written since day one of Islamic thinking and writings, they always says that time affect prices of goods and service because this is a human reality whereas Riba is an increment in a debt not in a price of a commodity and debts do not change

across time! This argument remains valid between any buyer and seller. Now add to this inequality the expected inflation!
Monzer Kahf

From: Hijaz
Sent: Sunday, March 23, 2008
Assalamu Alaikum,
Dear Sir,
I'm Hijaz, undergraduate, B.Sc. Accountancy, from Sri Lanka. One of my friend bought a mobile phone in installment system.
Cash price of mobile Rs 19575
Monthly installment Rs 1875 (1875*12 = 22500)
Additional Charge Rs 2925 (22500-19575)
Period 12 months
% applicable 30% per annum (2.221% per month cumulative) (calculated by me)
Where Sri Lankan inflation stands
This is sold to credit card holders, monthly installment charged to the card and it is said 0% interest scheme.
I strongly believe that installment system is based on interest and it's not allowed in Islamic Shari'ah law, but now a days I'm having conflict with my friends that they say this is acceptable and the justify it based on Time Value of Money concept. So please suggest me a fatwa on this issue with Quran and Hadith supporting.
Thank You,
Allah may bless 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 Br. Hijaz
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Installment sale at a price that is higher than cash price is permissible. The Verse 2:275 themselves indicates this permissibility (of course the reference is to its general form that is deferred-payment sale). The reason is not time value of money but rather time value of real goods and services. The difference between these two statements is not only theoretical or philosophical but also real.
Time value of money claims that if you let time pass on money it creates an increment. This is in fact UNTRUE. Time value of money is also claimed/applied only in one case that is when money is lent to somebody. No one talks about time value of money when it is in your pocket. When you lend it, a claimed increment is in fact not time value of money but rather time value of debt! This is also UNTRUE because a debt, by its very nature, does not create any increment. Being an abstract notion, a debt does not grow! Any claimed growth is in fact taking a portion of other people's (the debtor's) entitlement; this is why it is unjust!
Time value of goods and services is a reality of life. Because goods, whether long living or perishable, create utilities through time and time is very crucial to the valuation of these

utilities. Same applies to services too. Therefore it is fair that goods are priced differently depending on the date of payment and date of delivery. When you take a good today without paying for it now you increase the total amount of utilities you enjoy and you will be willing (and it is fair) to pay a higher amount for it tomorrow.
Time value of money is Riba, time value of goods is a portion of the price. One is unjust and prohibited the other is real, fair and permissible! This is the meaning of "Islamic finance does not mean it is free!" Nobody gives you her/his resources with no compensation [this statement applies to Riba and Shari'ah finance] but the Shari'ah finance gives resource in a manner that is consistent with the nature of transaction and with respect to the property and entitlement rights.
One of the results of this analysis is that once you create a debt you cannot go back and increase in it because of the increase in its maturity.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Annas
Sent: Saturday, March 22, 2008
Question: Interest Earned on Riba Accounts
Dear Dr Monzer,
Assalamu Alaykum Wa Rahmatu Allahi Wa Barakatuh,
I am e-mailing you at this point in time because while flipping through your fatwas on “Riba and Interest” from 2003 I came across the following remark of yours: “Interest must not be returned to banks and must be given away to the poor and needy and similar purposes.” Do you intend to say that it is preferable to accept interest from banks in order to then donate it, as opposed to telling banks in advance not to credit any interest on my account?
I would be most grateful if you could shortly elaborate on this, for I have been asked this very same question a few days ago and was unable to respond.
Jazakumu Allahu Khayra Al-Jaza’ for your efforts. I highly appreciate your time and help, and am most grateful for the opportunity to benefit from your knowledge and guidance!
Thanking you in advance for your help and consideration, I remain. Wassalam Alaykum Wa Rahmatu Allahi Wa Barakatuh,
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. Annas
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
My view on this matter is this:
1. The principle is to avoid depositing with interest as much as possible
2. If you happen to deposit with conventional banks use the normal account system they offer, if their account system gives interest on your deposit, take it and give it to Muslim charity, do not leave it to the bank and do not tell it "do not credit my account with this accrued interest"

3. If you need to deposit large sums, ask for interest on it and give it to charity, otherwise you are fooled by the bank.
4. Whenever there is an Islamic bank that gives approximately similar deposit facility, use it and do not deposit with conventional banks.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Samy, Islam on line
Sent: Sunday, March 16, 2008
Question: giving interest to conventional charity
Dear Dr. Monzer,
Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
Can I get rid of bank interest through charities such as Oxfam?
Regarding bank interest, you state that this money can be donated to charities (Poor) or for public projects. I for example get rid of my money through charities such as Oxfam. My intention is that this is Interest and unlawful for me, I always get a monthly statement of my bank balance and then get rid of the interest. Is this ok for me? Some say to me I am not allowed to donate this to the poor or Muslim charities since its unlawful and must be used for road maintenance etc. I can't find any organization in the UK carrying out public projects so I chose Oxfam to get rid of this. Is this ok for me to do? I have put the effort to prevent interest coming into this account and it has so far failed, I will InShaAllah move to an Islamic bank account. In the meantime is what I'm doing accepted in Islam especially that many of us face many hardships living in a non-Muslim country?
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. Sharif
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Yes it is permissible to give it to any charitable organization. I prefer that you should give it to an Islamic charity because that makes it reach poor Muslims who are at the present circumstances world-wide in more need than all others. Giving to public works has no priority over giving to the poor and needy. Therefore you should give interest to Muslim charity not for public works or road maintenance. Road maintenance is done by government using taxes for it and that is plenty of good. It does not need this interest money!
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Ayham

Sent: Sunday, March 16, 2008

Question: loan for investment

Assalamu alaykum,

Dear Mr. Kahf,

According to my humble understanding, you are the most appropriate brother for this matter. I have tried to get in touch with various scholars trying to obtain an answer to a serious question regarding bank loans but I, for some reason, did not receive any so far. This may be a classic one for you and you might feel that an answer to such question is found in many sites, but I have my reasons to believe that it isn't so due to some facts that I would like to share with you...I have written my question in Arabic and in English, please take few minutes of your time to read.

عندي سؤال يحتاج إلى رأيك وعلمك، فقد أخذت قرض من البنك بغرض إنشاء مشروع:

أنا من سكان قبرص اليونانية وأقطن فيها منذ عام 1985

أنوي إنشاء مشروع عماري كبير إلى حد ما على قطعة أرض أملكها، أنا مقاول مبنى ومهندس معماري ولا يوجد معي سيولة لأبدأ مشروعي لا أملك أي شيء آخر لأبيع وأستثمر ثمنه.

بيع الأرض أيسر حال مع الأخذ بالاعتبار الركود العقاري الذي يمر به الاقتصاد العالمي حاليا.

لا يوجد عندنا بنوك إسلامية ولا فائدة (ربا) غير ربح التجارة (نظام المرابحة) بين البنوك الإسلامية والبنوك الربوية التي تتعامل معها الدولة.

إن وجد شخص مقتدر يرغب في استثمار أمواله فإن حصته من الربح قد تصل إلى 50 بالمائة والذي يعتبر إجحاف في حقي وخيار غير سليم إذا ما قورن بالبنوك ناهيك عن المضايقات التي يمكن أن تنتج عن هكذا شريك .

فالذي أن آخذ قرض من البنوك الربوية أم أترك الحال آخر .

أطلق من هنا بالدعاء بأن يوفقني الله لما فيه الخير والصلاح من أمري وأن يلهمني الصواب في أمر الحلال والحرام إني أتطلع إلى رأيكم فيما ورد أعلاه وأتمنى الحصول على حل عملي يمكنني من بدء مشروعي.

لعلمكم، هذه الحالة تنطبق على الكثير من المسلمين القاطنين في الغرب فما الحل برأيكم.

جزاكم الله عنا وعن المسلمين كل خير

I have a rather important issue that has to do with my career as well as my business and it does involve some Muslims in the west specifically in Cyprus as it applies to friends and colleagues alike.

-I live and work in Cyprus since 1985.

-I intend to develop a piece of land that I have.

-I am a building contractor and an architect.

-on the other hand...

-I have no money to start my project.

-I do not have anything else other than this specific land (to sell and use money to invest).

-there are no Islamic banks in this country.

-I am in need of cash to begin my project but...

-banks (which happen to be the only logical and reasonable source of financial support) in this part of the world take interest (fa'edah) which is prohibited.

-the system of "Murabahah" is not available around here.

-if an investor, other than banks, is found who may be willing to invest money and become a partner, he or she will demand a very big share of the prophet that may reach 50% which is not a fair cut nor a wise decision from my side (if compared to banks).

What is possible to do in my case and how is it possible for me to develop myself if such constraints exist. Please advise as soon as possible as I find it very irritating to skip banks and search for other solutions and insist on saying that Islam is based on ease!
Please forgive my words if I sounded aggressive in anyway.
God bless you and thank you for your concern and cooperation. I have read this fatwa and I have my concerns about it and about a specific matter, could you comment on it please:
Obviously, any ruling is subject to an exception, in case of necessity; that is when life, religion, mind, posterity and property are threatened by destruction or heavy damage. In this case a ruling is relaxed to protect any of these things.
Applying the rule of necessity here, we can notice that there is no necessity in taking Riba or writing or being a witness to its contract. In other words, a necessity, if it happens, applies only to giving or paying Riba.
To claim that it is necessary to take interest-based loans from banks cannot be justified by real life. What supports this argument is also the fact that many people survive without taking interest-based loans or getting involved in usurious deals. In fact, banks do not give loans to those who desperately need money for their survival or for the protection of any of the five things mentioned above. As it is usually said, banks give you the umbrella only on clear days but when it is rainy, banks tend to withdraw their umbrellas.
Having the need of selling the land as a second option does count as "destruction" in my opinion because I'll be throwing away "ne3ma" that god almighty have granted me. This is due to the drastic difference in benefit if the case of selling my land (on the one hand) is compared to developing it (on the other).
-for me, it's not possible to decide whether or not this is considered destruction or otherwise.
-I need this loan to proceed with my career
-not many options are available
-sometimes, when I discuss the matter of construction with people of the island who have no idea about what is Riba of what is halal and haram, I get the same opinion "it's them saying that the bank is the best source !!" It's a bit confusing.
Thank you sir for your time, and may Allah reward you for your concern. Salam & god bless 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 Br. Ayham
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
It is so kind of you to write me and I am glad to get to know you through this email and may be in the future we shall meet together somewhere in the small world.
I fully agree with the Fatwa that you included at the bottom of your query, in fact most likely it is mine from Islamonline! I always distinguish between starting a project and keeping it alive. To start a project you are dealing with a new venture that (no matter how much you are convinced of your feasibility study and its expected success) may succeed or fail. No one can be sure in advance! When you deal with an existing business that is threatened by bankruptcy because of liquidity shortage we are face here with a necessity situation.

It is our (in-a-sense) unfortunate luck, Muslims who live in the West that we are always faced with this kind of difficulty: the lack of reasonable level of Shari'ah-compatible facilities. But also many Muslims in the Muslim majority countries face similar shortage of such facilities, especially in the finance sector. But on the other hand, in most cases it is our choice that we find living where we are is more rewarding to us on more than one ground!

The bottom line of my opinion is: I fully understand this dilemma, I came across it many times, and my solution is always: PLEASE FIND YOURSELF ANOTHER METHODOLOGY THAT IS NOT INTEREST-BASED. That is always my answer when you want to begin a business or a project. I find no necessity in it and I find us (Muslim minorities) all, collectively guilty because we failed until now in creating financial facilities that respond to such situations. I wouldn't accept to consider it a necessity that warrants relaxing such extremely strict and strong prohibition like Riba. Remember that for it Allah threatens a war from Allah and His Messenger and the Prophet, pbuh, considers it worse than fornication with one's own mother!

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Maksida

Sent: Thursday, February 28, 2008

Question: Loan from conventional banks in Europe

Assalamu Alaykum,

We live in Europe, can we, please get the answer about credit in bank, there is no Islamic bank here, we don`t have a choice. Can we take credit for apartment, car or to start our own business.

Thank you very much.

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 Sister Maksida,

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I can understand the difficulties Muslims who live in small communities in Western countries in finance. There are no Islamic finance facilities and there are many needs for finance! In fact many Muslim majority countries have also similar difficulties. There are many Muslim majority countries that still have no Islamic banks and all Muslim countries do not have sufficient Islamic finance facilities and institutions that fulfill the demand for Islamic finance. What is then the solution?

One may argue: let us then apply the rules of necessity or conveniences and relax the prohibition. . . Will there be then any serious impetus and urge to establish Islamic banking institutions in these countries? It is hard to predict especially that we are dealing with one of the most serious prohibitions in the Qur'an and the Sunnah, Riba. The Qur'an considers it a major sin that it invokes a war from God and His Messenger! And the Sunnah considers it one

of the most grave sins that invoke the Wrath of God, it is even worse than the most ugly kind of insist fornication as we are told in an authentic Saying!

The Islamic Shari'ah Council of Europe and the Second International Fiqh Conference in North America, Held in Detroit in the Fall of 1999 considered the issue of financing housing for Muslim families who live in the West. Both argued that: whenever Islamic finance is not available Muslim families who need housing must not be left inconvenienced with renting and it is rather permissible for them to buy needed housing with conventional financing on interest in application of the rule of the "necessity to remove inconvenience that touches a mass of people الحاجة العامة". On similar ground I argue that interest-based financing to save a business from difficulties or for necessary car (that is needed for work or for reaching places necessary to reach for family needs [although they exist, these two cases are rare in both America and Europe]) is also permissible.

Outside these necessity-like cases I believe that we Muslims who live in the Western countries must strive to create Islamic finance facilities to respond to our religiously compatible demand for finance. I don't go along with expanding the exceptions!

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

From: Wael

Sent: Thursday, February 28, 2008

Question: Do we need to do anything in addition to repentance from interest?

Salams

Dear Dr., pls. reply this question, which we received in Ask the Scholar page:

Since two years, my husband and I, we have stopped all interest transactions of every kind, whether bank or mutual fund or whatever and deal only with Shari’ah-based institutions. We have, of course, made Tauba for our previous sins in this regard. Is there anything-else required of us to do to make full amends for our sins so that Allah forgives us completely and the Day of Judgment we are free from this major sin. Thank you for your reply

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 Sister,

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

This is a matter that should remain only between you and God: repentance, Istighfar, and doing good deed especially giving to charity. Nothing more! God promises in the Qur'an that good actions and deed wipe out the bad ones.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Samy, Islam on line

Sent: Sunday, February 10, 2008
Dear Dr. Monzer,
Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
Question: government employees are required to contribute to Providence fund
My question is that I am serving in government department and my department is subscribing/deducting Provident Fund which is compulsory. Please tell me that profit on this provident fund is Halal or otherwise? It is further added that there is no security to other departments in Pakistan where I can invest my savings.
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. Yousuf
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
If the fund distributes profits to subscribers, determination of the legitimacy of such distribution depends on the source of the profit. Therefore I need a lot more info on whether there is distribution, what is the profit you mentioned? And also info about the investment the funds undertakes.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: From Living Shari`ah, Islam on line
Sent: Sunday, February 10, 2008
Question: Proof of prohibition of interest
Dearest Dr. as-salamu alaykum
Pls. answer this question. The man is speaking on Riba:
On September 17, 2007, Imam AbduRahman bin Mohammad Al-Harbi (our local Imam) talked about "Riba" (usury) and warned the Muslims about the gravity of this sin. The Imam mentioned that taking Riba is equal to committing "Zina" (adultery/fornication) seventy-two times with one's own mother. I have read and heard about Riba being a big sin but never read or heard about it being a sin of the magnitude of committing incest with your mother seventy-two times. On my request, the Imam did not provide any proof. Please let me see the proof. All translators (Asad, Yusuf Ali, Pickthall, Shakir, and Mohsin) of the Holy Quran in English have translated the word "Riba" as usury. The meaning of the word "usury" in English (The American Heritage, Merriam Webster, Cambridge, and Oxford Dictionaries) is: Exorbitant, Unconscionable, Excessive, Illegally High, Very Much Larger Amount, and Unreasonably High rate of interest. Only one verse in the Holy Quran (The Family of Imran: 130) defines Riba as doubled and multiplied: 3:130 O ye who believe! Devour not usury, doubled and multiplied; but fear Allah that ye may (really) prosper.

يَا أَيُّهَا الَّذِينَ آمَنُوا لَا تَأْكُلُوا الرِّبَا أَضْعَافًا مُضَاعَفَةً وَاتَّقُوا اللَّهَ لَعَلَّكُمْ تُفْلِحُونَ

At the time of the Prophet Muhammad (pbuh), there were no banking institutions, governmental controls, and regulations to regulate lending and borrowing. The moneylenders were charging exorbitant rates (may be to protect their investment in an unregulated market). All the Ahadith of the Prophet Muhammad (pbuh) clearly indicate that the Prophet Muhammad (pbuh) is addressing individuals and not institutions. Those individuals of the Prophet Muhammad (pbuh) time can be considered the modern-day loan sharks as the Pay-day Loans. There are other Ahadith telling us that when the Prophet Muhammad (pbuh) owed money, the Prophet Muhammad (pbuh) always returned more than what he owed. Was it a practical lesson that the value of currency depreciates over time? Also, the above verse of the Holy Quran is forbidding "devouring" or eating Riba. Only a lender eats Riba. A borrower is not eating Riba; therefore, it should not be a sin to pay interest. Many Muslims cannot buy house, car, or start a business because of the fear of committing the sin of Riba. The entrepreneurial abilities of Muslims are suppressed because of the fear of committing the sin of eating Riba while, in fact, the borrower is not eating Riba. Today's "Islamic financial institutions" are not much different from the banking institutions. They are playing the game of words (semantics): calling it "reward" or "profit" instead of "compounding interest" for bank accounts and "return on capital" instead of "interest rate" on mortgage loans to induce customers. If changing words makes it Islamic, than, I guess, calling "wine," an alcoholic beverage, grape juice would make it permissible. In my humble and "unknowledgeable" position, the modern day interest charged by banking institutions is not usury because the rates are negotiated, loans and bank accounts are protected by state laws and regulations, loans can be renegotiated, and finally, the borrower has the option to declare bankruptcy to protect his/her other assets. The banking institutions provide respite when a borrower is in difficultly. Do they follow the commandment of Allah SubhanahuwaTaala in the following verse of the Holy Quran? Al-Baqara 2:280 if the debtor is in a difficulty, grant him time till it is easy for him to repay. But if ye remit it by way of charity, that is best for you if ye only knew.

وَإِنْ كَانَ ذُو عُسْرَةٍ فَنَظِرَةٌ إِلَىٰ مَيْسَرَةٍ ۚ وَأَنْ تَصَدَّقُوا خَيْرٌ لَكُمْ إِنْ كُنْتُمْ تَعْلَمُونَ

The Muslim Scholars, knowledgeable persons, have a tendency to explain the meanings of the Holy Quran and Ahadith of the Prophet Muhammad (pbuh) very narrowly. The narrow and restricted meanings have created problems for Muslims in the past. We were not able to compete with non-Muslims because of the fear of committing sins. As I remember, the following acts by Muslims were defined forbidden (haram) in the past. These include:

1. Learn English language.
2. Wearing neckties and trousers.
3. Use of Load Speaker in Mosques. Now the imams in Pakistan are enjoying it so much that they would not let the neighborhood sleep. The imams enjoy narrating sexually explicit material at full blast for the benefit of the whole universe including minors.
4. Haircuts styled after Europeans.
5. Taking camera pictures and recording movie films.
6. The direction of Ka'ba in North America, (South or North East). After long debates, now there is a general agreement on the north-east side.
7. Halal Meat. Many Muslims of Pakistan and Indian origin still do not believe in eating meat from Ahl-ulKittab
8. Space Exploration and landing on moon.

However, in my life time, the knowledgeable people have modified their stand and accepted the position of "unknowledgeable" people on above issues. With Islam-on-Line, I wish and hope that our scholars should look deeply into this aspect of borrowing and lending and distinguish between the business with regulated banking institutions and predatory lending by individuals, Payday Loans, and other loans sharks.

May Allah Subhanahu wa Taala guide us to the right path. Ameen

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. Amin

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

My basic answer can be put in a few points:

1. It is not a semantic matter. Islamic banks have in fact a paradigm difference. They give finance on the basis of sale, lease or sharing. Not only change of words. Please make some reading. This difference has a lot of effect on real business and real finance.
2. Semantics comes in usury and interest. Interest is only a change of word from usury that came only over the last 150 years (don't be fooled by the modern dictionaries, go back to the original meaning of the word). There is no difference between low and high rates, individual and institutional lending. Isn't Pawn shops and pay day lenders legal in America today, and what do they charge, usury or interest? Are rates of 28% or 32% low or high? Aren't they the rates of credit cards issued by institutions? How about the rates on overdraft by banks in Amerce, aren't they sometimes 300%?
3. Please don't be misled by inaccurate translations. Translations are manmade not God given. Look at verse 2:279 that defines Riba as any increment above principal. That is usury as defined in modern dictionary and interest as known in institutional and non-institutional finance and business today.
4. The fact is: the prohibition of INTEREST in our religion is a change in paradigm because a debt does not create value, it is basic to the Islamic economic philosophy and system and basic to justice in economics.
5. Please make more readings on this issue; I suggest to you my website, Dr. M. N. Siddiqi' s, Islamic Development Bank's and many others.
6. If you happen to come across persons who claim they were scholars and prohibit haircut and neckties, it is a personal problem of yours that made you fail in finding the right scholars, please change approach and search more for knowledgeable person to consult.
7. You know the sources of Islam are not only the Qur'an but also the Sunnah of the Prophet Muhammad, pbuh. The Qur'an itself talks about just Riba in more than one place (not only taking Riba). The Hadith equates taking it with giving it in the matter of SIN. It is a highly authentic Hadith that says: "The Wrath of God is on the taker of Riba, the Giver, the Writer and the Two Witnesses, they are all ALIKE"
8. The quote of your Imam gave is in fact correct. There are two Sayings one mentions number 72 and the other 36. They came in the Collection of al Munthiri that is called "al Targhib wa al Tarhib", volume 2. You may check the internet for the exact text. The mention of incest with one's own mother is in the AUTHENTIC HADITH ALSO. IT IS THE PROPHET, PEACE AND

PRAYERS BE ON HIM, WHO GAVE THAT EXAMPLE TO MAKE IT CRISTAL CLEAR THAT FAIRNESS IN ECONOMICS MATTERS AND SHOULD BE PLACED IN ITS APPROPRIATE STAND, MORE IMPORTANT THAN PERSONAL MORALITY.

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

From: Farid
Sent: Saturday, February 09, 2008

Question: prizes on checking accounts

Respected scholars, as-salamu `alaykum. I have a question regarding Lottery!
We have some banks in our country that make an account by name of portion
(Qismat) or luck (Nasib). The bank save the money for its users and user can get his/her money everywhere in the country. The bank doesn't want any wage for keeping money. The bank has lottery at the end of each month. If our money spent one month in the bank then they run the lottery who have 100$ or more than 100$. The customer either gets the chance of lottery or not. So how is this issue in Islam? This is the complete detail of Accounts
http://www.kabulbank.com/html/SavingBankDeposit.html#Bakht

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. Farid
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
This is interest. The Fiqh Academy of the OIC has ruled that this chance is tantamount to interest and equally forbidden in Shari'ah. This ruling came in regards to government bonds issued with the chance to win a prize. It is similar to having the deposit for one month and then you are entitled for a chance to win a prize.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Wafa
Sent: Saturday, February 02, 2008

Question: Car purchase with interest

Assalamu alaikum,
I am trying to purchase a car without paying interest. A dealer that I am interested in purchasing from doesn't have any 0% interest financing at this time but has given me the following option. He would determine the amount I would be paying in interest on the vehicle and deduct that amount from the cost of the vehicle. Basically on paper it would appear that I am paying the interest rate (1.9%) but in reality I wouldn't be paying that amount. Is this acceptable by Shari’ah law?

JazakAllahu khair, Wassalam alaikum,

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. Wafa

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I am afraid that you will be signing an interest-based contract. This it is not a transaction that can be said as permissible although the effectiveness of it is only a part of the price. But by what virtue would any one accept to dress the Halal in the form of Haram and then argue that it is, with this dressing, Halal?! Let us put it in a different way and assume: if the contract says, literally, that a car is sold for a given amount plus interest but the seller is refunding the full amount of interest to the buyer, would it then be permissible? I should say YES because of the redundancy of charging interest and then refunding it, they cancel each other. But this is not what the question suggested!

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Abu Bakkar

Sent: Wednesday, January 30, 2008

Question: Paying bribes from interest money

Salaam,

I live in the UK, originally from Bangladesh.

May I use interest obtained from savings in UK banks to pay bribes to officials in Bangladesh to perform their task/duties (to do their job). Without bribes, it is virtually impossible to get anything done in Bangladesh. When they know that I am from UK, they even want more bribes. To sort out problems in my land I need to bribe they or they do not do their job. My question is whether I can pay this bribe from the interest obtained from savings. If I do not use this interest money, I will alternatively have to use my earnings to pay the bribes (I will have to pay the bribes or they will not do their job). If I do not pay bribes, they do not do their job and I lose my land etc.

WasSalaam

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. Abu Bakkar

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

My answer to your question is: NO. You cannot use interest to anything that may benefit you, including paying a bribe if you have to do it. This interest you acquire is in fact NOT YOURS AND YOU SHOULD NOT HAVE IT.

I also do not agree with you that in Bangladesh there is no way you can get your right without paying bribes. Bribes unfortunately exist in all places and they are all alike in this regard, including my country the USA and UK and others. It is you WHO MAKE IT HAPPEN BY PAYING IT. I AM DEFINITE SURE THAT YOU CAN FIND A WAY TO GET YOUR RIGHT IN BANGLADESH WITHOUT PAYING BRIBES. FOR GOD'S SAKE DO NOT PAY BRIBE.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Abu Bakkar
Sent: Tuesday, February 05, 2008
Salaam Prof. Dr. Monzer Kahf,
Further to your reply (detailed below), I have tried to follow rules and not pay bribes but the process is near impossible. My father has some land that has been grabbed by others who built a market (bazar). My father has been fighting the issue in court for over 15 years but we are getting nowhere. The Bangladesh government is conducting survey and settlement operation. In order to get my land (any land) recorded in my name I have to pay the surveyors. If I do not pay, they record my land under the names of others. Even though I have legal documents, the surveyors say that I do not have possession of my land therefore they cannot record my land in my name. I have tried so many times to argue with these officials, I have written to their head office etc. but I am not getting anywhere. I obviously do not want to pay someone for land already bought, but I am at a loss. No one listens to my problem. What do I do? Can you sort it out? Can you go to my country and speak to the officials and sort it out?
WasSalaam
My Answer:
Dear Br. Abu Bakar
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
No I will not go to your country to speak about your land. I've been to your country many times and I know there are many many honest people there and I am definite that you can solve it without bribes but you do not want to carefully analyze your situation and environment and want to take the easy (unfortunately corrupting) way. PLEASE PROTECT YOUR RIGHTS WITHOUT BRIBES AND IT CAN BE DONE! I am definite and I know your country. Please do not try to find an excuse for a wrong action. . .
Best Regards,
Wassalam
Monzer Kahf

From: Ayesha
Sent: Monday, January 28, 2008
Question: the Qur'an talks about taking interest
I have a question regarding Riba. Why does Quran everywhere when it talks of Riba, states about taking interest, not giving?
My Answer:

Dear Sr. Ayesha
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
While a few verses talk about taking Riba, there are others that talk about Riba in general like "...And prohibited Riba" [2:275], "God destroys Riba" [2:276] and also "and quit what is left of Riba" [2:278]. Of course taking it is the source of its evil and there is no circumstance where taking Riba may be necessary. On the other hand there may be circumstances that make giving it necessary. This implies that taking it is pure injustice while giving it may be morally justified by necessity. Anyway, we know that There can't be taking of Riba if there are no persons who give it and this is why our beloved Prophet, may peace and prayers be on him, informed that the Wrath of God is on the taker, giver, and writer and the two witnesses and in a version of this saying he said they are all alike, meaning in regard to the Wrath of God because it takes a giver, a writer and witnesses to have it practiced.
Best Regards,
Wassalam
Monzer Kahf

From: Samy, Islam on line
Sent: Monday, January 28, 2008
Question: Receiving donation from people dealing with interest
Dear Dr. Monzer,
Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
Is it acceptable to receive donation from non-Muslim &people who earn from interest, to build mosque & other social service.
Assalamu alaykum
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. Asheen
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
It is permissible to receive donations that you do not know their sources to build mosques and other Islamic social and educational services, etc. You need not to ask about sources and you need not to know. Even banks of liquor sellers may have some other sources that are permissible. However, if you know for full surety that the exact money given as a donation itself came from interest and the like just do not use it for the part of the mosque that is the prayer hall. You can use it for other sections of the building and for other projects like education and social services. This is not a Shari'ah requirement in the full sense it is only to keep the prayer hall pure of any such Haram. Of course if you do not know the exact source of the money you assume that it is permissible because people, Muslims and non-Muslim alike are decent unless proven otherwise. This means that you can accept donations from Muslims and from non-Muslims for the mosque and other projects. Additionally, If you know that a given cash came to the hand of the donor by shameful (immoral), illegal means such as theft YOU MUST NOT ACCEPT SUCH CASH AS A DONATION OR EVEN AS A SALE PRICE OF A SPECIFIC GOOD AND

SERVICE. Of course this rule only applies to the specific cash not to presumed or even known source. For instance we may assume that the source of income of a prostitute is all Haram or we may know it is YET WE ARE NOT ASKED IN SHARI'AH TO BOYCOTT HER, NOT SELL HER FOOD, CLOTH OR SHELTER UNTIL SHE STARVED TO DEATH. This kind of harsh and inhumane behavior does not exist in our religion.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kah

From: Kamran
Sent: Tuesday, January 22, 2008
Question: buying equipment on bank loans
Assalam Alakum, I really appreciate your help by answering this question.
1: I invested with a group of doctors in a hospital, where initially they gave me the impression that no bank loans will be used, however after about a year the board of directors has decided to take a bank loan, which involves a markup. The loan is intended for buying equipment for the hospital and initial running including employee salary.
2: As a partner I will be provided a free clinic and an attendant. And when the hospital start making profit my share according to my investment.
3: If I withdraw from the group now I won't receive my invested funds for 2 years as per contract.
4: What is my best course of action? Totally withdraw from the project or can I utilize the option of using the free clinic but not accept any profit made by the hospital forever or for the time period that the loans are paid off. So I will be utilizing my share of investment other than interest.
Jazak Allah.
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. Kamran
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
I assume you objected to the decision to undertake an interest (not mark up!) loan in the board of directors. With your objection the decision was taken by majority rule. This objection is InShaAllah rewarded by God. Let us now analyze the situation:
Taking an interest loan is sinful and whoever participated in taking that decision carries that sin, May Allah forgive them and us from all our sins. But once the money is on hand, it is money like any other money and it is added to other resources that this company uses. Whatever may be produced of service or products of cash (out of sale of the services and products) are all not Haram in themselves; any impurity that comes into them is because of the effect of the sources of funds.
If the effect of the loan is relatively big (measured by the percentage of the loan to the total of loan and estimated value of equity at the time the loan is taken) I suggest that you should keep

in mind to get out as soon as you can withdraw without incurring losses. In stock investment in the US many scholars use one third or max of 49% as a measure of big or not, you may like to use the same. Meanwhile, use the service and get your share of profit, when it happens, and make arrangement to give to Muslim charities a percentage of gains (total gains you get from this project) equal to the percentage of the loan to total of equity + loan balance.
If the percentage is smaller than 1/3 you may stay course, keep your objection in the board to any Haram transaction and always give to charity the same estimated percentage.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Nabil
Sent: Thursday, January 10, 2008
Question: Financing a Taxi License
Dear Dr. Monzer Kahf,
I had a question from a friend, and I'm trying to help him finding an answer; we use to have an Imam at the main Mosque of the city (Ottawa, Canada) who is knowledgeable in both religion and the context of the Western countries, but he is no longer with us, and the people in charge of the Mosque are still looking for a replacement. Anyways, this is to say that since I couldn't find anyone who could answer the question, I went onto the Internet and I found your site, and actually I think that you have the right background and expertise for answering the question, may Allah reward you for your time. The brother in question is a taxi driver, and he is renting the taxi for a certain amount of money per month. He wants to buy the Taxi license that costs around $140 k right now, of course he cannot afford it and he has to take a loan from the bank that will cost him monthly similar or less than the rent he is paying right now. In the city of Quebec where he lives, there is no Islamic financing institution, I contacted a brother working in an Islamic institution here in Ottawa, but he told me that they are new and they don't have yet the permit to operate in the province of Quebec (It's like another state). My friend and his wife tried to contact some from Montreal but with no luck (unfortunately, our Islamic financing institutions are still lacking a little bit of professionalism, you ask them for something you have to wait and wait, and you have to keep calling and calling...). Anyways, his question is, can he take a loan from the bank? This is not an extreme necessity of course, but it is a question of security (he will feel that he is paying something he could own in the future) and also of fairness (if with the same amount that you're renting, you could buy the license, why not?).
May Allah reward you and thank you for your efforts in advance.
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. Nabil,
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
I see this like a case of starting a business or a new venture. I don't see in it a quasi-necessity like buying a residence. I therefore do not find an excuse to take interest-based loan and suggest trying personal friends as investors and the housing coop of Mississauga.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Samy, Islam on lone
Sent: Tuesday, January 08, 2008
Dear Dr. Monzer,
Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
Question: Buying Lands and Houses by Bank Loans

Salaam... Is buying lands and houses, by bank loans which include interest, considered halal in all cases? (Like someone well off but wishing to expand his fortune for later generations)..And if not, would inheriting be haram as well? Barak Allah feekom.
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. Abdu
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Taking an interest loan for any purpose is Haram. Interest, as defined being an increment in a loan, is forbidden in the Qur'an and it is one of the gravest sins that invoke the Wrath of Allah. This applies not only to taking interest but also to its give, writer and contract witnesses as our beloved Prophet said (e very authentic saying reported by both Bukhari and Muslim. Of course, there may be circumstances of necessity or it's like, where taking an interest loan may be justified, such as the residence house that is needed by a Muslim family where there is no Islamic financing available. It is obvious that there is no necessity to expand one's wealth! If one inherited a property that is ridden with an interest loan, one would be required to rid it from the Haram as soon as one can, otherwise one would be sharing in the Haram activity.
Wa Allahu A'alam
Wa Alhamdu Lillahi Rab al Alamin
Wassalam
Prof. Dr. Monzer Kahf

FATAWA INTEREST RIBA LOANS 2007

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

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

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: Buying commercial property on interest
From: Riyaz M
Sent: Thursday, November 22, 2007
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

Subject: Subject: Interest & Debit tax

From: Azam

Sent: Wednesday, October 03, 2007

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

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

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

From: Riyad
Sent: Sunday, September 23, 2007
Question: House financing by loan

لس ال م ع ي ك م
ع دي س ؤ ال ت ي ع ل ق ب ق ر ض س ر ك ن ي ف ي ا ي ه ي ا ي ح ي ث أ ن ب ع ض ال م ص ا ر ف ل ل ح ك و ي ة م ن ت ي س ر ل ل ش ب ا ب ق ر و ض ل ل ش ر ا ء ا ل م ن ز ل ب ح ي ث ي أ خ ذ و ن ف ا ئ د ة ل ا ت ك ر م ق ا ر ن ق ب ا ل ف و ا ئ د ا ل ع ر و ف ة و ق س أ ل ت م د ي ر ا ل م ص ر ف) ص ا ح ي (ف ل ف ا د أ ن ه ذ ه ل ا س د ا ل م ص ا ي ف ا ل ت ي ف ل ه ا ل م و ظ ي ا ل م ص ر ف و ا ل أ و ر ا ق ا ل م ا ل ي ه ,,,, و ه ذ ا م ا ش ع ر ب ه ا ل آ ن ع ن د م ع ف ة ا ل س ب ة و ه ي ك ا ل ي ق ر ض ن ا ل م ص ر ف ب ل غ 60000 دولاري سلمنا بلغ 55000 دولار ويكون السداد على زمن قدره عشرون سنة تقاطع اشهرياً من المتب وأعيد أن هذا كما ترى هو بالحقيقة خسارة قليلة مضطر فقط لها أمي لكن أنت كون فيه وح ة ل م ر ي ش اء أ و م ح ر م ة ق ط ع اً و ج ز ا ك م ا ل ل ه خ ي ر اً

My Answer:
Dear Br. Riyad
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Any increment in a loan is Riba, small or large. When the increment is not meant to be interest, it must be called that (such as cost charge). But to come to substance (let aside the form of a loan for increment) I agree with you that for any finance providing institution this difference of USD 5000 is very small over a period of 20 years. And that much can hardly cover the administrative cost of the loan of $ 55000 and we know for sure that it is used to cover a part of the administration cost. It seems to me that you may take it, as an individual who has no other choices, although I wouldn't dare call it non-Riba because it is an increment on a loan and apparently it is meant to be Riba because Libya does not allow Islamic banks there.
Best Regards,
Wassalam
Monzer Kahf

Subject: Financial Issues, interest and banks
From: Abdulhafiz
Sent: Friday, August 03, 2007
Question
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
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

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

Subject: Inflation vs interest rate

From: Nasser through Islam on line

Sent: Wednesday, July 22, 2007

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

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

Subject: Please answer my question on Zakah and interest money
From: Rizwan
Sent: Saturday, June 23, 2007
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

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

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

Subject: Giving Away Interest Money

From: a Brother through Islam on line

Sent: Monday, April 23, 2007

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

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

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

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

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: Having a business partner whose contribution is raised based on interest

From: Mohammad

Sent: Thursday, January 11, 2007

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

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

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

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: payment of educational loans before hajj?

From: hibatullah

Sent: Tuesday, January 02, 2007

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

FATAWA INTEREST RIBA LOANS 2006

Subject: Working in an Activity Center for School Children
From: Sr. Farsha through Islam on line
Sent: Wednesday, December 06, 2006
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I am working in an Activity Center for school children. The children come to the center after school hours and take part in many activities e.g. sports, swimming, art and craft, carpentry, cookery and many more. My work at the center is book keeping, i.e. accounting for all the children's fees and payment of bills. Most of the bills are for the buying of activities materials, e.g. Sports wear, threads, wood. Sometimes I see that on some of the bills for food that the other members of staff buy pork and sometimes wine and beer for the staff when they hold parties at the center. I am not directly involved in buying of the foodstuffs. My work is just to account for the bills. The leader of the center does the authorization fo the bills. My question is what is the ruling of doing this king of work? Muslim children also come to the center
Wasaalam Aleikum, Farsha
Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Sr. Farsha

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Your work in bookkeeping is permissible so is your income, you are not part of the buying or distributing alcohol or pork and these items are normally incidental in the institution you work for. If you work in a pork slaughter house or liquor brewery the matter would be of course different.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Working for a Conventional Bank

From: A Questioner through Islam on line

Sent: Tuesday, December 05, 2006

Question

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

MY HUSBAND IS A BANKER WORKING FOR A CONVENTIONAL BANK. HE IS IN THE SERVICE DEPARTMENT. AFTER READING YOUR FATWA THAT IF A PERSON IS DIRECTLY INVOLVED IN INTEREST BASED TRANSACTION IT IS UNLAWFUL, MY HUSBAND IS REFRAINING FROM IT. HE IS A VERY NICE PERSON WITH A GOOD HEART AND HAD VERY FIRM BELIEF IN GOD'S WILL. BUT HE IS NOT TRYING HIS LEVEL BEST TO GET OUT FROM THIS ORGANISATION ALTHUOGH HE DID TRIED AND ROTATE HIS C.V. TO SOME ISLAMIC BANKS AND CONVENTIONAL BANKS AS WELL. MY QUESTION IS THAT SHOULD I LEAVE HIM AS HE IS NOT GOING FOR ISLAMIC BANKING SIDE AS I AM WORRIED ABOUT MY PRAYERS AND DEEDS NOT BEEN COUNTED. HE IS NOT INVOLVED DIRECTLY WITH ANY INTEREST BASED TRANSACTIONS NOW BUT HIS TEAM IS. HE IS TRYING TO KEEP HIMSELF INVOLVED WITH NON INTEREST BASED PRODUCTS BUT STILL SOMETIMES HE DOES HAVE TO GET INVOLVE AND I THINK HE IS NOT LOOKING GRAVELY INTO THIS MATTER. PLEASE HELP ME. WHAT SHOULD BE MY ROLE AND WHAT I SHOULD DO. Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Sr.

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

I think your role should be to keep reminding and advising him. DO NOT LEAVE HIM, NEVER FOR THE REASON YOU MENTIONED. What you need to know is that God is much more generous than we think. He does not wipe out good deeds and prayers of a person even when that person himself/herself does also bad deeds, each one is considered alone on its own count and

merit. God Says [17:15] ""Wa La Taziru Waziratun Wizra 'Ukhra"" which means that the burden of a deed is not carried to another. Your prayers and His are InShaAllah acceptable and rewarded by God so all your other good deeds and your husband's. However, he needs to continue being keen to avoid involvement with writing any interest-based contract or signing it. Other wise working in a conventional bank is permissible as long as one is not involved in writing interest contracts.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Ethics of Business Conduct
From: A Questioner through Islam on line
Sent: Sunday, November 26, 2006
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I have three questions: 1) I work at a printing-service business, and my boss told me that if a client uses a machine and sucks up his/her money by accident AND if the client doesn't ask for compensation, remain silent?! From my boss's business perspective, this would save him/her $, but what about the ethics of business conduct? shouldn't we as workers volunteers to offer compensation to the client even if he/she doesn't say it? I feel we're ripping off the client in this situation. Jazakum Allahu Khairan for your constant help
My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br.
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
I really did not understand the question. Let me make an assumption and answer it and if I am incorrect please resend the question with an example.
If this is a currency operated machine and the machines sucks the currency without opening up for the service. In this case both the Shari'ah and all civil laws give the right to the person, who put the money in the machine, to recover the money from the owner/operator of the machine. Telling the customer his right must be posted on the machine by law and by Shari'ah, otherwise it is a rip off. Hence if the employer tells you don't give the customer that money, he has no right to do that and the best thing is to quit that job and report this action to police and business practices bureaus that usually exist in all countries. It is of course up to the owner of the money, the customer, to pursue his right and that is not your business (although informing him may be your responsibility if it is not posted at the machine because you stand by the machine and represent the owner). On the other hand, if this info, of how to recover money that is sucked by the machine without giving the service, is posted at the machine in a clear way it is not then you job to ask the customer and lead him to recover, that is the customer's job and he/she is the only one who defends his right not you as long as he is informed of it.

If the issue is giving you the money to use the machine and the machine does not give the service, that is another matter, please explain.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Working for a Company Dealing with Interest
From: Sammeh through Islam on line
Sent: Sunday, November 12, 2006
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I am 50 years old and I work for a school in Muscat.I am in charge of the store of the school. My boss (a Sudani) is giving me a very hard time by always shouting and insulting me, it looks as if he hates me and wants to take revenge on me. He respects the other Indians who are non Muslims a lot. I work very hard and he even gives me his personal work to do and I don't object, he even gives me his accounts work I don't object, I do it for him, first of all because I am helpless and secondly because I have a family to support and I just cant object for anything, I have to put my head down for anything he tells me. I am very helpless in my job. I have no prestige and I am very low front of all as he has kept me in this way since 4and half years now. He shouts and insults me front of other employees which has affected me in my personal life (physically, emotionally and mentally). If I am little late to finish my salaah he shouts at me, if I happen to go to toilet he shouts at me telling why you don't tell before moving from your seat. He harasses me even for simple things and he is a Muslim, prays like me and fasts like me. This has even affected my family to certain extent. Many times when I am out of the school I curse him as I am helpless, I ask only ALMIGHTY ALLAH to punish him as I have no one else. It's hard to find any job too here plus I am not very young. I was desperately waiting to get rid of this job and to find some other. But could not find one as it?s very hard here, we should have higher recommendations or from some known people. We have no one here to do this for us so we ask ALMIGHTY ALLAH to help and he is the GREATEST. Recently one of my freind who is supplying some security items for a manager in an investment company told him about me and he has asked me to submit my CV. Now I am confused to go for this job or no even though I desperately need one. This is an investment company and the vacancy maybe in their insurance department (gulf insurance). As our salaf bothers are of the view that its completely Haram even to join their company whereas some other say that as long as a person is not involved in direct transactions with interest the job is not Haram. Now what we Muslims have to do in this situation where each one has his own opinion which supports QURANIC verses. I am afraid to take this decision because I do not want to jump into Haram, I will bear my torture in the school but not to do something which ALMIGHTY ALLAH has forbidden. I may work in their IT department or administration; I am basically a webdesigner, it depends on them to allot me the respective job. This world is really a fitna and it's very difficult to find a clean place to work in, 99% of the companies deal with interest so what should we do? Another question is similar: my son is in his first year of accounting and I am frightened for his future now as its difficult to find

a job in a company, who do not deal with interest especially his work in accounts will be to handle all calculations relating interest, what should we do pleases advise. Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Sammeh
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
Drawing such a bad picture about life and relations on job is not healthy or helpful. Life in fact is much brighter and easier. As a web-designer there are many jobs for you in Masqat, and In Oman and every where else in the world. There is a serious problem when one looks at life from such a helpless angle as you described in your letter! And I first invite you to change your outlook to life, to relations, to other people and to things all together.
Then there are decisions that only one person can take and no one else can take them. One of these decisions is to choose when there are different views on an issue. Differences means things much be handled on the basis of individual decision approach! I go along with the opinion of the majority of experts in Shari'ah that argues that it is always permissible to work in companies, including conventional banks that deal with interest provided one does not undertake an activity that puts one in a position to write or sign an interest contract. Usually this is part of web designers! I am also sure that there are people who argue otherwise, here where you need to think for your self and make up your own mind.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Working in Corporate Finance: Acceptable?

From: Tsura through Islam on line
Sent: Thursday, November 09, 2006

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I have a potentially long question, I hope you do not mind. I would like to know if working in Corporate Finance is acceptable in Islam? Also known as Transaction Advisory Services. I do not have a full understanding of what the job entails, but the basics are: Mergers & Acquistions Corporate Restructuring Transaction Support Transaction Tax Strategic Finance Advisory Project Finance Forensic Group For more on what these involve:
I have read previous fatawa, but what I am not sure about this job is if it requires recording Riba. It may, however, involve advising client companies to take interest-based loans, is that acceptable? Any light on this career would be helpful - I do not know anyone working in it to find out more specific details. Jazak'Allah Khairan. Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Tsura,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
As long as you don't write an interest contract, advising and teaching is not Haram.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Working for a Non-Muslim IT Firm
From: Riyaz through Islam on line
Sent: Thursday, October 12, 2006 1:00 AM
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I'm living in a non Muslim country and working for a non Muslim IT firm. Recently I got a job offer from a non Muslim IT company which is a subsidiary of a leasing company. What is the Islamic ruling on working for such a company? Jazakum Allahu Khairan for your constant help
My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Riyaz
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
Working in IT is permissible unless what you produce can only used in Haram with no other uses, then it becomes Haram.
Working in a leasing company, or a subsidiary of it for a job that does not require you to do Haram is permissible. For instance, you should not include writing interest-based contract in your job. but it is not one of your concerns what does the company do with other contracts t(hat are not permissible) with other people. the salaries you take are for permissible job and they are permissible regardless of the contracts the company does with others.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Designing programs for gambling
From: Wael through Islam on Line
Sent: Wednesday, October 04, 2006
Question
Dearest Dr. Monzer, As-Salamu `alaykum wa rahmatu Allah wa Barakatuh

I have received the following question from a brother in Reno. He asks about his job whether it is lawful or not.. Pls. help and give him counseling because he is one of the most active members of the Muslim community in Reno. Following is his question:

I am really concerned that I will appear that I am looking for a loophole to use for my Haram job, I feel deep inside that it is Haram, but here is my job description any way.

I work as a Network Engineer for a company that manufactures and sells Slot Machines that are used for gambling in Casinos all over the world.

One type of slot machines is called "Progressive" games, in which a number of games are connected together so the when a player makes a wager he or she are betting on winning the Jack Pot which is all the money in all the machines that are connected together. These machines can be in one casino or in several casinos across the state.

These machines are connected together by a Network that uses switches and cables and Microsoft servers and PCs. My job is to install these servers and make sure the network is performing efficiently for the games to report the amounts of money they contain, so they can share the winnings.

I also test the software and decide the functionality of the hardware needed.

This company's earnings are 100% from selling or leasing these slot machines to casinos, and the casinos get their money from people who go gambling.

So my question is a) Can I continue to work in this company b) I have worked in this industry for 6 years new so how do I purify my earned money that I have from this job if it is determined to be Haram

So, pls. dr. help me and that brother in knowing whether it is ok for him to continue in his job or not? Visiting Imam of the NNMC, . Jazakum Allahu Khairan.

Wael

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. Wael,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

This kind of job is not permissible in Shari'ah because it exclusively serves a forbidden action/behavior that is gambling. The income that is generated from it is also not permitted because the work itself is prohibited. This brother must quit and get another job immediately. For past income he made from this work, he should calculate the bear minimum of basic needs and donate all savings to Muslim charity as soon as possible without putting his family in any jeopardy. He should devote more of his time and wealth/income in the future to making repentance, Istighfar and good deed, including Dhikr, prayers, fasting, Istighfar, community service, charity, etc., since Allah promised that "Surely good deeds wipe out [or remove away] bad actions.""

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: Wael

Question

Dear Dr. Monzer, As-Salamu `alayukm, Jazka Allah khyran for your constant help and assistance.

I just need a clarification: how far this case is different from working in the IT department in a bank, which is deemed permissible by your eminence and other scholars. I just need clarification because I know that the brother who sent me this question will act accordingly and therefore I just need to be very clear regarding it. Following is the fatwa you Dr. issued in this regard:

"As regards your question, we'd like to state that it is permissible to work in any department in a conventional bank as long as you do not prepare any interest-based contracts or sign them on behalf of the bank.

Here is the Fatwa issued by Dr. Monzer Kahf, a prominent economist and counselor, who states:

It is permissible to work in any department in a conventional bank, credit department, the IT or software department or others, as long as you do not prepare any interest-based contracts or sign them on behalf of the bank.

This is the opinion of the greatest Shari`ah scholar of our time, the late Sheikh Mustafa Al-Zarqa (died 1999), Sheikh Al-Qaradawi, Sheikh As-Salami of Tunisia and Sheikh Adh-Dhareer of Sudan. The argument is that such jobs in conventional banks are not included in the wrath of Allah that is mentioned by the Prophet (peace and blessings be upon him) on the giver of Riba (interest), its taker, its writer and its two witnesses (reported by Muslim). Besides, a prohibition of working in banks places unnecessary inconvenience and hardship on Muslims both in the Muslim majority countries and Muslim communities of other countries.

Dr. Monzer adds:

Working in conventional banks is not Haram unless the worker is in the area of making loan contracts with customers. If you are in IT, you do not make these contracts and your work is permissible. To claim otherwise requires evidence from Shari`ah because the Prophet (peace and blessings be upon him) declared that the wrath of Allah is on the Riba taker, giver, writer and witnesses. You do not have to extend this la`nah (wrath) to word processors, tellers, IT or software persons and guards of a bank. Besides, not all conventional banks' activities are in the area of interest; they also provide several other permissible services.""

jazka Allah khyran

Yours,

Wael

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. Wael

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

This is extremely different from working in a bank as an IT specialist. Here your job is only designing and servicing gambling activity, In banks, you don’t exclusively service Riba. If the job

in a bank is exclusive to designing and servicing Riba alone to the extent that it does not suit or serve any other function, action or transaction but Riba it would be the same as our case here. But ITs in banks provide services to all the ban's activities and a considerable amount of them are permissible.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

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

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

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: Working For Relief Organization
From: Shahid through Islam online
Sent: Thursday, September 21, 2006

Question

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

I am working one of the Relief organization and I have some concern. Please give me the answers of my questions which are according to Quran and Sunnah.

1. If organization collects some donations for emergency relief (for example they have collected funds during earthquake in Pakistan). (a) for how long they can keep those funds. (b) Can they use those funds for future rehabilitation in that area.(c) if so, in what time they have to complete those project?

2. The person who is working in that organization know that organization holding those funds (for example five years), is his job is Halal or he is trustworthy. Is he or the organization is breaking the trust of the donors, because donor give the donation only for that emergency situation not for the project, which can be started after one or more years.

3. My job is to go out and ask the people to give the money for that organization. I know people not abuse that money but I feel that they break the trust without their knowledge. They should use that money for the said project as soon as possible.

My simple question is: Should I can continue my job with said organization or leave that job, because I don't feel comfortable to continue my job. Please give me answer as early as possible.

Jazakum Allah Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. Shahid

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

The answers to your questions can't be other than circumstantial. It all depends.... The principle is that whatever is asked/collected for a given purpose must be spent for that purpose and the soonest possible. If for good reasons and or judgments there is a delay or a broadening of the same objective, it is of course permissible as long as it is done in good faith. If you feel things are done not in good faith, you must quit and report any mishandling to proper supervising authorities and to the public/ donors as much as possible. When you ask for donations and your fund raising efforts must be such that you should inform the donors of the percentage of administrative expenses (or how much of a dollar reach the objective) and give them a broad objective always because there are lots of unforeseeable circumstance in charity works.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Working in Internet Pyramid-Chain Commission Companies

From: skandar

Sent: Sunday, September 10, 2006

Question

Dear Dr. Monzer Kahf, Assalamu alaikom,

I am involved in Quixtar business that I read your fatwa about in 2003. I understand that many Muslims have questions and many, many Muslim are building it.

In this business I do not buy nor sell non-Shari'ah compliant commodities. What I sell is an opportunity to make money and to be successful. When I sponsor someone, I ask him to not buy or sell non-Shari'ah compliant products. My income is dependent on how much business point my group generates, and points are based on the monetary value plus other components, such us the exclusivity of the product. To sum what I am doing I can put it in few bullet points:

* I buy, sell, use and market only Halal products.
* I generate income from what I sell to my clients, buy from the company, what my group sells or buy, and bonuses and incentives from the company
* I discourage anyone in my team and I advice them for the sake of Allah to not buy or sell non-Shari'ah compliant products, Muslim or non Muslims.
* We are working toward making some products Halal certified and we have succeeded in doing so with some products
* I introduce people to this business and I am selling an opportunity and not Haram products. What people do is up to them but I advice them not to market Haram products because their income and use will be directly resulting from Haram. I generate money from the opportunity I am selling.

Could you advice. azakum Allah kul Khair. Assalamu alaikom

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. Skandar,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

If you want my opinion on an issue you must describe it in detail: Please tell me:

What exactly you sell? I mainly sell energy drinks, apparels, home cleaning products, electronics, health and beauty products,.. The products that have no alcohol, pork that I buy from the company and retail these products.

What do you buy? I buy everything a Muslim family usually use on the daily basis, baby diaper, clothes, cleaning products, juices, energy drinks, Halal certified vitamins,.. where from? From www.quixtar.com or its catalogs

What is your relation with the company and what the contract says in details? I am an executive distributor, buy paying a signing up fees, I have unlimited access to all its products and services by using an ID number and a private password. I am free to buy and use or retail their products. I buy these products wholesale and retail them and I can make profit. Also, this company allows me to signing up new IBOs to be part of my organization. At the end of each month my bonus check will be based on my organization purchase from the company.

Your relations with people you convince to come in to the company and what do they do and what do you earn from their actions/sales I share what I do with people and I show them the business plan, if interested I sponsor them into this business, I help them signing up new IBOs, I answer any questions they may have and help them grow. My business growth depends on their growth. I don't earn any money by signing up new distributor I only make money when they or their own teams of IBOs and clients buy products from Quixtar

Opportunities can't be sold? What do you tell those who buy "opportunities" and what do they get from you and what do you get in exchange? Because I not only buy and sell products, I also

share this opportunity with others, I get paid when my down-line buy products from the company.
What are the conditions in the contracts of what you said you "sell" and what are the things you said are Halal? Are you the Mufti or I am, if you know it is Halal why asking me? Please tell me what do you sell and under what conditions if you want my opinion?
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

From: Skandar
Question
Dear Dr. Monzer, Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
I was very happy to read your email back. I ask Allah to enrich your wealth of knowledge.
Jazakum allahu Kul Khair. I would like to show you the plan the way I show it to prospect who are looking to make extra income. If I can have half hour I can show you the plan. I tried to be as detailed as possible to give you an idea about what I am doing. I really appreciate your time and may Allah reward for your ijtihad.
The business that I am building consists of buying, selling, and marketing some companies' products using word-of-mouth. I buy products and retail them or use them and market them to clients.
Every product has a Point Value (PV) associated to it. If your total purchase, Business Volume (BV), is $250 the company associate to it 100PV. Your bonus is in direct relation with your PV. Here is the bonus chart:
For 100PV business (approximately $250 worth of product purchased under your name from the company)-----> you receive 3% back: 3%*$250 = $7,5
For 300PV ($750) -----> 6% bonus = 6%*$750 = $45 bonus.
600PV----->9%
1000PV----->12%
1500PV------>15%
2500PV------->18%
4000PV-------->21%
6000PV-------->23%
7500PV-------->25%
You can sign up clients under your ID so that when they buy products the total BV will be added to your own business. The real growth comes by signing up new businesses (people who are interested and looking to start a business and become Independent Business Owner IBO) under your numbers, without limitation, also any IBO is free to either use the products only, signing clients and selling, or signing up also unlimited number of IBO with him or her.
The company looks at your total PV and reward you based on that. As you may have noticed, the 25% bracket means almost $18750*25% = $4700. This bonus will be divided between my team based on the volume of the business we created.

There is no limit for growth and a down-line can generate more money that his up-line. So it is not that if you come last you will make the least.
Regarding the products, our business is mainly on the Internet. We have thousand of products, almost everything but perishable food. Few foods, like meal replacement bars, protein bars, vitamins are made with pork gelatin, some are make with fish gelatin. Also, some breath fresheners have some alcohol. Also this company partnered with big names company to market and distribute their products, such us Circuit City, IBM, Office Max,... also, they partnered with Omaha Steak House which probably sells pork. Now even though my business depends on my personal BV added to my down-line BV, I can not control what they buy, it is their business and they can build it as they may wish, I can not fire them or impose nothing on them, they are Independent Business Owner. All I did is show them what I am doing, advice them on not to buy or sell non-Shari'ah compliant goods and services, and help if they need help: remember my business growth depends on them. On total, a very small portion of the products have gelatin. The company does not sell liquor.
With regard to my activities, I buy, sell, promote and market only Halal products. I discourage everyone in my team from buying the products that contain pork gelatin. Also I look for people who want to build this business and sign them up.
The products that we buy and promote can be seen at www.quixtar.com

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. Skandar
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
The idea of chain commission is permissible provided it is made completely transparent to any new comer in this business. On the other hand, sale of cloths, utensils, kitchen appliances, furniture and the like is permissible through the internet. On the other hand, sale of gold medals, gold, foreign currencies and similar items require delivery immediately at the time of the contract.
Furthermore, fees for new entrants are permissible only if there is a clear service provided to him/her. If there is no service provided to the new comer the entrance fees are not permissible and taking a share or a percentage of these fees by the ""inviter"" requires also complete transparency whereby the new comer knows exactly the amount of the fees that goes to the inviter.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

From: Skandar

Question

Dear Dr. Monzer, Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

How about the part where people who are in the business who buy non-Shari'ah compliant commodities and I get a bonus from the company for the total purchases they make. Again they are independent in their decisions. I only introduce them to the business. I make commission on the total products I buy (only Halal) added to the total products the other independent business owner buy from the company (may include Haram products). This is the most important point in my question.
Secondly, can I share your answer with Muslims in this business? If you don't mind.
Skandar

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 Skandar,
Assalamu Alaikum wa Rahmatullahi wa Barakatuh
I don't think that it is Halal to take any commission on the sale by other persons of non-permissible items. Apparently you can't determine or know the amount of these sales but you are sure that the majority is Halal always aren't you? Under this assumption I suggest that you may make an educated guess, may be on the basis of the value of the Haram to total inventory if you have such info or if you can get it, and then donate to Muslim charity an equal percentage of the commission on the sales of persons whom you suspect may sell Haram items in the group you get commission for. If you can't tell what is the percentage give as much donations to Muslim charities as you can.
Of course you can share these correspondence with others.
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Wassalam,
Monzer Kahf

Subject: Working in a Bank
From: Sana through Islam online
Sent: Monday, August 21, 2006
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
Firstly I would apologize that my question might be slightly different from the above given categories. My question: Is working in any sector of the banking institution considered Haram? If so why? I'm offered a sales support job wherein I hv to sell loan and due to my father's pressure I have to take up this job as he is not religious by nature & will not consider Islamic point of view. Urgent reply needed. Jazakum Allahu Khairan for your constant help

My Answer

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

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
The prohibition of Riba includes taking it, giving it writing it and being a witness to it. This is told by the Prophet, pbuh, in a well known Hadith. While there is no need to extend the limits of this prohibition, we must understand what it exactly covers. By the way interest, as known in the banking and finance system today is exactly the Riba that is mentioned in the Qur'an and the Sunnah.
Selling loans and credit cards that contain an interest clause is an essential part of writing it. On the other hand, working in the IT department, as a teller, in research departments, etc. is not covered by the prohibition. We must also remember that jobs have different grading in Shari'ah, for instance teaching Qur'an or training on Islamic finance can't be equated with jobs that help, by institutional definition, sinful transactions such as Riba and working in non-interest departments of a bank makes you affected by the ""dust of Riba"" as the term used by the Prophet, pbuh.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: network commission system
From: rizig
Sent: Sunday, August 20, 2006
Question
بسم الله الرحمن الرحيم
أرجو من فضيلتكم توضيح الحلال والحرام في العمل مع شركة كويست لأون لاين ومقرها في الإنترنت (www.quest.net) تسوق منتجات وخدمات مختلفة من خلال شبكة الإنترنت (Networkmarketing) التي تتبع التسويق الشبكي (Networkmarketing) تقدم أسعاراً أقل للمنتجات ذات الجودة العالية وتقدم أسعاراً أفضل للمنتجات المماثلة في السوق المحلي والدولي مقارنة مع شركات الإتصالات الخليوية. كما تسوق منتجات طبية وكذلك خدمات الإنترنت والسفر والفنادق والمطاعم والخدمات المتباينة والمتنوعة.
يعطى للذي يريد العمل من خلال هذه الشركة أن يدفع رسوم التسجيل 10 دولارات تقريباً، وعليه شراء منتجات أو خدمات في حدود 600 دولار تقريباً وعليه أيضاً أن يعرض هذا العمل على غيره من الناس ويمكن من يقنع شخصين -على أقل تقدير- بالتسجيل تحته (واحد عن يمينه والآخر عن يساره) يمر هو في الشخصين بنفس الخطوات –التسجيل وشراء المنتجات– ثم يقنع شخصين بالالتحاق بالعمل أيضاً وهكذا الشركة تتبع النظام الثنائي المتوازن أي أن كل شخص عليه أن يقنع شخصين ولا يوجد أطار زمني لذلك فقد يكون ذلك في يوم أو في سنوات ولا يضيع حق المقدم
وتدفع العمولات أسبوعياً (إذا كانت من الكمية التي تعادل ذلك الأسبوع) ولكي يفتح المشترك المحتمل حساباً يجب أن يكون عدد الأشخاص الذين في يمينه وشماله 3 أو أضعافها الثلاثة وعدده في يساره أيضاً يساوي ذلك الذي عن يمينه وإذا كانت الكمية التي أدخلها أحد العملاء في أسبوع ما عن اليمين و3 عن اليسار تساوي 250 دولاراً مرة واحدة. أي الفائدة عن كل واحد تساوي 41.6 دولاراً فرقيين من موزعي الأرباح وفي الأفضل وذلك حد أعلى لدخل الأسبوعي هو 15 ألف دولار لا تستفيد الشركة أكثر من ذلك في الأسبوع الواحد ويوجد تخفيض متفاوت في العمل.
من ناحية حصول المشترك في الشركة مع ما يدعيه لا تظلم أحداً لأنك تستطيع أن تتبع شاطها من خلال إعطاء كل مشترك موقعاً خاصاً به في الإنترنت يمكن من خلاله من تتبع نشاطه المالي في أي شخص أنت خاطب أعلى أو إلى أدنى في الشركة يستطيع رداً عن استفساره وتعرف الشركة من دورات وتدريب لتقديمها قبل رسوم معينة وتقيم مؤتمرات من أي وقت في أي مكان في العالم ومن حق أي مشترك حضوره يجتمع في هذا المؤتمر في أدنى الشركة مع المشتركين

يوجد بعض الآراء حول الفرصة المتاحة لإبداء رأينا في عدد من القضايا المتعلقة بالشركة موضوع المراسلة في عدد من المجالات التي تتعامل فيها الشركة مع البنوك وسوف نتناول هذه الآراء وتشعر بها وتتابعها

سؤالي يتعلق في وجود خلاف حول عمل من المحرمات أنا مشترك في هذه الشركة (Quest International Ltd) التي تتعامل في الفوائد الربوية: مقامرة، غرر، أكل مال الناس بالباطل، جهالة، بالتحديد تداول سهم، وبيع على الهامش، سلع أخرى من سوق الأوراق المالية وكذا أوراق دفع مضمونة بشهادة شركة أو بنك حرام أو بتعامل مع شركة (Quest International,LTD) التي تتاجر في أسهم على الهامش أرجو أن تجيبني بالتفصيل لأن أذني لا تسمع إلا الحق ولا تطيق سماع الباطل

وفقكم الله لما فيه الخير والهداية والله ولي التوفيق

مقدمه: رزق

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. Rizig

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Kindly notice the following:

1) I don't give Fatawa on individual entities. I Only discuss transactions, situations and ideas.

2) I have already given my opinion on network pyramid style commission system, it is on my web and on Islam online.

3) I have no time to search on the internet for you. You must do your homework yourself. Please describe for me in details, in English, the transaction or situation and I will give my views if there is any thing new.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Working in a Moroccan Bank

From: A Brother through Islam online

Sent: Thursday, July 20, 2006

Question

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

I'm 28 years old from Morocco. I'm working in the "Moroccan post" as "in charge of formation", but I have an offer with a better salary to work in a Moroccan bank as also ""in charge of formation"" (we don't have Islamic banks in morocco). Is this Halal or Haram, taking into consideration the fact that ""Moroccan post"" is not a real financial institution, but she permits to customers to deposit money and have interests about it (dafatir tawfir). Also, Barid Al-Maghrib has concluded, as a public establishment, several agreements with some financial companies (charikaat assalaf) in order to sell for their account their loans contracts and earning by this way commissions from these ""salaf companies"" I am hesitating, If I quit to a bank, it will be the same thing or I have to take into consideration the percentage of Riba loans in sales

turnover. I have to stay or to go? Will I have any wezr? Thanks! Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br.
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
Working in an interest-based financial institution in areas that do not include writing or signing interest-based contract is not forbidden, whether the financial institution is a bank or a post office or any other company. Yet we must remember that such a job helps undoubtedly the operation of the institution, it is not far away from the Haram activities of the Bank But as long as you do not write or sign an interest based contract on behalf of the employer you are not doing a Haram action.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Working As a Security Officer in a Company Running Gambling

From: Mohamed through Islam online
Sent: Thursday, June 29, 2006 3:46 AM

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I currently work as a security officer as a contractor with one of the biggest gaming and racing companies in the world, they run most of the betting and a few casinos, my question is, is it Haram for me to work there even if I am just a security officer and I have nothing to do with gambling?, my job is to sit in an office and monitor cameras and alarms, and sometimes answering phones at the head office building. Jazakum Allah. Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Mohamed
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
I can't dare saying it is Haram to help in the security of human being whatever they do and wherever they may be. So as a job, this is not Haram as long as the job as describe does not require you to do any forbidden act (such as poking, through cameras at obscene actions of strippers in casinos). However, this kind of job definitely helps the forbidden behavior and actions by those who do it and by those who make business of them. In as much as it helps these behaviors, it has a degraded level of consideration.
Wa Allahu A'lam

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

Subject: Using Haram Income to Go on Hajj and `Umrah
From: A Questioner through Islam online
Sent: Thursday, June 22, 2006
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
My father earns an entirely Haram income. I have no other means of financial support except through this income to pay for: university tuition fees(to keep fom taking a loan), Islamic courses, food, clothing, and other expenses. Can I use the money my father gives me to go on hajj/umrah?
Jazakum Allahu Khairan for your constant help
My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. / Sr.
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
First it seems that you are not a minor child, you are adult that you ask about Hajj and Umrah. If the income of your father is entirely Haram (e.g., he is a professional thief or drug smuggler or a male prostitute) as an adult male or female you are required to work and earn on your own and you can't take any of your father's money for living expense, you cannot live on such income that really is not owned by your father according to Shari'ah, let alone paying for education and hajj! But if your father's income is from working in a bank, the story is different. Determining that it is Haram needs to be re-investigated and studied!
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Billing insurance companies and loan to start a busienss
From: Rehan
Sent: Tuesday, June 20, 2006
Question
Asslamualaikum Dr. Kahf,
I am taking the liberty of writing you directly on a subject that I need some clarity on. I am an Indian Muslim and I run a offshore Medical Transcription company (offering a service to doctors in the US transcribing their dictation on patients they see/treat/operate on.)
My first question relates to a business I would like to start. There is an opportunity now to offer services apart from transcription to healthcare providers in the USA like clinics and hospitals in

the form of Medical Billing services. I am sure you are aware of this business however I will explain it a little here for the sake of clarity - Since most people are covered under some form of health insurance in the US, doctors most often have to collect their reimbursements for services rendered from the health insurance companies that cover their patients. The healthcare providers have to follow some procedures like filing claims (bills for services performed) with the health insurance companies and then have to follow up with these companies until they get paid. Such services can be outsourced to companies that do this for a percentage of the collections and they are called Medical Billing companies. I am now interested in setting up a offshore Medical Billing business in India. My question is – would this a Halal business to do since we would be collecting funds from the health insurance companies on behalf of the doctors?

My second question relates to the funding of this business. I have a partner (Indian Muslim) in the USA, and he has suggested that we buy a US Medical Billing company so that we can get a ready platform from which to start. He says that the usual way to do such acquisitions is by investing only a small part of the purchase price, with the rest being funded by seller financing (where a seller agrees to accept a majority of the value of the company in deferred payments over 1-2 years) and the rest by bank loans to cover the reminder. The bank loan will obviously carry interest but my partner says that is the normal way to do these acquisitions in the USA. Can this loan from the bank for the purpose of buying the business be considered Halal?

Wassalam,

Rehan

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. Rehan

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1. Taking fees for your services that you mentioned from funds collected from insurance companies for services of health care providers is Halal, no doubt about it. Billing insurance companies and collecting funds from them by health care providers amount to accepting the Hawalah of patients on these companies. This has nothing to do with the insurance contracts between patients and companies at all. It is permissible to accept Hawalah and collect it. And obviously your share for your services is also permissible. This is so even according to the view that defies insurance! Besides I argue that insurance in permissible with a few conditions that are fulfilled in health insurance. This is the view of great scholars lead by the late Shaikh Mustafa al Zarka, it is also the opinion of the late Maududi.
2. Seller financing may be formulated according to Shari'ah but definitely, an interest-based loan to acquire a business is not permissible and interest is one of the most grave sins as known in Shari'ah.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Is My Mother's Salary Halal? She is a bank lawyer

From: Sara through Islam on line

Sent: Monday, June 12, 2006

Question

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

I have two questions. First is my parents both work in banks in one way or the other. My father retired several years back but he receives a certain amount of pension but my mom is right now the prime supporter of the family. While my dad was directly linked to banks my mother works in a place which receives its pay from banks but she doesn't work with interest, i.e., she works in a place which acts as a court for all banks Islamic and non-Islamic. She told me that these banks pay their institute. Its like a place which takes complaints from customers etc. What I want to know is is her salary Halal? Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Sr. Sara

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Your mother's Salary relates to the work she does. If her work is permissible the point that it comes from banks does not affect its permissibility. She should be careful to avoid giving any judgment that gives a right to any party to collect interest from the other (customer complaints as you said) as giving such judgment is as Haram as being a witness to a Riba contract. The prohibition of the latter is mentioned clearly in a Hadith by the Prophet Muhammad, pbuh.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Earnings from Businesses Selling Non-Halal Products and starting a business

From: Adam through Islam online

Sent: Sunday, May 21, 2006

Question

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

I would like to ask you 2 questions. 1) Is franchise Halal or not? Knowing that around 70% of the money needed to open the FRENCHISE will be borrowed from a bank. 2) If you open a business selling products that are not Halal such as cooked non Halal meat, is the money earned Halal or Haram? Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. Adam,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1. Borrowing on interest to open a business is not permissible in Shari'ah, it is Haram because interest is one of the most grave sins that is prohibited in the Qur'an and Sunnah with strongest words.
2. Franchise business is permissible as you pay for the use of trade name, trade mark and special formulae and inputs. And all these are commercial and intellectual properties that are recognized in Shari'ah.
3. The sale of meat from animals whose meat is prohibited in the Qur'an and the Sunnah, such as pork is itself Haram. Additionally the price of a Haram item, such as liquor or pork, is also Haram as our most beloved Prophet, pbuh, said Surely When God prohibits a thing, He also prohibits its price. In other word, in selling such product two sins are committed: the act of sale, and the price.

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

Subject: Working in Real Estate, referral commissions
From: Sharief
Sent: Tuesday, May 16, 2006
Question
Dear Dr. Monzer Kahf, Assalamu Alaikum
I hope all is well with you and your family. I hope you have a few minute to answer three questions that are very important to me.
I work part-time as a software-engineer. Over the past two years, I have developed interest in Real Estate. I studied for my real estate license and received my license to practice real estate. My first question is if it is Haram to be a Realtor or practice real estate because the majority of buyers apply for loans and the majority of sellers look at the offer from a "qualified buyer" perspective. The loans are pretty much integral to most real estate transactions.
My second question is about earned income from real estate referral. If I am allowed to be a Realtor and practice real estate, then furthermore, am I allowed to earn income from referrals? I affiliated with broker called Keller Williams and in that company, if you refer a person to Keller Williams and he/she joins, you earn income off his/her transactions for as long as they stay with the company. And they are also allowed to refer others down 7-levels from which you earn income as well. Because the high probability these referred agents (since they are not Muslim) will use or involve in loans in their transactions, will my earned income be Halal?
Lastly, my 3rd question has to do with a Muslim brother who brought me to real estate. When I bought real estate investment properties with him two years back, we agreed he would save me on commission if he sells the properties for me too. I am currently selling these properties but the problem is when he sold one of those properties for me 1 year ago, he did not think in my best interest and almost forced me to settlement. This ended up costing me over $100,000 loss. In retrospect, I feel he did not do his job as a Realtor – he just wanted the sale to earn his commission. Because of this, I feel I should not pay this person who cheated me any of the

other commission when I sell my properties these years. But I fear Allah swt much more so I need to know if I will be punished for this because he is due this commission based on our agreement even though I was badly hurt by this loss.
Jazak Allah Khair and I am sorry for the long email. Wa'alaikum Asalam,
Sharief

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. Sharief,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1. Real estate business brings together a seller and a buyer. It has nothing to do of how they get or got finance. Therefore, as long as you do not fill in a Riba-based loan application real estates business is permissible and the commission you make is Halal InShaAllah.
2. Referral commissions are permissible provided the idea, procedure and percentage are disclosed to the "new comer"
3. You can't claim "being forced". You made the sale on your own will as a result of your friend's persuasion! Didn't you? You are responsible for your action and this is not an excuse to take a one side action on another agreement. Personally, I think you should have a frank discussion with your partner and re-negotiate the agreement between yourselves for any future transaction.

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

Subject: Military Jobs

From: Tarek through Islam online
Sent: Monday, May 15, 2006

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
My name is Tarek. I live in the USA. Recently, I have been offered a job position in a well known company called Lockheed Martin. This company produces military aircraft, missiles, spacecraft equipment, and information technologies among other things. This position is in the manufacturing of missiles. The company sells to the US government as well as other countries like Egypt, Saudi Arabia, United Arab Emirates, Turkey, and Israel. My question is that while this company sells to Muslim and non Muslim governments, would this job be considered Halal or Haram? Please, I need to reply to the company by this Friday so I would appreciate a fast response. Thank you and Salam Alikum.
Tarek

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
I am sorry that this question only came to me two days ago! I believe that working in Missile production that will be sold in today's world to Muslim or non-Muslim governments is not permissible in Shari'ah because in both cases the products are used to oppress people of other countries or of the countries of the same government and some times to waste resources that really belong to the public not the governments. Unfortunately, military industry today is an industry of aggression and it is immoral to participate in aggression, even when one person makes only a very little difference!
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Working in Eradicating Illegal Alcohol
From: Aamer through Islam online
Sent: Wednesday, May 10, 2006
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I HAVE ALREADY ASKED A QUESTION AND HAVE GOT THE REPLY FROM MUFTI Dr. MONZER KAHF.I AM VERY MUCH THANKFUL FOR THAT. I HAVE ASKED THAT MY FATHER IS WORKING AS PROHIBITION & EXCISE SUB-INSPECTOR IN A NON-ISLAMIC COUNTRY LIKE INDIA.HIS JOB IS TO DESTROY & ERADICATE ILLEGAL ALCOHAL.I HAVE ASKEDTHAT CAN HE ASSUME THE SALARY HE IS GETTING IS DUE TO THE HARD WORK HE IS DOING TO ERADICATE ILLEGAL ALCOHAL. FOR THIS MUFTI Dr. MONZER KAHF HAS REPLIED:
Dear brother Basha, what your father does, as you stated, is to reduce the evil of alcohol, it is a good job and rewardable by God if your father has the right intention (reducing the evil that God prohibited). His pay is also Halal, as long as he does his job honestly. It makes no difference whether he is in a Muslim majority or minority country.
I HAVE A QUESTION: AS I STATED THAT OURS IS A NON-ISLAMIC COUNRY(INDIA). HERE THE GOVERNMENT GIVES PERMISSION (LICENSE) TO SOME PEOPLE TO KEEP WINE SHOPS AND TAKES MONEY FOR THAT.AS I SAID MY FATHER IS WORKING AS PROHIBITION AND EXCISE SUB-INSPECTOR AND HIS JOB IS TO ERADICATE ILLEGAL ALCOHAL.HIS JOB IS TO GO TO THE VILLAGES AND DESTROY THE ALCOHAL THEY ARE PREPARING AND TRANSPORTING.I WANT TO KNOW CAN HE ASSUME THE SALARY HE IS GETTING FROM THE GOVERNMENT IS HALAL.CAN HE ASSUME THE SALARY HE IS GETTING IS FOR THE HARDWORK HE IS DOING TO ERADICATE EVIL(ALCOHAL).CAN HE ASSUME THAT THE GOVERNMENT IS RESPONSIBLE FOR GIVING PERMISSION TO SOME PEOPLE TO KEEP WINE SHOPS NOR HE AND HIS JOB IS ERADICATING EVIL.CAN HE ASSUME HIS SALARY IS HALAL?
Jazakum Allahu Khairan for your constant help
My Answer
Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Aamer
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
Giving licenses to sell or serve alcohol is Haram, wherever one may be and in whatever position. If your father's job is to eliminate and destroy illegal alcohol and keep an eye closed on shops that have licenses, his job is permissible and his salary is Halal, as I mentioned in my previous Fatwa; it doesn't matter being in India or Saudi Arabia or any other country Muslim or not. What he is doing is good and Halal since he is not the one who issues licenses and he is not in control of licensing and he is required to eradicate all alcohol in the world!
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Working Evenings to Make Extra Money in Saudi Arabia
From: A Questioner through Islam online
Sent: Thursday, May 04, 2006
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
This letter is confidential. I work in Saudi Arabia teaching in the University in the dental profession. When we enter Saudi Arabia and start work the people we work for take our passports and give us "iquama" in place of the passport. During the period we are working with the University we are given information that we should not work outside the University in any private work as we are not allowed. Being a female dentist I have been approached a couple of times to work in private practice because females would like a female to treat their teeth instead of males. Every time so far I declined. I know there are a lot of dentists that work in the University that also work in private practice and the University turns a blind eye. In one case I heard a dentist was warned not to do this anymore but there are so many others that never are approached. In the same time I know of one dental surgeon that the University wanted to get rid of and they used his private work as one of the reasons that they ended his contract. My question is as I have a need to make more money because of my family commitments I have had a strong urge to work outside of work hours privately but the only thing that is holding me back is I am scared that this would be considered Haram money and therefore not blessed by Allah Subhanuh and I am scared that I therefore would be committing a sin. I don't want to leave my job but I would like once a week to work an evening to make some extra cash that I feel I need. Please advice me if it would be
Halal money I would be making or not. jazak Allah kul khair.
Jazakum Allahu Khairan for your constant help
My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sister,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
This and similar government regulations are PURE CIVIL MATTERS. Governments have the right to enact them and individuals have rights to obey or violate them. Such regulations are usually supported by penalties such as fines, jail terms, cancellation of contracts, etc. Governments have also the right to impose such penalties for these violations. The obedience of governments becomes religiously required in two cases: case of avoidance of shame and case of endangering public security or other people's persons or properties. Accordingly, it is, religiously, permissible to work extra hours in your private time and your income is Halal InShaAllah, but you know that you are taking the risk of whatever penalties the regulations impose.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Working for a Hotel Dealing with Alcohol
From: Faisal through Islam online
Sent: Sunday, April 30, 2006
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I am hotel Management Graduate and presently I am working with a five star hotel In London. I am working as a Front Office Night supervisor and my duty includes handling the front desk and performing the auditing (Accounts work) at the same time my company put me the responsibility of Room service which includes handling food and beverage. Some time customer asks for the Drinks (alcoholic Drinks) and I always try to avoid touching the alcohol how ever I have never tested the alcohol in my life. But some I have to touch the bottle of beer or I have to take to their rooms is it alright for me to touch the alcohol.
Jazakum Allahu Khairan for your constant help
My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Faisal
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
May Allah reward you for your keenness to abide by the rules of Shari'ah. It is excellent that you have never tasted the alcohol. It is bad any way as we are informed in the Qur'an and the Sunnah. Working in a hotel anywhere in the world is permissible provided one always avoids any thing that is prohibited. Our most beloved Prophet, pbuh, had informed us that there are ten functions that God prohibited in regard to alcoholic drinks. Serving it is one of these ten functions while touching its bottle is not one of them. Therefore, say while passing between shelves if one touches boxes and bottles of liquor one does not invoke any prohibition; but carrying it (mentioned by the Prophet, pbuh) and serving it (is also mentioned by the Prophet,

pbuh) to a person, in a restaurant or in a hotel room, are prohibited and you need to avoid these actions too.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Working for an investment bank
From: Abdul Rahman
Sent: Thursday, April 20, 2006
Question
Assalamu alaikum wa rahmatullah Dr. Monzer,
My name is Abdul Rahman, Insha'Allah this message finds you well (I understand that you are traveling). I'm writing to seek your counsel on a deeply personal issue that has wracked my brain for some time, and that is the Islamic position with regards to working for an investment bank (not a retail or commercial bank).
A couple of summers ago, I worked as an intern at an investment bank called Goldman Sachs; my primary job function was to model out potential merger and acquisition transactions in the healthcare sector. I was well-aware going into my summer that working in investment banking came with the risk of dealing with unsavory financial instruments (bonds, convertible bonds, etc.), but I was able to avoid that problem by explicitly asking my employer if I could work with equity products alone. My request was granted, and I had a very good summer and was extended an offer to return for a full-time job. I ended up declining the firm's offer, however, because I feared that I would be forced into situations where I would have no choice but to work with debt products (for example, if a company finances part of an acquisition with debt rather than shares of its stock). This, in spite of the fact that working in investment banking would provide me with the surest path into a career I am truly interested in, venture capital ("Islamic finance" at its essence). I tried to consult local scholars when I was working through my decision, but didn't find anyone that was informed enough on what investment banking was to provide me with a coherent answer.
Coincidentally, the investment banking firm I worked for has reached out to me recently, asking if I would be interested in joining them if an opportunity opened up, but I don't know if I should be, since the Prophet (SAWS) invoked a curse on the receiver of interest, the payer of interest, the scribe and the two witnesses ("They are the same"). As an analyst at an investment bank, I would not be the receiver or payer, but there is a chance that I may be a 'witness'; that chance is lessened by the fact that I would be working in the Technology industry group (where companies generally have zero or very little debt on their balance sheets), but it still stands.
I know you are extremely busy, but I would sincerely appreciate any knowledge/advice you can impart. Jazakumullahu khayr, ws,
Abdul Rahman
My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Abdul Rahman,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
Advising on using debt instruments is itself not Haram. Clearly you are roving around the 'Hima and you may cross its boundary sometimes. What I suggest is: you may take this job with the intention of training and knowing techniques and people in the field to serve in Islamic investment banking and with the concern to give to a colleague or subordinate any thing that directly relates to interest and once you think you can go for Islamic only go for it. Although I always say that the Fatwa is permissibility of working in conventional banks provided one does not write or witness a Riba contract, I also add that avoiding it is better because you would be a supportive element to an interest-institution. Investment banking is substantially different and there it is much easier to avoid any involvement with Riba.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Taking Salary for Collecting Donations for a Mosque
From: Ehab through Islam online
Sent: Wednesday, March 29, 2006
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
If a Muslim goes out to collect donations for the Masjid or for Muslims all over the world. He gets paid a salary for doing so is it Haram for him to take 20% for himself. The reason im asking you this question is because we have a Masjid here in America when it collects donation for another Masjid or Kid that came from Palestine and needs surgery they take 20% off the top is that right or is it wrong. Thank you
Jazakum Allahu Khairan for your constant help
My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Ehab
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
When a Masjid charge 20% (or may be more) for the fund raising effort they make using their facilities and personnel and for the benefit of the mosque itself, this is permissible provided it is made known to donors, so that they know they are donating to the special project and the mosque at the same time. An individual person is permitted to have a contractual salary with the association or charity that appoint her/him to make fund raising for it, He/she is not permitted to take any percentage on the amount collected.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam

Sincerely,
Dr. Monzer Kahf

Subject: SETTING a business that requires selling lottery, pork, etc.
From: zahid
Sent: Friday, March 03, 2006
Question
Dear Sir,
I'm in Canada. I want to open general convenience store. Lotto, scratch
Cards (lottery) are a must in such businesses. Can a Muslim open such business.
If I get franchise like Tim Horten, Macdonald etc, selling of pork is a must as stated by franchise. can a Muslim open such business. Thanks.
zahid
My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Zahid
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
The answer is NO. Muslims must not own, sell or buy pork, lottery facility or any other Haram items. Besides, there are many chain fast food (franchise system) that are owned by Muslims and they do not have pork or lottery. It seems that you are incorrect in considering it a must in such franchises. BUT IF IT IS A MUST, YOU MUST NOT TAKE THIS BUSINESS, period! God, Ta'ala, promised to get you a solution if you are keen to obey Him; read please Verses 2 and 3 of Surah 65.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

From: zahid
Sent: Sunday, March 05, 2006 7:21 AM
Question
Dear Sir, Thanks for ur instant reply. Inshallah I will abide by the Allah saying.
Any franchise which sells chicken, turkey etc but not slaughtered in Islamic way, is permissible business for Muslims. May Allah bless u for putting us wise. Thanks.
zahid
My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Zahid,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

May Allah give you the blessing and Rizq that he promised for obeying Him. Selling any Haram is not permissible including eatable meat that is not slaughtered in accordance with Shari'ah because it is considered dead meat. BUT THERE IS A BIG BUT. If the laws in Canada are similar to the US and Europe, chicken, beef and lamb are not in violation of Shari'ah in regard to the method of slaughtering. They are in violation according to one view but not according to another. One cannot generalize in controversial matters. My view is that meat slaughtered according to laws in these countries is permissible to eat because it fulfills the requirement of the meat of the people of the book and it is therefore Halal to eat. This is the view of Shafi'I and Hanbali schools too. In one word, it is permissible to use sell these kind of meat.

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

Subject: Can Muslims Become Real Estate Agents?
From: Kujtim through Islam online
Sent: Wednesday, February 22, 2006
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
Can Muslims become real estate agents?
Jazakum Allahu Khairan for your constant help

My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Kujtim
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
Yes, certainly. There is no reason why a Muslim can't become a real estate agent because facilitating sale/purchase of real estate is a good thing to do and it is Halal, so is the commission she/he makes in this business. A real estate agent does not write normally any finance application for customers because writing it may fall into the Haram area. The Prophet, pbuh, said that the wrath of God is on the writer of a Riba contract in addition to the take and giver of Riba.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: working to build a church
From: mohammad
Sent: Tuesday, February 14, 2006

Question

عزيزي واخي الكتور من ذرال المعلم ورحمة الله
معكل المحبة والتقدير الكتور ارجو انتكون في احسن صحة من الله تعالي
عزيزي اود الاستفسار عن مسألة وهي انلي صديق من المسلمين يعمل في مصرف يتعرض لعرض وجاءه عرض ليس من قسم المحاسبة، لكنه يتقاضى راتب اكثر مما يتقاضاه في عمله الحالي، هل يجوز له ذلك؟
وعليكم السلام ورحمة الله
اخوكم محمد .....

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
Excuse me for writing in English because I need it to then go on the record in my computer.
It is not permissible to build a church or contribute to its building financially or materially.
The reason is that a church is a place in which the oneness of God is tampered with and other than God is worshipped, it is created or constructed for that reason only and it normally does not provide other functions. This is different from building a meeting hall that is in church premises or a school or eating area in the same. These building can give other services and their main use is not to negate the oneness of God. Designing a construction is an integral part of building it.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Job in a Food company!
From: Rashid
Sent: Sunday, January 29, 2006

Question

As-Salamu `alaykum
I have accepted a new job with a company with many subsidiaries dealing in food products in Canada. The product line includes Poultry, Bakery and Meat (pork, chicken, beef). My job is in the finance department as an analyst dealing with numbers only. I am not involved in physical handling of pork products. Is my job and the earning from this company permissible according to Shari'ah?
Jazak Allah
Rashid.

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. Rashid
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

As a Muslim you may not sell pork, at the register, although you are selling it on behalf of the owner. Handling pork and its products is not as prohibited because there must be no prohibition without a text and there is no text that prohibit carrying or transporting it. As for liquor, the Prophet, pbuh, mentions that 10 functions are prohibited; they include brewing, transporting, carrying selling buying serving even sitting with one who drinks it.
Working in the financial department of a food store seems permissible because you are not involved in any of the functions that are prohibited, but you are a helper and supporter to persons who carry out these functions. That makes you touched indirectly but your job itself is not prohibited. In finance you need to remember that you must not be a writer or signatory of any interest-based relationship
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Is It Lawful to Be a US Government Worker?
From: A Questioner through Islam online
Sent: Tuesday, January 24, 2006
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I am a cat scan technologist. Is it Halal for me to be a US government worker, and work in a government hospital were I might have to take care of troops coming back from Iraq or even high ranking US government officials?
Jazakum Allahu Khairan for your constant help
My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. / Sr.
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
Helping a patient, a sick or a wounded person is an act of obedience to God, rewarded by Him, if you have the proper intention of serving His creatures. This applies even to a soldier of an enemy in the battle field. Our Shari'ah believes in reducing human (and animal suffering) regardless of the served person. It is therefore Halal to work in a hospital that serves any human being whatever his/her relation to Islam, Muslims and other persons may be.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Working is real estates
From: Zaid

Sent: Wednesday, September 27, 2006

Question

wa alaykum assalam warahmatullahi wa Barakatuh, Good morning dr kahf.

I just noticed that you replied again after we met at your house early this year. I wanted to review your answers.

So Assignment of Contract AND Double Closings are both permissible? When we met you said assignment might not be allowed. ok that helps me a lot.

Thank you for your help. And if there any more information you have regarding the permissibility or real estate investing strategies please let me know. I really appreciate you teaching me about this matter

zaid

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 Zaid,

Assalamu Alaikum wa Rahmatullahi wa Barakatuh

What do you mean by double closing? I understand that assigning a contract replaces double closing? Yes, assigning is permissible once the real estate exists (after completion of construction if not already built).

Wa Allahu A'lam

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

Kahf

From: Zaid

Question

Double closing:

1. You have a property under contract to buy for $100,000
2. You find a buyer who'll buy from you for $120,000
3. Seller, you, and buyer, are all present at escrow
4. Escrow uses buyer's $120,000 to fulfill your sales contract with the seller and pay off property for you
5. Escrow cuts you a check for the difference = $20,000

My Answer

Dear Br Zaid,

Assalamu Alaikum wa Rahmatullahi wa Barakatuh

This is a way of assigning the contract, it is permissible.

Wassalam,

Monzer Kahf

FATAWA INTEREST RIBA LOANS 2005

Subject: Assigning a purchased Real Estate to another buyer
From: Zaid
Sent: Saturday, December 31, 2005
Question
Assalamu alaikum warahmatullah Dr. Monzer,
This is zaid from hawthorne masjid. I attended your 2-week class on Islamic financial issues. I am learning about real estate investing and I came across a method called "Wholesaling". I wanted to know if this type of transaction of allowed in Islam.
Here is a basic example.
1. You find a seller who will sell his house to you for $100,000. Full market value is $150,000 but he is in distress or has a dire need to get rid of it.
2. You put the house under a sales contract and give him $2000 earnest money deposit. You must close in 30 days or he keeps your $2000 and you get nothing
3. You call up your list of buyers and find someone who will buy it from you for $110,000 4. you do a double closing at escrow with buyer and seller and collect the $10,000 difference
question #1: is this allowed?
question #2: what aspects of it make it not allowed?
question #3: if this is not allowed, do you know of any real estate investment methods that are?
If you need more details let me know. I can send you the forms and contracts involved
jazakAllahu khair
zaid
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. Zaid
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
This method is permissible in Shari'ah. It is a full sale and buy, a trade in the full sense. The first contract is called 'Urbun sale (it features the condition: if you don't come up with the rest of the money you loose the down payment as a penalty for wasting my time and holding the house for you during this period). Merging the two sales together is also permissible.
Besides, there are other forms of investments in real estates most of them are permissible, buy on description (maps and plans) and sale after delivery, land developing with sleeping partners, etc.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

From: Zaid
Question
Assalamu alaikum whats your address?
This is zaid from …….. masjid again. Thank you for replying to my question. I forgot that there is another option in wholesaling. You can "assign" the actual contract to another buyer

for a fee, handing over your right to buy at the contract price to that person. There are no two closings at escrow. Basically selling your right to buy to someone else is it's own contract that stipulates how much the new buyer is paying you. You are out of the transaction after that. There's only one closing between seller and "new" buyer. Is this allowed? jazakAllahu khair
zaid

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. zaid
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
I got the point now. You can sell a real estate before actual possession provided you have a purchase contract (that makes you the owner) and delivery is actually possible because in this sale the Gharar (great uncertainty with un-knowability) about the existence of the property and ability to deliver This means that a sale contract can be assigned before closing (possession).
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin Wassalam Sincerely, Dr.
Monzer Kahf

Subject: Working for Investment Companies in the West

From: Said through Islam online
Sent: Thursday, December 29, 2005

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
What is Islamic rule regarding working investment companies in the west. I recently graduated from University and I am unable to find job except in these companies.
Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Said
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
Working in banks and investment companies is permissible provided you do not make an interest-based transaction for your self or for a customer. This means being a teller or an IT specialist in a bank is permissible.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: What to Do About U.S. Savings Bonds

From: A Questioner through Islam on Line

Sent: Sunday, October 30, 2005

Question

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

My question is what to do about U.S. Savings Bonds that my non-Muslim parents have collect for my University education during my lifetime and now have given over to me, which have incurred interest and were purchased with cash over 20 years ago? Am I allowed to keep the value at the time of purchase before interest or am I allowed to cash them now in order for them to stop accumulating interest? Or must I give them up altogether? If so, what to do with their value? Jazak Allahu Khairan

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. ,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

You are entitled to the value of the bonds on the day the gift is given. This is what your parents gave you and it is non of your trouble where did they get it from or how the bonds reach that value. That is your parents' matter. This means that you should have cashed them the day you got them. Any increment in the value of the bonds while in your ownership should b given away to Muslim charity because it is interest and Muslims are prohibited of making any deals with interest. For the Muslim charity, it is Halal because any property (money) that has no owner should be given to the poor and needy. In case on earned interest, as this case on hand, we know the owner of the interest money, but we do not return it to this owner and we consider it as owned by no body because of two reasons: 1) it is taken by means of a contract that is considered valid by the law of the land; and 2) the payer is a practitioner of Riba and returning this money would only gives it more power to practice more of this evil and makes you appear as fool toward the paying entity.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Student Applying for a Fund from the Government

From: Fatimah through Islam on Line

Sent: Wednesday, October 26, 2005

Question

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

Is it allowed in Islam if a student learning applys for a fund from the government where one is provided with a certain amount of money every week depending on the household income, and an evidence is provided which is a tax paper showing how much your guardian earns within the year, if my brother works and earns Haram money ,if I show his tax paper and then receive this money would it be Halal or Haram for me where as I am not taking his money but I am taking it

from the government ,the tax paper is just evidence of how much he earns and where he works. Would this money be Halal or Haram would one be able to use this money for books and for other uses like for giving zakat, for going on umarh.
Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Sr. Fatimah,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
If your brother is your guardian and the amount of his income qualifies you to receive money from the government, it is Halal to take this money and then do whatever you please with it. Notice that under such a case you may not be subject to Zakah payment unless you have an amount that is equal to Nisab (# USD 1000) and after a lunar year (i.e., 354 days) you still have such an amount.
Please allow me to make a comment on your sentence ""if my brother works and earns Haram money."" This is a kind of outrageous and too harsh of a statement! Are you sure of this Big Fatwa that you are giving? does he makes and sells drugs or alcoholic drinks? or does he run a house of prostitutions or earn interest from lending money? these are the kinds of Haram incomes! If he works for the government or in a bank as an information technology specialist or serves tea and coffee, that is not a Haram income! You should be much more careful in throwing such a big Fatwa my dear sister.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Accepting Interest from Savings Account with a Bank

From: A Questioner through Islam on Line
Sent: Wednesday, October 26, 2005

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I have a couple of questions. My question is, is the interest from a savings account with a bank, acceptable? I heard that considering that the bank is using our money and the interest to us is a very small portion of their profit, therefore it can be accepted, but I am still unsure.
Jazakum Allahu Khairan for your constant help

My Answer

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

No it is not acceptable. Interest from a saving account is the same Riba that is mentioned in the Qur'an. It is true that the bank uses your money to give loans to it customers also on interest basis, the bank's income from lending is also Haram and it is not profit, even if it is given this name, because its reality in interest on loans given by the bank.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Fatwa on financing higher education
Sent: Oct. 26, 2005
From Maha
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. Maha,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
PLEASE READ MY ANSWERS AT THE END OF EACH PARAGRAPH: I put them in Blue Italic.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Question
Salamu Alikom Dr. Monzer,
I underlined the texts that I think is particularly questionable, or which I feel may not be acceptable from an Islamic perspective? I have also added some particular question at the end of each section, But any extra details is no doubt appreciated.
Forms of Student Lending:
Student lending may take several very different forms, but all forms have in common the assumption of some of the costs of higher education—either costs of instruction (i.e. tuition), or other educational costs (such as books and supplies), or the costs of student living (such as room, board, and other expenses)—by the student, but deferred into the future. Thus, some lender (whether the university, the government, a bank, or any other saver) is bearing these costs in the present, but will get repaid with interest, by the student (perhaps with the government's help) as borrower.
Student loans may take different forms, with many variations of each and with "hybrids" of two also possible.
1- Conventional Loans. A conventional, or "mortgage-type," loan carries a rate of interest expressed as an annual percentage of the amount borrowed, a repayment period, or the amount of time the borrower has to repay the loan, and repayment terms, such as whether the

payments are to be in equal monthly installments, or installments that begin small and increase over time, or some other arrangement that yields a stream of payments sufficient to amortize the loan at the contractual rate of interest.

This is obviously not permissible, being interest-based. It can be Islamized by eliminating its interest and replace it with service sale (Ijarah based contract) in which the financier buys credit hours from the education institution and sells them at a prime to the user. This contract has a fixed return but risks circumstances of failure to provide the service and the default of debtor these can be cured be a set of remedies known for debts in kind and in money.

2- Income Contingent Loans. An income contingent (or "contingent repayment") loan carries a contractual obligation to repay some percentage of future earnings (sometimes per $1000 borrowed), generally until the loan is repaid at a contractual rate of interest, or until the borrower has repaid either a maximum amount (which can release the high earner) or for a maximum number of years (which can ultimately release the low earner). That which is stipulated in the loan contract is the annual repayment burden, or the percentage of earnings that must go to loan repayment (which may be fixed for all income levels, or progressive, increasing at higher incomes). That which varies according to income or earnings, in the simplest form, is the repayment period. This is in contrast to a conventional loan in which the repayment period as well as the rate of interest is stipulated in the loan contract (either fixed for the duration of the repayment period, or pegged to some measure of inflation or cost of money), but the annual burden of repayments—the relationship of repayments to current earnings—varies.

Income contingent loans are frequently, but mistakenly, portrayed as always less costly to those borrowers who turn out to earn a low income. But this is true only of those income contingent loans that have an alternative source of subsidy to make up for a stream of repayments from low income borrowers that can never repay at the full cost of the money (i.e. at the full rate of interest). This source may be the government, which may ultimately make up the shortfalls from the low earners in the same way that it might elect to make up the shortfalls from borrowers who simply default, or might provide other kinds of grants or subsidies to students on the basis of their low family incomes at the time they were in the university. Or, the source of subsidy may be the high-earners who, in this type of plan, would have to finish their repayments having repaid at a premium rate of interest, thus effectively subsidizing their low-earning borrowing colleagues and providing the loan program with an average break even interest rate over all of the loans. (The principal conceptual flaw in this concept—perhaps explaining why there are no such mutualized plans in operation— is that students who reasonably anticipate high lifetime incomes will decline to participate, at least in any voluntary scheme, thus depriving the plan of its necessary source of subsidies to protect the low earners.). However, an income contingent loan program can also feature very little governmental subsidization, and no premium rates from high earners (i.e. who merely complete their repayments more quickly), thus requiring that low earners also repay their loans at the stipulated interest rate—but require very long repayment periods to do so.

From that, we can summarize several repayment methods:

1- Students pay back the loan until the loan is repaid.

2- Students pay back a percentage of their earning for ever.

3- Students pay back for a predetermined period regardless of the amount repaid (more or less than the original loan)
4- Students pay back until the aggregate amount of loan in certain loan pool is completely repaid – thus some students may have not contribute at all while others will pay more to cover the default
COULD ANY OF THESE FORMS BE CONSIDERED "TAKAFUL" (assuming no interest charged), If yes what kind of adjustment is needed? OR MAY BE SOME OF THEM ARE "IKRAH"? that is imposing an extra repayment commitment over the high earners (to cover up the loss that occurred from the default or by effectively subsidizing the low-earning borrowing colleagues and thus providing the loan program the necessary amount of turn over to keep it going) which may imply an inequality between the borrowers. At the same time, if we consider the voluntary scheme, it is expected that students who anticipate low lifetime income will agree to participate in interest-free, income-contingent loans. Is this unacceptable from an Islamic perspective because it implies that the borrowers will participate only if it is beneficial to them? As a consequence, the borrower can impose a loss on the lender, making this option unacceptable in Islam.
In all its forms this program is also interest-based. Suppose we remove interest and only recover the supplied amount plus administrative expenses, then it becomes permissible with or without the third party subsidy. Can losses resulting from default (low income users of financing) be considered as part of administrative expenses? The practice in Islamic banks is to consider bad debts as part of administrative expenses and I think most likely yes, we can do the same, this makes the program survive with the same amount of initial money as a non profit program. Of course additional funds can always be injected into it from either government resources or from benevolent donors. This is another way of expressing option 4 of this scheme, and I think option one is in a way very similar because it certainly does not exclude the running expenses (they are simply included in the interest rate the is presumed in it). Options 2 and 3 imply a gread deal of unfairness and cannot morally be justified.
3 - Graduate Tax. A variant on the income contingent loan is the graduate tax, whereby the student (sometimes only the graduated student), in return for government subsidization of higher education in the form of low or no tuition (and possible of an additional student maintenance grant), becomes obligated to an income surtax, generally for the rest of his or her earning lifetime. A true graduate tax is just that: An income surtax on university graduates, without the keeping of individual borrower accounts or "balances owed." However, one purpose of a graduate tax—like any governmentally-sponsored student loan plan--is to shift a portion of the costs of higher education from the government or taxpayers to students, but to be paid only after the student has finished (presumably graduated) and is earning an income (supposedly higher because of the higher educational experience). The financial success of the graduate tax is measured by the discounted present value of this stream of future income surtax payments—just as the financial success of a government-sponsored income contingent student loan plan, is measured by the present discounted value of repayments that are based on a percentage of yearly income. Thus the mathematics and the practical effect on participating students of the graduate tax and the income contingent loan—assuming similar terms—are practically indistinguishable.

WHAT DO YOU THINK OF GRADUATE TAXES? Particularly with regards to the obligation being for the rest of his or her earning lifetime?

IN GENERAL, Is it acceptable to share the earnings of a person the same way that we share the profit of a project (like Mudarabah). That is the capital (student loan) is provided by the bank or a university, while the student offers his effort, education and expertise. If the student ends up to be a low earner, financial losses are borne exclusively by the lender. But if the student ends up to be a high earner, then the lender share the profit (most probably salary and wages) for life at a certain fixed ratio.

We need to notice that education cost is essentially the responsibility of fathers for minor students and this responsibility is also private, in contrast to being societal in the socialist thinking, on fathers or on beneficiaries for major students; this is the Shari'ah position as I understand it. In our history, in realization to the externalities of education (that are normally tremendous) most of the cost of education was carried by the non-profit institution of Awqaf. But can the government impose taxes on the beneficiaries for financing education? It seems to me the answer is yes. We also need to study the effects of such taxes on issues like brain drain, equity, education externalities, etc.

4- Human Capital Contracts (equity – like) a financial instrument (another form of income contingent loans) by which, in exchange for financial support, a student agrees to pay a percentage of his or her income for a specified period of time. Like a venture capitalist who acquires a share in a company's profits by financing its development, an investor in a human capital contract temporarily acquires a share in an individual's income.

The investor's return will depend on the earnings of the student, not on a predefined interest rate. Thus, the student receives funding in exchange for a percentage of his or her future income during a fixed period of time after graduation. In human capital contracts, there is no pre-determined income for the lender, so the lender's return is uncertain. The creation of options based on the value of those contracts; that is, options that have human capital as their underlying asset. Such "human capital options" could be designed to create hedges against variations in earnings. The effects of these arrangements are, among others, less risk for the student, transfer of risk to a party that can manage it better, increased information regarding the economic value of education, and increased competition in the higher education market.

There was a proposal like this by one writer once but it was faced with a lot of objection. To me this amounts to a form of slavery. You can't evaluate human capital and equate it with material capital. There is no doubt that you can valuate a given number of human services/hours within a profit generating Mudarabah or wage determination process, market forces can give acceptable valuation of such effort. But the matter here is different. Here you are adding a given number of Dollars to a human and then sharing that human itself, it is even horrible to think of it! Acceptable alternatives are actually practiced and I see them acceptable. 1) Exchanging a service for a service: I give you education, well defined and described and you give me a number of hours/days/years of service in a well defined job. An example you work for me as a driver and I pay for your tuitions in a given school for a given period. 2) I pay for all your finance education for a given period and under certain conditions and you work for me after it for a given period of time under the a salary scale and work conditions that are generally known to you. In both cases remedies to cure default exists and can be structured in a way that makes them within the limits of Shari'ah.

Finally, it is my turn to ask a question: is this a part of your research? If so I wanted to say that it seems interesting and I will be available for any help or advice that you may need

---

Subject: Hajj and Loan

From: Ashiq through Islam on Line

Sent: Tuesday, October 25, 2005

Question

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

I am working in United Arab emirates .I want to perform Hajj but the problem is that I have a bank loan to my name for which I am paying monthly instalments.The loan will expire in june 2007 and I am paying interest on it to the bank. Please advise if I can perform hajj along with my family in this situation.

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. Ashiq,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

From the point of view of permissibility, it is always permissible to go for Hajj while under a Loan, if it is without interest and if you can afford to spend on Hajj without negatively affecting your ability to pay the loan back.

Interest-based loan, if not taken out of necessity that relaxes the prohibition, is one of the most grave sins from Shari'ah point of view and it is always much better to rid oneself of sinful conditions before going for Hajj. This means that the Shari'ah advice would be to pay off the interest loan in full instead of spending the money on Hajj. But if you decided to go for Hajj it is permissible and acceptable, InShaAllah, wile you re still under a sin that invokes a war from God and His Messenger as the Qur'an [2: 279] tells us. This is because each action is reckoned on its own.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Taking Unsubsidized Loan

From: A Questioner through Islam on Line

Sent: Tuesday, October 18, 2005

Question

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

I am currently attending the University studying in the medical field. I have two semesters of studying left and do not have enough financial aid to pay for the spring semester which starts in january. there are many reasons why I have to attend in the spring. 1) I can get kicked out of the program 2) a class I need to gradutate they are combining it with class I have already taken

and it is the last semester to take it alone. The tuition is $4000/semester and I pay with federal and state grants(dont have to be repayed) and subsidized student loans. these subsidized loans do not accrue interest until 6 months after you finish school. the government pays the interest during schooling and deferrment period. I was offered an unsubsidized loan that does accrue interest while in school. My parents, non Muslim, were going to pay for my school but were affected by the hurricane in new orleans and are being very careful how they spend money now. the only thing they can now offer is to pay the interest for me on the unsubsidized loan. to me it seems the same if my non Muslim family pays the interest and if the government pays the interest. I do not want to do anything haraam but also want to finish my education. please advise me if it is acceptable to take this unsubsidized loan if I pay no more than the amount I borrow? jazakum allah khayrun

Visitor Notes: I need an answer to this As soon as possible inshaallah. I will have to register for classes in the next few weeks.

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. ,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

It seems to me that your situation qualifies as a necessity. I always argue that higher education is not a necessity that warrants relaxing the rule of prohibition. But this situation is not a starting of education, it is a completion of it. That is as a result of changes in circumstances, the plans you had for financing it did not fully go through. This seems as a matter of preserving what you've achieved until now and avoiding wasting it. To my understanding this justifies relaxing the prohibition as being a case of necessity.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Establishing a company with condition of dealing in interest

From: Ahmad

Sent: Saturday, October 15, 2005

Question

إلى الإخوة الأفاضل المشرفين على موقع الدكتور منذر قحف حفظه الله،

تحية طيبة وبعد،

بدأت أسئلتي السابقة بالحمد لله وأختمها بالحمد لله، وأسأله تعالى أن يجعل عملي هذا خالصاً لوجهه الكريم وأن ينفع به الإسلام والمسلمين.

فأرجو أن تتسع صدوركم لسؤالي وأرجو أن تعذروني إن أطلت عليكم وأرجو أن تجيبوني بسرعة حيث أن لي حاجة إلى جواب الشيخ قبل يوم الخميس من هذا الأسبوع.

أما بعد،

أنا مسلم من مواليد مدينة نيويورك أعيش في الولايات المتحدة الأمريكية منذ ولادتي وأحمد الله تعالى على ذلك. أنهيت دراستي الثانوية بمعدل جيد جداً وقررت أن أدرس الهندسة الكهربائية في جامعة نيويورك في مدينة نيويورك. أنا متزوج ولي طفلة عمرها سنة واحدة. أعمل حالياً في شركة متوسطة الحجم في مجال تكنولوجيا المعلومات براتب شهري يفي بحاجاتي الأساسية وبعض الكماليات.

من زملائي وأعجبوا به وأعجبني الشيء الذي اقترحوا علي أن أنشئ شركة تطوير ويب وعمل هذا النظام [illegible] لتقديم خدمات الحاسوب للمؤسسات الكبيرة في مدينتي تورونتو وباقي أنحاء كندا.

بدأنا العمل كمجموعة مكونة من خمسة أشخاص كلنا من أهل الاختصاص وذوي الخبرات العالية جدا وسمعة طيبة في السوق. ثلاثة من الشركاء هم من الهندوس والرابع مسلم ولكنه غير متدين يتعامل بالربا كما يتعامل به أهل هذه البلاد وأنا خامسهم. حتى وصلنا إلى نقطة تحتاج فيها الشركة للخروج إلى السوق.

وعند البدء في الاتفاق على نظام العمل في الشركة وطبيعة الشراكة. بعد مراجعة المحامين والمحاسبين تم الاتفاق على تقسيم الشركة بالتساوي بين الشركاء الخمسة. ولكن يجب الدخول في تفاصيل معاملات الشركة التي اختلفت أنا من جهة والأربعة الباقون من جهة أخرى:

1. فهم يرون أن لا مانع من أن يضعوا أموال الشركة في البنوك والتعامل معها
2. أنهم يقولون أن من أساليب التعامل للشركات في شمال أمريكا أنه إذا تأخر الزبون في دفع فواتيره واحتاجت الشركة لتغطية مصاريفها من رواتب وإيجارات فلا مانع من استخدام نظام (Line of Credit) حيث تأخذ من البنك ما تحتاجه وتسدده فور سداد فواتير العملاء مع ما يترتب عليها من الربا.
3. إنهم يقولون أنه إذا حصلت الشركة على عقد كبير تحتاج فيه الشركة إلى تعيين موظفين وشراء أجهزة لتنفيذ المشروع فإن الشركة تأخذ مبلغا من المال من البنك يساعدها على القيام بذلك ثم تسدد هذا المبلغ مع الربا المترتب عليه إلى البنك عند الحصول على الدفعة الأولى من العميل بعد تنفيذ المرحلة الأولى من المشروع.

وعند البحث والسؤال للشركات المختلفة التي تعمل في هذا المجال في منطقتنا تبين أن هذا هو الأسلوب السائد للعمل في الشركات في هذه البلاد. فأخبرتهم أنني لا أستطيع أن أكون شريكا في شركة تتعامل بالربا فقالوا أن الدخول في هذه العقود يتم بالتصويت وتبين أني بإمكاني أن أعارض أن تأخذ الشركة من البنك ويكون الرأي للأغلبية. وأني لن أوقع على العقد الربوي حيث أن الذي يوقع عليه هو مدير الشركة والمدير المالي.

وأن بإمكاني أن أنقي مالي من الربا فأخبرتهم أني غير مرتاح لذلك وأني أفضل الانسحاب من الشركة.

فقالوا إنهم يشعرون أنهم يظلمونني بذلك حيث أن الفكرة فكرتي وأساس العمل الذي وضع هو مني فإذا انسحبت من الشركة ربحوا هم وخسروا وأخرج أنا صفر اليدين. فاقترحوا علي أن لا أدخل شريكا ولكن أعمل لدى الشركة موظفا براتب وأخذ 10 % مضافا من الأرباح الصافية. فوافقت وبدأت العمل ووضعنا النص على ذلك.

وبعد مضي عام على الشركة جاءوني مرة أخرى وقالوا أن الشركة قد بدأت تكبر وهذا بفضل الله وبدون أن نلجأ إلى البنك إلى الآن رغم أن ذلك قد يحدث في أي لحظة ولأنهم يشعرون أني وأولادي مظلومون بالاتفاق الذي أبرمناه حيث أن الشركة رغم نموها الكبير الآن توزع أرباحا في كل سنة رغم أن رأس المال يزيد حيث أن الأرباح الحالية يعاد استثمارها في الشركة لزيادة نموها وأن الشركة قد تشتري شركة أخرى بالتالي يستفيدون من الأسهم وأنا يسقط حقي من الشركة وكذلك قالوا أن المال إذا كثر يغير نفوس الناس وإني بهذه الطريقة لا أحمي نفسي من تغير نفوسهم تجاهي فاقترحوا علي أن أسأل أحد العلماء الذين أثق برأيهم هل الأرباح عن نصيبي علي إخراجها أم أستطيع من خلال الدخول في هذه الشركة.

اقترح علي والدي أن أدخل معهم في الشركة الآن فإذا تعاملت الشركة بالربا تبرعت بنصيبي ولكني أخشى أن أكون بهذا العمل قد ضيعت على نفسي حتى الـ 10 % من الأرباح الصافية.

السؤال هو هل يحل لي الدخول في الشركة كشريك علما أن أساس عملها حلال إن شاء الله وإذا فعلت فكيف أطهر مالي من الربا وخاصة أن الشركة هي التي تتعامل بالربا والاستدانة في أكثر الأوقات.

وإذا لا يحل لي ذلك فهل ترون من حل مع طريقة أخرى للتعامل مع الشركة.

وجزاكم الله خيرا.

والسلام عليكم ورحمة الله وبركاته،

أخوكم في الله

أحمد

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. Ahmad,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Kindly notice that it is forbidden for a Muslim to contribute to the establishment of a company if its articles of incorporation of its by-laws mention that is it going to do any non-permissible activities such as Riba, liquor, etc.
On the other hand, the normal practice that such a text is very rare in companies whose main function is permissible like yours. I assume that your company does not such a text in its Articles or By-Laws. This means it is permissible t be part of the company. When, by majority vote, the company makes a Riba transaction, and if you cannot change it, you may then sell your part in it to any other person (staying in it being not common stock companies and the shares you got them for investment not as active partner) and at the same time purify your money.
The formula to purify is: total net profit from mixed transaction divided by total resources used for it multiplied by the amount of resources obtained on Riba basis. This amount should be given to Muslim charity.
An alternative is to contract the company on the basis of: salary plus 20% of both capital gain and profit distribution. This applies if all five of you work in the company and derive salaries (I understand that you guys agree on 20% ownership each). Or make any similar arrangement/percentage of Capital gain and profit distribution that preserve your write to capital gain too.
Please come back to me if you have any further clarification.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Staff bank loan
From: lodhi
Sent: Saturday, October 15, 2005
Question
Assalam Alikum
I hope you are well by the grace of Allah. I have written to you on many occasions but I believe because of your schedule you were unable to answer to my query. You also mentioned in your one response to me that the question has been forwarded to Dr. Monzer Kahf (Islamic Finance Expert) but Mr. Khalf has not provided the answer as yet.
Sir, I wanted to know if I can avail Staff Bank Loan For the Purchase of Home. As a bank employee one of the perk is to avail loan at subsidized rate as compare to the market. Property values in Pakistan have risen a lot in the past few years and has become hard to buy property from my own savings. The market rate for Home Loan facility ranges from 16 to 19% whereas the bank employee is allowed to avail the same facility at around 4% for 20 years which is actually below inflation, the bank is charging 4% as it’s the handling cost and in fact loosing money in the case of employees as compare to commercial loan which has a service charge from treasure in-between 7 to 8% and then lending at 16 to 19%.

I am married with a child and looking to have property for the wellbeing of my family I am wondering if it would be allowed to avail this facility in Islam, keeping in mind the prevailing conditions and our economics.
Your response to the question will be highly appreciated. Jazak Allah 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. Lodhi,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
This is one of the toughest questions I faced over the last many years and I feel very hesitant in giving an answer. If I want to save my skin and yours, I would suggest to use the Taqwa element (so I can escape giving a Fatwa on it) and do not take this loan.
Yet, I feel embarrassed because this suggestion does not solve the problem in an age where such big differences in the charge do matter a lot over such a long period of time.
It seems that if the inflation rate is really equal or higher than the charged rate of interest, we may find an excuse in the idea of indexation that is disputed and some scholars argue for its permissibility.
I still do not dare to say that it is permissible, in a Muslim country that has several Islamic banks, to take an interest- based contract!
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

From: lodhi

Question

Mr. Kahf, Assalam Alikum,
Thank you for your answer, I would like to have clarification on Riba, is Riba/Interest is same as what it was used to be and what are the arguments of the scholars you are mentioning who would give a view in favor of taking the staff loan.
What is your view on the current environment of interest that we are living in, its prevalence in all walk of life and working for a commercial bank.
Your answers will be beneficial and I will be looking forward. Best regards,
Lodhi

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. Lodhi ,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1) Yes, interest that is practiced by conventional banks today is the same, in its nature, as was practiced at the time of the Prophet, pbuh. Riba is an increment in a loan or debt; this is exactly the banking interest today.
2) Although in the West interest is dominant in banks, it is not in "all walks of life." it is bad or rather too bad! And it has no scientific justification (at least as J. M. Keynes argued) if not the argument offered by all Muslim scholars.
3) In a country like Pakistan, there are several Islamic banks and any Muslim has the choice.
4) I never said that there are Muslim scholars who "are in favor of a staff interest-based loan" I said: "It seems that if the inflation rate is really equal or higher than the charged rate of interest, we may find an excuse in the idea of indexation that is disputed and some scholars argue for its permissibility." The issue of indexation is different from charging interest. Some scholars argue that when there is high inflation, the amount of loans may be increased by the inflation rate to keep its real value constant. This is neither, according to them interest, nor interest-based loans because we only keep the real value of the loan. This is a minority among Muslim Scholars but the Majority, including a decision by the OIC Fiqh Academy such an increment, although it is done not by a prior agreement to charge Riba (interest) but by raising the amount of a loan by the rate of inflation at the end of each period, is also Riba and is prohibited.
5) The opinion on interest-based banks is that they are Haram and a Muslim must not establish such a bank. In countries that have no Islamic banks, it is permissible to deposit and have other transactions like letter of credit, etc. with them provided that on does not deal on interest-basis with these banks. But interest-based deposits and other interest-based transactions with them are Haram.
6) Working in such a bank is not Haram in order to avoid placing hardship on people like your kind self. But a Muslim who works in such a bank must not do an thing of the kind or writing, signing, approving or be a witness to any interest-based transaction. ()e.g., working in the IT dept is permissible but in the loan department is not). Yet, this is certainly not the best job in the world, it is no doubt a help to the Riba-based transactions. (for instance, I advised my son not to take such a job and he did not).

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

SUBJECT: Islamic Financial Institution, Mortgage and financing education
From: javed
Sent: Wednesday, October 05, 2005
Question
Dear Brother Monzer Kahf, Ramadhan Mubarak to you and to all your family,

1. I had a detailed discussion with a member of The Islamic financial institution (UMFINANCIALS). I was told that they are copying the model of 'Diminishing Musharakah' or Declining Balance from Guidance Financial Group based in Virginia http://www.guidancefinancialgroup.com/home/home.asp

Guidance Financial has Scholars like Mufti Taqi Usmani as its Chairman of the Board and many other prominent scholars.

I am sending you the link to the fatwas by these prominent scholars.

www.guidancefinancialgroup.com/sharia/shariacertificates.asp. These fatwas are signed by Mufti Taqi Usmani and other members of the board.

Please let me know if you feel satisfied by the Guidance Financials model. UMFinancial is following them as well. So to say that if one is correct than the other is correct as well is safe.

2. Coming back to your answer to working in a Bank. The salaries for the people working in the technology department are also earned through interest because that is the main source of income on the banks.

   This means that if I work in technology department of a brewery that is also allowed because I am NOT directly involved with whatever takes place in the factory for making of beers and wines. I am only trying to understand from Scholars like you so that I have a better understanding of Islam and not a tunnel vision as many people have.
3. I was surprised to read your view that University education is NOT necessary. If that is the case than how is the Muslim Ummah going to be blessed with Scholars like you, who have deep knowledge of finance and of Islam as well. I still don't know if there are other Halal means of financing University education that can cost around $20,000 per year. Jazak Allah. Allah Hafiz.

Javed

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. Javed,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1) If what this financier does is exactly like guidance with not a single change, guidance contract was reviewed by respected scholars that you can trust them.

2) Shari'ah may have different positions in regard to different subjects of prohibition. For instance, the Prophet, pbuh, said that ten functions are prohibited in regards to liquor; they include brewing, transporting, selling, buying, serving etc. but did not mention other functions that also helped in the liquor business. You can't add without rightful substantiation. Hence, one can't claim that selling cup to a liquor drinker is Haram especially that cups may use for other purposes too.

In regard to Riba, the prophet prohibited taking, giving, writing and be a witness to its contract. Here again selling paper to the writer of interest is not Haram, Expansion of prohibition imposes undue difficulty on people and the Shari'ah tends always to make things easier. Certainly such related activities are not the best jobs in the world, although permissible but one has to draw a distinction between the Haram/Halal issues and the Taqwa issues that go above that.

Additionally the sources of banks income are not only interest, but even if they were only interest, we are not ordered to avoid taking any of the resources (or property) of one who practices taking Riba (Murabi) in exchange of lawful things. For instance, in no where in our Shari'ah you will find a statement that you may not sell such a person bread to eat or cloth or

water or man-hours to do Mubah things such as cleaning his house or transporting his furniture. these are examples from real life in the past that if there are any such prohibition it should have been mentioned. More amazing, are we prohibited to sell a prostitute food or housing services? We are not (to the surprise of some who want to mix the rulings of Halal/Haram with preferences and opinions.

3) There is a distinction between what is necessary to the Ummah and what is necessary to an individual, the Ummah needs physicians but not every person has to become a physician. an extremely high percentage of human beings live and earn with no university degree. On individual level university study is not a necessity because necessities are well defined in Shari'ah (those that are indispensable to live, practice religion, protect mind, property and posterity). The great majority of youth in America work, get scholarship and study and even more that those who study at universities are those who don't go for higher education. Aren't they living and earning? I still argue that there is no necessity for loans to finance education, in fact all of it not only university education. Any student who can't study at a university without an interest-based loan must work for sometime to save for studying or have a part time job along with studying.

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

Subject: Dealing with Bank Interests for Muslim Minorities
From: Amr through Islam on Line
Sent: Sunday, October 02, 2005

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I would like to ask if it is possible to deal with bank interests for Muslim minorities in the United States to their best interest, especially that there are no Islamic financial institutions currently can give loans for business. Could we apply the fatwa of Imam Abou Hanifa in non Muslim lands permitting Muslims to take interest. The system here is built in a way to assure almost no harm on business owners or investors when they can not pay. Jazakum Allah Khira
Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Amr,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
The prohibition of interest in Islam is based on its economic paradigm and it does not make a difference whether a Muslim is in Muslim countries or not. Besides, the argument of Dar al Harb and Dar al Islam is overturned by historical facts and requires a lot of revision. Persons who need financing and do not find Islamic ways to get it may be permitted to acquire financing on interest basis on the ground of necessities without any claim of permissibility in Shari'ah on

any other ground because such other grounds would eliminate our future chance to establish Islamic financing institutions and to ask conventional institutions to accept the Islamic contracts, such other grounds give us false feeling that it is ok, and why do we need Islamic institutions?
Finally your statement "The system here is built in a way to assure almost no harm on business owners or investors when they can not pay" is totally incorrect except by illegal methods and such methods are worse from Shari'ah point of view.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Interest on One's Account
From: Saffiyah through Islam on Line
Sent: Wednesday, August 24, 2005
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I have a bank account where I am given the option of not taking any interest (riba) on the account. Instead it would remain with the bank. Would you advise me not to take any interest on the account, or should it (the interest) be taken, with the intention of then giving it to charity? Which is better? I look forward to the reply inshaAllah. Jazak Allah Khair
Jazakum Allahu Khairan for your constant help
My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Sr. Saffiyah,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
The principle is that a Muslim does not make any transaction based on interest. The implication is that when you open a bank account for convenience, i.e., to deposit salary, safe keeping of small amounts for short periods and pay bill, the principle is to make non-interest generating. But if you happen to need to keep large sums for a longer period, it may be better, only then, to take the interest and give it to Muslim charities. The reason is two fold: 1) do not leave large sums of interest to the bank to add to its profit and power and ability to make more interest earning; and, 2) don't appear as a person who acts irrationally or do not let the bank kind of fool you!
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Using Interest to Pay off Brother's Debt

From: A Questioner through Islam on Line
Sent: Wednesday, August 24, 2005

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
Respected Scholars My brother who earns a living previously got himself into an interest accumulated debt. I helped him pay some of that debt and he now owes me that money. My brother still also has a little of the interest accumulated debt to pay off. I also lent him money to make a purchase for a car, the money which he still owes me. He is also struggling to pay his rent. I had some previous savings in my account which built up some interest which I know is not Halal for me to use. My first question is can I use this interest to pay off my brother's debt (interest accumulated debt)? My second question is can I give my Zakah to my brother for him to pay of his rent and to pay off the people whom he owes money, including me. (So in effect if I give him my Zakah he would only be giving it back to me for the money he owes me) I hope that my questions are clear and inshaa'Allaah you can help answer these questions. Jazak'Allah Khairun
Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. ,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
1) You can use interest to pay the interest-generating debt your brother owes. This is a good and InShaAllah rewarded act of benevolence on you behalf although it is not a Sadaqah on your part because it is the money that is not yours and that is not Halal to you. At the same time keeping your own money clean is InShaAllah rewarded by God too.
Your due Zakah can also be given to your brother who is needy and under debts and burdened by the rent as you said. You need to know however that your giving him your Zakah must not be at any case a cause of paying your debt on him because according to Shari'ah your payment of the Zakah due on you must not, under any circumstance result in returning it to you. This means that your due Zakah cannot be paid to him in order to pay back your debt. He can use it to pay the rent and other debts to other persons but not your debt.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Investing Money in Real Estate

From: A Questioner through Islam on Line
Sent: Monday, August 22, 2005

Question

I want to invest some money with a real estate person who buys and sells properties in the US. There is a property that he wants to buy for 500k. I told him that I want 20% of it and I will pay

the whole amount cash, 100k. He wants to put another 20% cash and finance the rest through an interest based bank, this way he owns 80%. We agreed that he is the one taking the loan and therefore, he is solely responsible for it. Is it allowed for me to enter such a deal. Can I claim 20% (my share) of the profit, later once the property sold, as Halal. Thanks
Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. ,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
If you enter this deal on the basis of a contractual partnership between you and the other person and he is the manager of this partnership, this is not permissible, but if you enter on buying 1/5 of the property and he buys 80% and he takes the loan on the 80% only not on all the property as it implicitly seems from what you said, then you are partner in ownership, not contractual partners (even if the contract is oral only). The reason is that in contractual partnership you implicitly give him authority to act on your behalf and the interest contract covers you both while in owners who happen to share a property can't interfere in each other properties and can't make any transaction on behalf of other who share owning the property with them.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Using interest money

From: Aisha
Sent: Saturday, August 20, 2005

Question

As salamu alikum,
Dear brother Monzer, My name is Aisha and I am Living in London.
My question is for my husband. He has a large amount of interest in a bank account that he would like to get rid of in an Islamic way. He was told by one Imam to give it to the poor or needy where we live. But we would like to know if it would be permissible to give this money to his father to pay off his debts, as he is old and doesn't have alot of money.
Inshallah you will be able to advise us on this matter. Salams
Aisha

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. Aisha,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Remember that this interest money does not belong to your husband according to Shari'ah. He does not own it as it is a Haram Money.
It must be given to Muslim poor and needy either in the area where you live or in any other country, as your country of origin, preferably through a trusted Islamic charitable organization. Apparently, your husband is well to do because you said there is a ""Large amount of interest"" and a rich person who has a parent under pressing needs (including the need to pay for debts) should give the help to the parent from his/her own money not from money the she/he does not own. The local Imam is correct in avoiding giving such ""unclean"" money to a parent. if it where other than a parent it would have been permissible. You should also remember that giving away this interest money will bring your husband the reward of keeping his own money pure and clean, not mixed with a Haram money, but it can't be considered Sadaqah or Zakah.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Investing Money by the Company 401k plan
From: Khaled through Islam on Line
Sent: Thursday, August 18, 2005
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
Would you please answer the following question for me? I used to work in the US for a private company. I used to contribute part of my salary toward my 401k retirement plan and the company used to match 50% of what I contributed and add it to my 401k account. I only can invest the money in funds available by the company 401k plan. Therefore, I have all the money invested in some of the available stock based funds. These funds are made of hundreds of companies. Withdrawing the money before retirement will subject me to the maximum tax withholding plus to a 10% penalty. I want to know if it is allowed in Islam for me to keep the money invested as is
Jazakum Allahu Khairan for your constant help
My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Khaled,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
Keeping as is, without knowing what is it invested in can't be answered but I'll give you the rule and you apply it to your fund.
It is permissible to participate in 401K and benefit from the matching contribution of the employer. When you contribute you need to select funds that have the least of Haram, you should avoid bonds funds because they are interest-based. Then you need to estimate the percentage of non-permissible shares in each of the funds you selected and come up with a percentage of your total investment say it is 30%. You should add to this another percentage

estimated (on the shares of companies that are permissible) non-permissible activities of companies whose shares are permissible, suppose you come up with 8%. when you withdraw any funds, with or without tax and penalty, you need to calculate the gains you have on the account (your principal is the total of your contributions and the employer's matching funds and every thing else is a gain) and giveaway to Muslim charity the percentage of Haram out of the gains. This is for the purpose of keeping your own money Halal and clear of Riba and other Haram.

You should also remember that funds in 401k are subject to Zakah every year for all the years they stay in. Due Zakah should be calculated every year and you can pay it from other resources you may have. Alternatively you may delay payment of all accumulated due Zakah until withdrawal and pay it out of each withdrawal (which may in fact make a high percentage).

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Sharing a Land with a Friend Who Took a Loan with Interest to Cover His Share

From: Khalid through Islam on Line

Sent: Thursday, August 18, 2005

Question

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

Would you please answer the following question for me? I want to partner with a friend to buy a piece of land. I am paying my share cash, but my partner is taking a loan with interest to cover his share. Is it allowed in Islam for me to do so, and is my share of the profit gained from selling the land in the future Halal? Would it be allowed if my partner buys the entire land with an interest based loan then on a separate deal I buy part of it from him cash?

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. Khaled,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Please notice the principle and how it applies to this question as you described it.

When a partnership is formed by a partnership contract between two or more parties, every decision of its managers would be taken on behalf of all partners on the basis of Wakalah (power of attorney). In other words, contractual partnership implies a Wakalah granted to its management by all partners. Therefore, in contractual partnership, a partner should be keen that the managers do not any business activity that is prohibited in Shari'ah and any such activity will be the responsibility of each partner. This means that in contractual partnership one must not allow the manager to enter into any Riba-based transaction; it also means that a Muslim may not become a partner in a company that makes such transactions.

Is buying a land by two or more persons [whereby the share in the land of each is known and is recorded (owned) in the name of its owner independently from owners of the rest of the land] a contractual partnership? The answer is usually negative. That is: When two or more persons buy a land together each ownership is independent from the other and one owner has no right to take any decision in regard to the property of any other owner. By the way, this is called in Fiqh "Sharikat al Milk" or partnership in owning in contrast to contractual partnership. I said usually because in some cases one may form a contractual partnership to buy and sell lands for the purpose of making profit.

Consequently, if you both simply share the buying and ownership on independent basis (although the lot may not be divisible) you have nothing to do with what action/activity/contracts the other owner may do or may have done; in other words, your buying is permissible the way you described it. It is also permissible to buy from the other person after he purchased his own way. However, if the other person is Muslim You should advise him on the prohibition of Riba. Remember, it is the most hated sin that invokes a declaration of war from God and His Messenger (the Qur'an 2: 279).

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Repaying Student Loan with Interest

From: Mahmoud through Islam on Line

Sent: Wednesday, August 17, 2005

Question

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

Here in the UK we have student loans that are repaid with interest based only on the rate of inflation. Therefore, in theory what you repay will be worth what you borrowed e.g. if you borrowed £20 from a person 50 years ago it would be unfair to pay them back £20 now as £20 in the past had a much greater value. Therefore, some people have told me that this automatically means that student loans are Halal. I believe I can just about manage without a loan. Would it be Halal for me to take out a student loan under these circumstances, if I were to save part of it for a business investment or marriage? Jazakallah kayr

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. Mahmoud,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

I am of the view that indexation is not permissible in Shari'ah but there are scholars who argue for indexation. In my opinion, long term debts, as in the example you gave, should be settled by sensible adjustment to changes in the value of money that is only judiciary and based on the circumstances of both the debtor and the creditor. It is wrong to settle them simply by

adjusting to inflation because you will very often come to unbearable solutions. take you example of 20 year and suppose total inflation over these 50 years is 20 times while the debtor is a salaried person whom nominal income only doubled over this period, he would have to work ten times the number of hours to pay that debt if you index it to inflation, why not indexing it to Salaries or to prices of land (that increased 40 times)? you can't take indexation as a general yardstick that is applicable to every case!

To me the increment in the student loan as described is interest and it is Haram. But I am sure you will find Scholars who argue differently and consider tying an loan to an inflation index as permissible.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Repaying Student Loan with Interest

From: Mahmoud through Islam on Line

Sent: Wednesday, August 17, 2005

Question

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

Here in the UK we have student loans that are repaid with interest based only on the rate of inflation. Therefore, in theory what you repay will be worth what you borrowed e.g. if you borrowed £20 from a person 50 years ago it would be unfair to pay them back £20 now as £20 in the past had a much greater value. Therefore, some people have told me that this automatically means that student loans are Halal. I believe I can just about manage without a loan. Would it be Halal for me to take out a student loan under these circumstances, if I were to save part of it for a business investment or marriage? Jazakallah kayr

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. Mahmoud,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

I am of the view that indexation is not permissible in Shari'ah but there are scholars who argue for indexation. In my opinion, long term debts, as in the example you gave, should be settled by sensible adjustment to changes in the value of money that is only judiciary and based on the circumstances of both the debtor and the creditor. It is wrong to settle them simply by adjusting to inflation because you will very often come to unbearable solutions. take you example of 20 year and suppose total inflation over these 50 years is 20 times while the debtor is a salaried person whom nominal income only doubled over this period, he would have to work ten times the number of hours to pay that debt if you index it to inflation, why not indexing it to Salaries or to prices of land (that increased 40 times)? you can't take indexation as a general yardstick that is applicable to every case!

To me the increment in the student loan as described is interest and it is Haram. But I am sure you will find Scholars who argue differently and consider tying an loan to an inflation index as permissible.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Accepting Defense Service Officers Provident Fund although it has Riba
From: Ahsan through Islam on Line
Sent: Sunday, August 14, 2005
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
Defense service officers provident fund (DSOP) is a facility given by the government for the officers of armed forces in Bangladesh. But there is a fixed percent of interest in the scheme. A minimum amount is compulsory to save from his salary and if someone wishes he could deposit more. Officers of armed forces are forbidden to carry out private level business too. Is it permissible in view of Islam?
Jazakum Allahu Khairan for your constant help
My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Ahsan,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
If interest, whether at a fixed or variable rate, is given on your savings, this interest is certainly Haram and when you withdraw any amount from this Provident Fund, you will need to calculate the amount of interest added to your account and distribute the same to Muslim charities, or directly to the poor. This is of course not considered Sadaqah or Zakah but only cleaning your own money from the Haram money. But if the system of this Fund is such that it gives you certain amount at retirement, disability, etc, (that is not the amounts you saved plus what the government matches it with plus interest) these amounts of retirement and disability, etc. are not based on interest but rather on the actuarial concept and probability studies like insurance. In this case these amounts are permissible regardless of what the management of the Fund does with the money on its hand and how it uses it, on interest basis or on financing projects. Of course the management of the Fund is required to invest according to Shari'ah and will be sinful if it invest in Riba.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Credit with Interest to Complete Studies
From: A Questioner through Islam on LIne
Sent: Wednesday, August 10, 2005
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I get ready to travel abroad to finish my superior studies abroad in a city where people are not familiar to Islam. Can I afford to make a credit with interest to be able to finish my studies abroad? Is it permitted to buy something hallal from a place where Haram thigs are sold? I heard it's forbidden to take the holy coran with me? Communication and leading groups take a great part from the teached skills, our prophet pbuh syas we should not begin "salam" to the non Muslims and "tadyik 3la alkoufar fi tarik..." those recommandations will not advantage the skill cited before. thanks
My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. ,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
First, kindly notice that there are almost no cities anywhere in the world today that has no Muslims at all, especially cities that have universities with a Higher education. Where do live and where are you coming from? are you from another planet that you are not yet familiar with the world as it is on earth!?
Interest-based loans are not permissible in Islam, not to initiate higher education and not for any other purpose. Interest transactions are most condemned by God to the extent that God threatens a war from him and His Messenger to those who do not quit such affairs, the Qur'an 2: 279. And a Muslim must not deal with interest whether in a Muslim land or in a non_Muslim country.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: bank loans
From: Ramy
Sent: Wednesday, August 03, 2005
Question
Dear Dr. Monzer, Al Salamu Alaikom wa ra7mato allahi wa barakatoh.
I have a question regarding bank loans.
I am currently working in a Multinational Company located in Egypt and I got promoted and part of this promotion benefit is to get a Car from the company but because the company does not have liquidity they direct me to a bank (NON ISLAMIC) to take a Car Loan ON MY NAME and the Company will pay back the loan + Interest to that bank in their regular monthly installment. At the end I will get my benifit (the car) and the company will pay the loan.

My question here is that is it HARAM for me to do so knowing that I am not the one neither paying back the loan nor deciding the way to take the benefit?
Your fast reply is highly appreciated. Thank you very much for your help
Ramy

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. Ramy,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
I don't see this action of yours Haram, as long as there is a clear indication that this loan, although it is in your name, is going to be paid by the company along with its interest.
Yet, for this formality (signing an interest contract), can't you make it in a different way? does the company sign with you or guarantees the payments? or can the contract be endorsed by the company with a statement that indicates it is responsible for the loan and its interest? what will happen if you quit this job before completing payments on this loan? If the company continues its payments and the car is yours or if you will carry the remainder and can pay it all cash (thus avoiding the interest) the contract may still be permissible, but if the bank does not accept settlement without interest, then you are part of this interest-bearing contract,
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

From: Ramy

Question

Dear Dr. Monzer, Al Salamu Alaikom wa ra7mato allahi wa barakatoh.
Thank you very much for your answer.
I understand from your answer that if I take the loan the way I described will not be HARAM on me. I just want to make 2 things clear.
First the way the company paying the loan installment to the bank is through my Salary (meaning the company is depositing the loan installment in my salary account in the bank and the bank deduct it directly even before I see it in my account). Also am I considered a witness to a REBA contract this way?
Second regarding this section in your answer "Yet, for this formality (signing an interest contract), can't you make it in a different way?"
I was going to do it in a different way as follows:-
I was going to take the loan as the company wants and return it to the bank after 1 or 2 weeks interest free but with penalty that I was willing to bear.
The company will keep depositing the loan installment in my account normally but the bank will not deduct it since I already paid the loan back.
I will take the installment and buy a car with this installments.
This second way has the following problems:-

1. I will have to come up with at least 25 % from car cash price up front to pay it to the car dealer.
2. The car dealer monthly installments is calculated based on interest rate much higher than the bank (meaning that I will have to pay the installment received from the company + I will have to add from my own money)
3. all the dealers installments deals is through banks so it doesn't feel right any way and even some of them (not all) require the deal to be between me and the bank directly.

Over all if I did the second alternative It will feels like I paid from my money to be able to take the company benefit that everybody is taking for free.
But I am willing to do it if it is the only way Halal.
Sorry for the long e mail and thanks for your quick and convincing answers

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Rami,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
In my sentence I was hinting that you may make arrangement in which the company signs the loan contract not you in order to avoid the improper formality of you having to sign an interest-based contract.
Passing the installments through your account doesn't hurt its viability. On the other hand the alternative seems to me worse because in imply that you are going to cheat the company by paying cash and taking installments with interest from the company and using these installments (that include interest) to pay the installments to dealer-financed contract. I don't think this is any better.
I suggest that you should try to convince the company that it should sign this contract and if you failed getting it signed by you will be a formality only as long as the reality is that it is pledged and actually paid by the company. God,
Ta'ala assured us that he will look at the real things not at the forms they appear in.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: is this loan contract permissible
From: Abdullah
Sent: Friday, July 22, 2005

Question

dear dr kahf, al salam 3lykom w rahmato allah w barakato
the selling contract is like any house or land selling contract between a buyer and seller . the issue dr kahf is not the contract itself which is standard .it is about taking the concession amount from the seller which is 3% to 6 %,and this is listed in the loan contract , and using this amount to make the monthly payent to conventional bank from this percentage

I will give you an example
somebody listed a house for 500,000, I negotiatd with him for 470,000.however I make a deal with the seller , to list the price for 500,000 in the contract and in the contract it says the seller agrees to pay me back 25,000 .the conventional bank gives a loan of 500,000, because the the selling price is 500,000 and house is appraised to be around 500,000. then I take low adjustable rate loan and that make my monthy payment about 1500 to 1600 dollar a month. before the end of the year and that makes it about 18,000 a year. this yearly payment came from the concession amount 25,000. I sell the house and give the bank his money. so basically im taking the extra money from the bank and make my payment including his low interest from the bank money. nothing from my pocket
please let me know
abdullah

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Abdullah,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
How can it be a normal sale contract and it has a clause of rebate of say 25000 in your example? If the sale contract mentions that this money is for the interest, or that the seller is responsible for interest payment within a max of 25000, and the buyer knows that under no circumstance she/he will go beyond this amount, the matter is then reduced to a loan from the bank for which the seller is paying the interest and the buyer gets a loan free.
If the loan and sale contracts are conventional in a way that they make no reference to the fact that the seller is paying the interest, is is putting this money aside (in the hand of the buyer) for its payment, the loan contract is then interest-based on the part of the buyer like any other interest-based contract. Both intention and form are important in determining its legitimacy.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

From: Abdullah

Question

dear DR kahf, al-salam alykom w rahamto Allah w barkatoh
I thanks you sincerely for your prompt answer, and I will follow the first example you presented to me where it says the seller is responsible for the interest for up to 25,000. the only difference is I can not write this down in contract presented to bank, because the bank will not accept it and wont give me a loan for the amount, they will accept terms like this amount , 25,000 from seller is to clear the land or for land survey or toward closing .....
however, the seller knows and accepted clearly this will be used to pay the interest, and he and I will write separate notarized paper mentioning that the seller is responsible of paying the

interest for o 25.0000.and in this case I will pay the principle, and sell the land before the amount set aside for interest from the seller is over. Is this OK? Please let me know,
Wa jazakom Allah khyran
abdullah

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Abdullah,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
It seems to me that this arrangement is definitely a lesser of an evil. Remember the contract you are signing with the bank is interest-based although, by a separate agreement notarized as you mention the seller is paying the interest, I hope this will be barely ok InShaAllah.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Financing business

From: Feras
Sent: Monday, July 04, 2005

Question

Wa alikum as salam,
It is unfortunate that we will not have you with us. I'll let the committe know and hopefully plan other events in the future.
I have one question. I was searching your site but didn't find any paper or opinions on the topic of small businesses (in the US) that need to grow and/or sometimes these businesses have cash-flow issues (for example, their clients are late in paying them but the business owner still have to pay their employees and other bills), so they would need the cash to invest in makreting and growth or to cover some immediate terms cash needs. There are available small business loans (through the main stream banks) or sometimes they find good credit card offers with low APR. If there is a refereence on this topic or a link that you can send me, that would be great. If not, and if you have time, I would appreciate it, if you gie your thoughts on this issue.
Jazak Allah Khairan in advance. Salam Alikum
Feras

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. Firas,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
It is an important issue, no doubt, but unfortunately until we establish Islamic financial institutions we have no solution other than personal and friends' investors. I think a Fatwa

similar to the housing Fatwa is not justified because it ruins any chance for working toward creating such institutions.
How about working together on starting with a small group of individual and making a small financing company that carries this job? It will finance on the basis of Murabahah and Ijarah.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Shari'ah rulings and Taqwa in working in a bank (URGENT)
From: Muhammad
Sent: Sunday, July 03, 2005 6:26 AM
Question
In the Name of Allah, The Beneficent, The Merciful
VERY URGENT
Dear Brother in Islam, Assalamou'alaikum
I am seeking your precious advice (especially from a Shari'ah point of view) in connection with a very important decision which I have to take in the coming days concerning my professional career. In fact, I have just received a very interesting job offer from a local organisation. But, the only thing which is still unclear to me is whether from an Islamic point of view, I can accept this job offer given that the organisation operates in the conventional financial sector. The following details could prove useful for you to advise me further in my decision: Presently, I am working as "Newsroom Researcher" at the Mauritius Broadcasting Corporation (MBC), the sole national television station in the Republic of Mauritius which has, as major income, license fees (my principal duty: preparing background information for journalists). Though my current salary is sufficient to cover my personal expenditures, Alhamdullillah, this employment at the MBC, however, contains a risky element as I am employed on a contractual basis (renewable every two years). Thus, my biggest anxiousness with respect to my present employment is 'work security'.
Now, since Wednesday, 29 June 2005, the regulator of the Financial Services sector of Mauritius, the Financial Services Commission (FSC) of Mauritius, has extended to me an attractive job offer to join their team on a PERMANENT basis with working-and-salary conditions much better than my present employment at the MBC. The main roles of the Financial Services Commission (FSC), an independent authority in Mauritius, is to monitor, supervise, and regulate the non-bank financial services sector in Mauritius. Thus, the main businesses falling under the authority of the FSC are offshore companies, leasing companies, insurance companies, stock exchange brokers companies, the Stock Exchange of Mauritius, asset management companies, fund management companies, credit finance companies,...(all financial institutions excluding commercial banks). Part of these companies are interest-based ones and most of them operate through conventional business principles instead of Islamic business principles. The FSC's website is (www.fscmauritius.org).
As per that job offer of the FSC, I will be posted in the 'Communication and Consumer Services' department of the FSC as "Assistant Executive" with the following duties:

1. To assist in developing corporate communications and strategic plans of the Commission both internal and external.
2. To participate in the design of communication materials and in implementing effective communication programs for promoting the Commission and its services.
3. To assist in:

(a) developing and communicating media programs;

(b) coordinating the Commission's participation in official events.

(c) planning and organising consultation meetings with stakeholders;

(d) drafting consultation reports, press releases and other communication related materials;

(e) production of Commission's bulletins, newsletters, annual reports and other publications; and

(f) maintain and update the Commission's website.

4.To write progress reports, articles and prepare write-ups and drafts statements, information sheets, public notices and speeches.
5.To represent the Commission on committees and at meetings.
6.To perform any other assigned activities falling within the ambit of jobholder's qualification, skills and experience.
Brother, bearing all the above in mind, please advise me about whether, from a shari'ah viewpoint, I could accept this job at the FSC or not.
Please treat this as MOST URGENT.
Waiting impatiently for your reply. Jazak Allah Khairun,
Brotherly yours,
Muhammad
Republic of Mauritius

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa
Ashabihi Ajma'in
Dear Br. Muhammad,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
This job, as described in your question, is permissible to take since you are not going to write any interest-based contracts or to promote interest practices. You can also take the opportunity of this position to promote and enhance Islamic financing in Mauritius. Controlling interest practices is not Haram, it is very different from doing them!
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

From: Muhammad

Question

In the Name of Allah, the Beneficent, the Merciful

Dr Monzer Kahf, Assalamou'alaikum Wa Rahmatullah Wabarakatuhu
I am Muhammad (BSc Economics) from the Republic of Mauritius.
Recently, I requested your precious advice regarding whether I could accept a job offer from the Mauritius Financial Services Commission, FSC [the sole regulator, licenser and supervisor of all non-bank financial institutions in Mauritius-almost all such businesses operate with interest-based instruments] to join its 'communication & consumer services' team. I deeply appreciate your prompt reply that I could accept the job offer [your reply could be consulted in my email below]. However, I shall be very pleased if you could enlighten me on the following points:
(I)Basing myself on Surah Al-Maida, Ayat 2 ".....no cooperation/help in sin...", am I not involved in cooperating in sin if I accept this job offer knowing that the main objective of the FSC is to ensure the proper functioning of a riba-based financial system condemned heavily by Allah (SWT)? Another important role of the FSC is also to promote the financial services sector and its practices as well as organising seminars about how to make this sector more effective; thus my involvement in such promotions and seminar-organisation are not in contradiction with the above verse, according to your opinion?
(ii)Basing myself on the authentic hadith where Prophet Muhammad (PBUH) cursed 'the one who consumes riba, the one who offers the riba, the one who writes the riba-based contract and the witness of this transaction', do you believe that I could protect the interests of the 'clients' of these riba-based financial institutions? In fact, I will also be based in the "Consumer Services" department of the FSC where consumer-complaints are dealt with. In Mauritius, all complaints regarding non-bank financial institutions should be forwarded to the FSC who should look into the matter and settle the dispute. So, by protecting the rights of customers who have been cursed by our beloved Prophet (PBUH), am I not at fault from the Shari'ah point of view?
Brother, I look forward to receive your opinion soon.
May Allah, the Almighty, bless you in all spheres of your life. Ameen.
Brotherly yours,
Muhammad, Republic of Mauritius.

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Muhammad,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
You are right! But please notice there is a big difference between a Shari'ah ruling and the Taqwa behavior. A Shari'ah ruling (Hukm) put the thin lines in place, the Taqwa aims at a higher performance. It is certainly not Haram to work in the job you described and whatever work you will do in that supervisory institution will be in the area of protecting consumers or helping justice be installed, Notice that interest-based financing is also a financing (financing itself is good but interest is bad!). What is prohibited in interest transaction is: taking interest, giving it, writing its contract and being a witness to it, other related functions are not prohibited although they help it! Compare it with liquor. In liquor ten thing are prohibited! For both the verse and the Hadith we certainly don't say that this job is one of the best in the world. It rather

has an element of helping or supporting interest-based transactions but not to the level that makes it prohibited. Don't place undue inconvenience on people!
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Question on Education Loan
From: A Questioner through Islam on Line
Sent: Monday, June 20, 2005
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
Dear brothers and sisters, Assalamu Alikum Wa Rahmatu Allahi Wa Barakatuh May peace, God's mercy and His blessings be upon you. My question is related to previous questions on usury. I obtained a loan from the British government to study a degree in engineering. The loan was used mainly for living costs as the tuition fees were paid by the government. The thing is: 1. I had already had a strong suspicion that obtaining a loan with usury is forbidden (Haram) but I avoided discussing that with anyone. 2. I already had a computer degree from my country of origin so there was no necessity involved. 3. Further I borrowed heavily from the bank using personal loan facilities and credit card. 4. I used this money to improve my career by buying books, computer, attending workshops and conferences, language courses, and pursuing my hobbies. Shall I abandon my engineering career assuming that it is based on unlawful (Haram) gain, or is there any other way to purify my life and my future gains? I still have some threads of hope: 1. The engineering tuition fees were grant not loan. 2. The government loan is linked to inflation (which is controversial among scholars); the government says "regardless of when you pay back, you pay what you actually borrowed"; so far, I haven't started repaying yet. 3. I am trying to convince the bank to drop the rest of interests on my personal loan (I have already made an unsuccessful attempt). Many thanks.
Jazakum Allahu Khairan for your constant help
My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. ,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
The first thing is: NO, you need not abandon your degree. You earned it by your effort not by the loans because, as you said, the loans were used to "mainly for living cost.... and to..... improve my career by buying books, computer, attending workshops and conferences, language courses, and pursuing my hobbies."
Then you should make sincere and deep in your heart repentance and repeated Istighfar along with serious attempt to pay all the interest-based loans and to rid your self of all these Haram actions.
Wa Allahu A'lam

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

Subject: Wadi'ah Loan
From: Muhammad through Islam on Line
Sent: Monday, June 20, 2005
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
My question is concerning the loan I have taken. I have take loan of 15000 Malaysian ringgit to be invested. I have no doubt about the investment, but I do have doubt regarding the loan itself. I calculated that at the end of the loan period, I have to pay 254 Malaysian ringgit per months for 6 years, which in total I would be paying a total of 18288 Malaysian ringgit. What I have doubt is on the extra 3288 Malaysian Ringgit that I am paying. Is it considered to be riba? Before signing the contract I was informed that the loan I was taking is under the Islamic banking of Malaysia and the loan is called "Wadiah". And the extra 3288 Malaysian Ringgit is to be the profit or some thing. And since Malaysia is considered to be an Islamic country and they have approved it as Islamic banking and loan I signed the contract. What is your and the scholars view on this. I hope your answer relieves my doubt in this. If it is Haram in anyway, can you please advise me on the steps to be taken. Jazakallahukhairan
Jazakum Allahu Khairan for your constant help
My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Muhammad,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
I am not fully aware of this Wadiah program, please send me details of it. If it is what is called reverse Murabahah that is practiced by certain banks in Malaysia as an Islamic fixed return deposit, I consider it permissible provided the bank uses the goods purchased from the client for its own but if the goods make only a vehicle to a loan with increment, this kind of contract, is in my opinion, not permissible and only phony even if it is pictured as an Islamic contract. Please send me more info on your specific contract.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Being an Attorney or judge under conventional laws
From: Majid through Islam on Line
Sent: Sunday, June 19, 2005
Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
After having studied law before converting to Islam and now having finalised all requirements to work either as an attorney, in-house lawyer (within a private company) or even as a judge or prosecutor in Germany, I would like to inquire if and under what conditions it is Halal for me to work within any of these professions stated above. Especially with regard as working as a prosecutor or judge in a non-Islamic country, several brothers have indicated that such work could be Haram since it requires - the application of non-Islamic laws, - representing a non-Islamic state, - giving judgements not based on Sharia but on laws which derive their authority from other than Allah Subhana Wa T'Ala and - often being required to grant on party the right to claim interests from another. With regard to working as an attorney or in-house lawyer, the matter seems to be less problematic I suppose. Could you please guide me in this respect or direct me to fatwas on related issues? Wa Salam
Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Majid,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
I can see a serious problem in working as a business/civil judge in the area of having to make judgment on interest and other forbidden businesses such as liquor and Porno. But if you have the right to decline or disqualify your self in certain cases, it should be ok. In most other law jobs and judgments, the differences are really much lesser than many people think. The idea of justice is as implanted in the German laws as it is in the Islamic Law. It is true, you will be less exposed to violations if you work as an in-house lawyer, but even as an attorney you can implement the Justice, that is common to all, as good especially that as a lawyer you can select and choose your cases.
What I see unjustifiable is to make blanket statements about non-Muslim laws and states, The Prophet, pbuh, himself said about the Pact that was done before Islam to protect and help the oppressed: "and if I am invited to a similar pact I will go for it."
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Spending Interest on Travel or Congestion Charge

From: through Islam on Line
Sent: Thursday, June 16, 2005
Name of Questioner Ahmed country of Residence United Kingdom

Question

assalamu alaikum. I want to ask about interest. is it true a opinion is to accept the bank interest and spend it say on travel or conjestion charge. As if you allow the bank to take it they will do bad with it anyway. and brothers I want a credit card, ill pay the bill off in full every month so I

wont get charged interest, and I also have a part time job to pay the bill off. is that ok? May Allah reward you brothers who help to answer my questions. salam.
Jazakum Allahu Khairan for your constant help

My Answer

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

1. if one needs to use an interest-generating account with conventional banks, such as when one lives in an area that has no nearby Islamic banks or when the services provided by the Islamic banks have low standards or are inadequate, it is better to take the interest instead of leaving it to the bank provided one gives away the interest money to Muslim charities because this is not one's money according to Shari'ah. In other words, NO, YOU MAY NOT USE IT FOR YOUR OWN BENEFIT TO PAY FOR TRAVEL, TOLL OR TAXES. Payments that are your own obligation can't be paid by money that is not yours! Giving interest money to Muslim charities will have the reward of keeping one's own money pure and clean but it can't be considered a Sadaqah or Zakah, it is simply giving to the poor and needy money that is not yours and must not be returned to its payer.
2. For Muslims who need to have credit cards for any reason,signing a credit card contract with a conventional financial institution is permissible provided three conditions are fulfilled: 1) the contract must give you the option to pay within the grace period without interest; most credit cards give this option for all purchases and bills paid with the card but not for cash withdrawn; 2) you know for sure that you are going to always pay within the grace period with no exception; this requires both intention and ability; and 3) you know that you are not going to allow the interest clause to be activated; this requires abstention of any act that may cause interest especially cash withdrawal from machines and delay of payment beyond the grace period.

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

Subject: Transactions / Riba in Non-Muslim Countries
From: A Questioner through Islam on Line
Sent: Monday, June 13, 2005

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
Dear scholars, As-Salamu `alaykum. Finding it a little difficult to find out what are the 4 schools, Maliki, Shafi'i, Hanafi, and Hanbali have all said about transactions / Riba in non-Muslim countries. Could this please be explained into detail each scholars opinion. References to these answers would be greatly appreciated. Thankyou.
Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. ,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

My dear, this is too much for a Fatwa question. You need to look it up in Fiqh references!

I'll give you a nut-shell in bullet form:

* All Muslims agree on the prohibition of Riba regardless of whether a Muslim deals with another Muslim or a non-Muslim ad regardless of land and time.
* All Muslims agree that the Islamic law can only be applied by Muslims and/or when it is the law of the land. In other words, the Islamic Law does not require non-Muslim to abide by it except when it is the law of the land; even when it is the law of the land, the mercifulness character of our law is such that it gives non-Muslims full religious and economic freedom that they can make transactions, including Riba, that are prohibited in our law provided they are not immoral (such are incest marriage, or porno industry). This means that according to all Muslim Fuqaha, the Islamic law does not address non-Muslim in their land.
* Based on the geographical constraints of the Islamic law Abu Hanifah and Ibn Rushd (Abu al Waleed known as Ibn Rushd the grand father, the most renowned Malikite of Andalusia) and others argue that since the Islamic law does not apply in the non-Muslim land, it is permissible for Muslims to benefit themselves from properties of non-Muslims in non Muslim lands under two conditions: 1) it must be by consent of the non-Muslim (the other party), this rules out looting and forceful taking, etc.; and, 2) it must not be any thing that is condemned as immoral in our religion. This rules out theft, cheating, abusing, etc.
* Accordingly, Abu Hanifah, Ibn Rushd and others with them say that making contracts with non Muslims in non-Muslim land that violate the Islamic conditions for contracts is permissible if the Muslim party gets benefit out of such contracts. this include Riba, sale of what one owns but does not have possession of, sale that has a high degree of ambiguity, etc. The opine that the prohibition of these contracts in our Shari'ah is not for moral reasons but for the balancing principle and other systemic reasons that are pertinent to our Islamic law.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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

From: Rami through Islam on Line

Sent: Sunday, June 12, 2005

Question

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

I have 2 questions regarding banking. 1-Is it Halal to open an account with an Islamic branch of a non Islamic bank. I mean the bank is a usury bank but it has an Islamic branch. Given that we have pure Islamic banks in Egypt but their service is very bad and they are far from me. 2- I have

a visa card from a usury bank and I really need it to buy books online for my studies. I will not be able to issue a visa with an Islamic bank. I pay a fixed annual fees but I never pay interest as I always refund the amount whithin the given deadlines. But to be honest only 2 times in 4 years of using it I was not able to pay the amount at time and I paid interest on few days but I was not intending to do that I just was not available in Egypt to pay the amount. I failed to open a checking or saving account with the bank to direct debit the amount due at maturity because they have requirements wich I cannot meet. Is it Halal to keep this visa or should I cancel it? Thank you,
Jazakum Allahu Khairan for your constant help

My Answer

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

1. Islamic Branches of conventional banks are usually autonomous in their account, they have independent accounts and closing accounts within the bank itself. It is permissible to have checking accounts with these branches and if they have autonomy it is also permissible to have Mudarabah (investment) accounts too.
2. Obtaining a credit card from an interest-based bank is permissible, the annual fee is permissible too. Using it is conditional on the intent and ability to pay within the grace period. Using it without such an intension or ability is equal to opting for Riba and invoking the Riba clause in the contract. (Issuing it by the bank with the optional Riba clause is certainly prohibited). If you use it without incurring any Riba, it is not Haram to sign its contract (because it gives you the option to go Riba-wise or non-Riba wise) and to use it.

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

Subject: Loan from 401K account

From: Mohamed
Sent: Friday, June 10, 2005

Question

Assalamo alykom, I have a question about taking a loan from my 401k
1: when I take a loan from my 401K, I will have to pay interest. The interest goes to my account. Which means I will pay interest to myself. I already asked you this question and you said there is no Haram in it
2: when I take the loan I have to pay $50 fee which goes to the people who manage the 401k. My question is:
Is it Haram to pay this fee? Jazakom ALLAHO khayran
Mohamed

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. Mohamed,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
This fee is also permissible. It is not taken by the lender (because the lender is you when you take a loan from your own 401K account) and it goes to the servicing that the management of the 401K accounts provides for this loan.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Loan from financial services in Pakistan
From: Asif
Sent: Tuesday, June 07, 2005
Question
Assalam o Alliakum Mr Kahf,
My name is Asif and am currently living in London I came here for my ACCA which I have completed in 2004. In 2003 I took a loan from one of the financial services providers here in UK. My question is whether this loan was HARAM or HALAL as I have to pay interest and insurance on it. The reason I took this loan was to construct our home back in Pakistan because it was too congested for my family, therefore, we had to make this arrangement as all my brothers and sister was now adults and they were staying in one room hence my loan.
I am still paying installments for it the insurance and interest have now been fully paid and now I am paying the principal amount.
Need your comments on it? Thanks
Asif
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. Asif,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
In Pakistan, there are a thousand and one Shari'ah compatible way to finance the construction of the house. You could have approached one of the Islamic banks, financial institutions, house building corporation, etc. You ask the question after the event, while you know that the smart way is to ask before you do it!
You have to continue the payment now and always ask God for forgiveness!
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,

Dr. Monzer Kahf

Question

Waliakum Assalam Wa Rahmatullahi Wa Barakatuh, Brother Dr. Monzer,

Thanks for your answer and explanation and yes I am always imploring Allah's forgiveness for what I have done. However, I only wanted to bring into your attention one thing that there is not a single way, in Pakistan, which is Shari'ah compatible for obtaining any loan.

As we do not have any Islamic banks, financial institutions, house building corporation, etc in Pakistan those are operating under Shari'ah's rulings. Even if there were those would have granted loans to people who has some relations / PR at top, as is the current practice in our country, and not to people like me who belongs to middle or for that matter lower middle class let alone lower class.

I just wanted to provide you the actual picture/facts of what we are facing in Pakistan. It might help you in answering other brothers/sisters in future. Inshah Allah

Jazaku Mu Allah khair

Asif

My Answer

Dear Br. Asif

Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

Sorry to tell you that you are wrong! There are several Islamic banks in Pakistan and the House Building Finance Corp, which is governmental, is run according to Shari'ah. And they give financing to lower middle class people according to the system and conditions. It seems I know Pakistan's financial sector better than you!

Best Regards, Wassalam,

Sincerely,

Monzer Kahf

Subject: Salary Loans from Banks with Interest

From: Tato through Islam on Line

Sent: Sunday, June 05, 2005

Question

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

I am employed in certain agency of the government. My colleagues used to apply for salary loans in the banks on interest-based. One of my colleagues asked me to be her co-maker in her 5-month salary loan. I accepted it because I did not know that it is form of riba or usury. Lately, I learned that in riba transaction, even the witness shared equal sin. Worst, she was dismissed from the office because it was found out that her scholastic records are fake or not authentic. Coincidentally, she had a divorce with her husband but married to new one. At present, the bank is asking her to pay her loan but she neglected it despite the consecutive demand letters sent to her. In addition, with her long standing balance, her loan accrued so much interest already. The bank also reminded me as her co-maker to pay in her behalf if she failed to pay. I went to the bank if I could only pay the principal but the bank advised me to pay all including the interest. Am incurring sin if I will include the interest? Jazakum Allah khayran.

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. Tato,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Once you make a contract you will have to honor it unless you can convince the bank to accept the principal only. It is certainly sinful to co-sign with her on a Riba loan and to take a Riba-based salary loan. Pay what you have to pay (what you cannot legally avoid) and ask Allah for forgiveness, it is not an intended sin on your part and God know your intention.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Fatwa on Islam on Line about working in a bank

From: A Questioner through Islam on Line

Sent: Sunday, June 05, 2005

Question

Dear Dr. Monzer, As-Salamu `alaykum

I've been trying to pose this question to the Islamonline "ask the scholars", but due to time difference I couldn't. Therefore I am trying to get an answer to the following questions, please do respond. As I have read in the response of Islam online to questions regarding Riba interest), it is not prohibited to work as following position in Conventional Bank, where you are not directly related to Riba based transactions: Teller, Treasurer, machine maintenance, etc. My questions are, are not these employees being paid by the profit earned from the Riba based transaction and in some way or other each person employed in a conventional bank are providing some sort of support to the profit earned by Riba. For instance, a teller collects the money to be deposited in one of the customer's account, which is later used for financing another individual on Riba based loans.

Secondly, if such a person, who happens to be one of my relative, invites me for a dinner or a lunch, am I to accept such invitations? Please advice - Jazakallah Khair. Jaz

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

1. The Fatwa about permissibility of working in non-interest jobs in a Riba-based institution is correct as you quoted it.

2. Your worry that working in auxiliary functions in a conventional bank is in fact helping a Riba-based institution and in a sense a support to Riba is also correct and well justified. but it is not sufficient to make working in such jobs prohibited because such a worker is not doing the

Haram anyway. You should realize hat these are not the best jobs in the world and if a worker in a conventional bank approach me for a marriage to a daughter or sister I will certainly not accept although his job is not prohibited!

3. The Fatwa for the permissibility of the salary such a worker receives is based on two points: 1) the job for which one is paid is permissible; and, 2) the prohibition of Riba is not a material characteristic in the money such a worker is paid.

4. Yes, it is permissible to accept an invitation from such a worker, even from a person who makes Riba transaction as his/her main function. The reason is that invitations are permissible and the evil tint of the Riba is not material in the money and the person may have a principal, wealth, and income other than Riba. You can't make a prohibition without direct and material evidence/proof. Besides, there is no evidence in our Shari'ah that we were ordered to boycott such persons and not to make transactions with them like selling them food and renting them places to live in. This is not similar to a case of,say, giving you a stolen diamond ring as a gift because this ring is materially owned by its true owner and he/he is the only person who is authorized to have and dispose of. she/he can take it from your finger without any compensation to you even if you purchased it from the thief and you are liable to be charged for conspiracy in theft!

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

SUBJECT: Is the difference between cash payment and installment payment in car insurance interest?

Question

From: Hani
Sent: Monday, May 30, 2005
Al Salamu Alaikum Dr. and Br. Monszer,
Thank you very much for your prompt reply.
As you know and to the best of my knowledge that there is no car insurance in the USA that is based on the Takaful. The objective of the car insurance business is to offer car insurance to drivers based on shopping around for the best rate among the insurance companies.
Example, Mike walks in the office and the application sent to use by fax, email or through the internet. We feed the information into the computer and the computer replies back by different rates from different companies similar to buying the airline tickets from expedia.com. If the potential client is interested in one of the rate we complete all the paper works, collect all the completed paper work and we submitted to the insurance company that the client is interested. It is like a person who shop around and call many car insurance companies and get the best available rate, however the computer does the work and if things goes through and accepted by the client then we make a commission on the selling of the policy and sometimes and it depends on the company, it might send us few dollars monthly if the policy is still active and current.

Yesterday, I was talking briefly with an Imam who is from Al Azhar and he said car insurance are not permitted in Islam and I said why and he said Insurance charges interest and interest in Islam is not permitted. I said I agree with you in the interest that interest is not accepted and any transaction with interest is not permitted in Islam. Car insurance does not charge interest and he said they do by charging late fees and when you make monthly payments instead of 6 months lump sum payment. I said, yes they charge few dollars extra if you want to pay monthly or if you want to make 2 or 3 payments on any six months policy. These car fees and rates for paying monthly or if you pay in 2-3 payments but not an interest. He said they do not call it interest but it is interest. I am not convinced that the extra payment that are put on monthly payment and 2-3 payments. I believe these are different rates and that are Monthly rate, 6 months 2 payments rate or 6 months 3 payment rates. And these rates with extra money on the monthly, 2or 3 payments are not interest but contract terms like Kumbyalah -- different rates for different contract payment terms. I do appreciate replying to the above car insurance terms and running the business accordingly including the extra charges when the contract changes from six months, to monthly, 2-3 payments. It is always in contract longer terms carries lower payment like renting and leasing houses monthly, 6 months and 1 year.

We do have the right to refuse to quote anybody and if we are certain that anybody will use any insured vehicle for transporting any alcholic beverages not to provide a quote and car insurance services. In simple the business will be like State Farm agent office but is not affiliated with any specific car insurance company and limited to providing only car insurance to the public.

Thank you again for your reply and I am very interested in meeting with you and take few of the classes, seminars, events of discussions on Islamic Investment and Financing.

Wa Salamu Alaikum Wa Rahmatu ALLAH Wa Barakatuh.

Hani

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. Hani,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Whether the differential between cash and installment payments is interest or not depends on two factors: 1) the size of the differential, i.e., whether it is large enough to include a price for the delay. To my knowledge most differences in car insurance are not large enough; and, 2) if it is called interest or administrative charge. Administrative charge is permissible but it is not when it hides a price for the delay.

In the business as you describe it, it seems you shop for an offer for your client and have him contract the company, and then you are given a commission. You are not the contracting party with the client. Providing information, even about interest is permissible, and being paid for this info is also permissible.

Finally, I don't suggest that you ask non-technical scholars on matters that are technical!

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,
Dr. Monzer Kahf

Subject: Question Interest on inherited deposit and Zakah
From: Marwa through Islam on Line
Sent: Tuesday, May 24, 2005
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I am now 20 years old. My father died when I was 12 years old. He left to me money in the bank and I also save money in the bank. I never paid "zakah" for my money on the bank because I can't take from them until I reach 21. My question is: how can I calculate Zakah after I receive my money and should I pay Zakah only one time when I receive the money or I have to pay for the past 8 years? Another question is what should I do with the interest that I will take from the bank and should I pay Zakah on such interest or deduct it from the calculations? My last question is after I solve the previous 2 problems I don't know the technique of paying Zakah, not the calculations but I mean it is calculated each year when does the year start for example lets say I have today 6000 pounds after 9 months they became 7000 then what should I do? should I start another year or after 3 months pay Zakah normally on 7000 or 6000?
Notes: I know that my questions may look silly but I am really confused especially that when my brothers received their money they didn't pay Zakah on their money and I can't find the answer anywhere and I don't understand the books.
Jazakum Allahu Khairan for your constant help
My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Sr. Marwa,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
May Allah help you be always obedient to Him and guide your older siblings to do the same. Please note the following:
1. Zakah is an individual obligation on every Muslim, even minors. In principle it must be paid when it is due by the owner of the Zakatable properties or by her/his guardian from the properties of the minor.
2. Zakah is a yearly obligation and the passage of time does not wipe out this obligation. It makes the third pillar of our religion. This means if it is not paid on time, it must be paid whenever it is possible.
3. Interest is prohibited and may Allah forgive you father or guardian who put this money for you in an interest earning bank account, if the money is in Egypt it could have been placed in an Islamic bank and its income would then be lawful according to Shari'ah. The prohibition of interest means that in fact you do not own or it is not your money and you MUST give all interest away to Muslim charity.
Hence what to do now or when you can get hold of your money is the following:

1. You mentioned you added savings of your own, please notice that the properties that generate these savings may also be subject to Zakah, so check on that of send more information about them and we will InShaAllah give you the right advice.
2. You are required to pay Zakah for all the past years. the first year begins on the day you become an owner of an amount that equals approximately US$ 1000 (the approximate price of 85 grams of gold that make the Nisab which is the criteria of Zakatability). If you become an owner of such an amount when you inherited from you father, then the day of his death marks the beginning of the Zakah year for you provided the total value of all your Zakatable properties on that day was equal to at least US$ 1000.
3. The Zakah year is a lunar one, i.e., it equals 354 days and the annual rate is 2.5%. if it is difficult for you to know your balances at the end of each 354 days, you can adjust the rate to cover the difference as follows: the rate for the common calendar is :2.5%X365/354 = 2.577%. The due date for Zakah payment is the last day of the 354 days after you own Nisab for the first time and every lunar year then after if you apply the rate of 2.5% or the last day of 365 day if you apply the rate of 2.577%. You can apply the same rule if you want to change your Zakah year to say Dec. 31 of each year my calculating the Zakah due for a part of the year.
4. You multiply your balance on the due date of each year by the Zakah rate to calculate the amount of Zakah due on you. Do not include interest in this balance.
5. Add all amounts for all past years to find the amount due on you to pay as your Zakah and InShaAllah there will be no sin on you because you did not know and because you were not able to reach your money because of age. Otherwise delaying the payment from the due date is sinful. I also suggest that you better pay your Zakah through a Muslim charitable organization of your choice in your country or overseas provided you trust its management.
6. In addition to Zakah, you must calculate the amount if interest that has been added to your account throughout all the years and give it away to a Muslim charity in order to keep your own money pure (Halal).

Please if you have any further question do ask it,
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Working in a bank
From: Azim
Sent: Thursday, May 12, 2005
Question
Salaam
I have read on Islam online and also your website it’s permissible for a Muslim to work in a conventional bank however as long as he/she doesn’t give take or witness a interest based contract I agree. I work in a call center as a customer
Service advisor helping people out with there accounts at time to time depending on the circumstances I refund late charges and Purchase or cash interest on the computer systems as a good will gesture if a customer was unable to

Pay due to illness or some other legitimate reason. Is this refunding of purchase/cash ok. I also help the Muslim community over the phone by giving them good service as I do to all people. I would like to know if my wages are Halal with blessing or otherwise. Walkumsalam.

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. Azim,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
Your wages are InShaAllah Halal. Your refunding of interest is not un-permissible because it reduces the evil of interest, so is giving advices on reducing the amount of interest and other charges; these actions are permissible because they are not part of giving/taking interest or contracting it.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Dealing with an existing Bank Loans

From: Fathima through Islam on Line
Sent: Thursday, May 05, 2005

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
First of all let me congratulate you all on this great website! I have learned a lot of things from this. My question deals with bank loans. I have read almost all your fatwas regarding this, but still it didn't give me a clear answer to my question. I very well know that interest is strictly prohibited in Islam. But recently my dad took some loan from the bank to finish building our house. We stay in Sri Lanka and the loan was taken to build another house in Sri Lanka itself. It's a private bank, and for the loan he took he has to pay about 15% interest every month for a few months. So what should he do? Please focus on the next step he should take, because he has got the loan and agreed to pay the interest as well. Please suggest a suitable thing he should do to stop him from paying the interest so as to save him from the punishments of Allah. Please reply me as soon as possible so that he'll be saved from this sin Insha Allah.
Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Sr. Fathima,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
Now that he already took an interest loan the only choice your dad has is to fulfill his contractual obligation while he must try to repay the balance of the loan as soon as possible. this means raising funds from selling this other house, renting it for a few years and getting a

large lump sum, getting loans from friends and family, selling other properties including your jewelries and your mother's, etc. And with all this effort to rid himself from the Haram, he should keep asking God fro His forgiveness and do good deeds that overweigh this violation of Shari'ah. It is no doubt a grave sin as mentioned in the Qur'an.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Taking Loan against Retirement Fund
From: Muhammad through Islam on Line
Sent: Thursday, May 05, 2005
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I was working in USA before and had 401k investment for retirement fund. In USA, the way 401K works is that employee makes certain contribution based on percentage of his salary and company makes matching contribution depending on its profitability. Once you are in the money is locked until you reach the age of retirement or I think if one leaves the employment. The only way to get money out of it is to take loan against your own retirement fund, which goes to a maximum of 50% of your total balance. The loan is paid back in installment ranging from 12 to 60 months to borrowers own account. There is 1.25% interest apply on the payment, which I guess also goes to borrower account. The reason they apply interest is that borrowers do not lose on his long term investment and fund should grow. My question is, is it OK to take this loan, although there is interest involved but it is going back to borrower own account. May God reward you for the help.
Jazakum Allahu Khairan for your constant help
My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Mohammad,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
Yes, it is permissible to take a loan from this 401K retirement fund because you are taking it from your own account and paying interest to your own self. I know this is a legal requirement, but it is not considered interest according to Shari'ah because it is from you to you. You should know also, that the 401K can be transferred to your new employer, if it has a similar account and probably you can transfer it to a bank, a broker or another approved depository if you are not currently employed within the USA.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Buying and Selling Cheques

From: Tato through Islam on Line

Sent: Thursday, April 28, 2005

Question

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

I would like to know if buying cheque worth P1,000.00 for grocery or shopping items in the amount of P1,000.00 from shopping establishments then sell it (cheque) through deferred payment for one month to employee of government agencies in the amount of P1,100.00 instead of the original amount (P 1,000.00) is considered riba or usury? Jazakum Allah khayran!

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. Tato,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Yes, this is Riba. buying a check of 1000 for 1000 and selling it for 1100 deferred for any given period is certainly Riba that is Prohibited in Shari'ah.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Credit Unions

From: Tucker through Islam on Line

Sent: Thursday, April 28, 2005

Question

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

I'm part of the Steering Group that is setting up Lambeth Savings and Credit Union. A Credit Union is a kind of savings club, owned and controlled by its members, which also lends money. They can be very helpful as they are community organisations that can take a personal interest in their clients, and help people learn how to budget and use money wisely. I am not religious, but in the interests of cooperation and neighbourliness I'm concerned that we are able effectively to reach all sectors of the population. There certainly are Muslim Credit Unions, and I am quite clear that *saving* with a credit union is fine by the principles of Islam. This is because if you deposit money with a credit union you do not get any fixed interest, but only what the organisation decides it can afford to pay. This decision is made by all the members, each year at the Annual General Meeting, so it is clear all the members are sharing in the success or failure of the Credit Union. Here in the UK, the laws that govern Credit Unions (Credit Unions are regulated by the Financial Services Authority, just as are Banks and Building Societies) limit the interest that can be charged on a loan. That seems to me to be a potential difficulty, as it is my understanding that it is not in accordance with Islamic principles to charge

interest. All the same, Credit Unions do not exist to make a profit. They are not-for-profit organisations whose aims are social rather than financial. They can strengthen all our communities, and are a place where all communities can work together for the betterment of their people. When we open our first branch (in just a few months time) I want to be able to publicise our services in all community places, whether Mosque, Mandeer, Church or secular organisations. I would welcome any guidance you can give on this matter, particularly on how we can cover our costs (and grow the organisation as well) when making loans. This is a topic that has been raised, a few times, but is an issue that the existing pool of volunteers knows very little about. In particular, it would be helpful to be able to refer the curious to any appropriate fatwas on the matter.
Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Mr. Tucker,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
Although a credit Union is none for profit, it is very often interest-based. You can establish, or run a credit union on a non-interest basis though. what you need to do is to have its general assembly declare it interest free by reformulating your financing schemes to make them on either Murabahah (cash buying goods/durables on request of a member and selling them, deferred or installments, to the requesting member.) or lease/purchase to members. You will also need to change the contract of deposits to make them on sharing basis instead of being on lending basis, because any increment in a loan is considered Riba regardless of whether it is fixed or variable. There are Islamic credit unions in several parts of the world.
Kindly remember that while the interest-based financing is not permissible in the Islamic religion, even if the purpose is cooperative or charitable, the real sale and leasing based financing is a common ground to all persons from all religions and can make a common ground for any community work. The only potential hindrance is sometimes lack of a real desire by the non Muslim to accommodate the Muslim community member which is dogmatic that clicks to traditions simply as an unfriendly position towards the "others".
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Putting Money in a Bank
From: Khadija through Islam on Line
Sent: Tuesday, April 19, 2005

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
May Allah bless you for this wonderful website. I have some questions that I would like to ask. Is it haraam if I put my money in a bank, which uses my money for business then depending on

whatever money it makes, they give me a percentage which is not solid? I heard that if the percentage they give is solid e.g. always getting 9% of what the bank makes then this is haraam, if not, then this is Halal.
Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Sr. Khadija,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
Depositing money in a current account, without interest, a conventional bank is not Haram. But if there exists an Islamic bank or branch in your area (there is a new Islamic British bank in your country) it is certainly better to deposit the money you keep in such a current account in an Islamic bank, because a bank, any bank, will certainly use your money but a conventional bank will use it in lending on interest while an Islamic bank will use it for financing through permissible contracts.
On the other hand, depositing money in time deposits, in conventional banks, with any increment whether fixed or variable is Riba and forbidden in our religion. Riba is defined as any increment in a loan and a loan is characterized by being guaranteed by the bank. if the deposit is guaranteed by the bank, it is then a loan and any increment over the principal is Riba that is forbidden by God (the Qur'an 2: 279), and it is considered one of the worst sins in Shari'ah.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: A Student Forced to Take a Bank Loan

From: Khan through Islam on Line
Sent: Wednesday, April 06, 2005

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I have completed my graduation now I want to do MBA. I have been selected for the same but my problem is that I do not have enough money to meet the expenses. I will have to take loan from a bank which will include the interest factor. I do not have any such relative who could help me financially. I have very little time left, please reply soon.
Jazakum Allahu Khairan for your constant help

My Answer

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

No, you can go to work for sometime and then take the MBA, it is even better to have some practical experience before the MBA. There seems to be no compelling to indulge in the interest that is one of the most grave sins as it calls for a war from God and His Messenger (the Qur'an, 2: 279).
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Is Non-Recourse Loan from conventional banks Halal?
From: Asim
Sent: Friday, April 01, 2005
Question
Dear Dr. Kahf, Assalam O Alaikum,
I live in the USA and really don’t have access to Islamic banking institutions for sharia based investment opportunities. I would like to know whether using a non-recourse loan from a conventional bank for Investment is Halal?
Non-recourse loan has the element of profit and loss. As a borrower of non-recourse loan you pay the bank agreed upon interest rate (their percentage of profit) if the business is making money. In this example the business would be a commercial rental property. If the business is at loss or goes bankrupt and unable to pay the bank, in that case the bank will recover its money by selling the business, commercial rental property in this example. If the bank can not recover the full amount of money it lent to the borrower than it will take the loss. It can not ask the borrower to make up for the remainder from other sources. If the business fails both the bank as well as the borrower take the loss. If the business is making money bank gets is agreed upon percentage of return on the capital it invested and the borrower or entrepreneur gets his percentage. In my limited knowledge it looks very close to Mudaraba and Musharaka. Can you please help explain in the light of Quran and Sunnah as I want to invest but I don''t want to indulge in Riba. It is quite confusing for a common man. Jazak Allah Khayran
Asim
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. Asim,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
When you deal with border line matters one has to resort to some crude tests. In this case it the relationship a loan or a partnership? if it is a loan for a given interest, fixed or variable with a lien on the property, limiting the liability of the borrower to the value of the financed property does not change it into Musharakah. Besides, is the interest on the loan proportional to the share of the lender in the purchase cost of the property? I think, from the info you gave, the answer is no. Does the name of the bank appear on the title? Also No. does the bank share maintenance and other current expenses? Also no! Once all these tests are applied you tend to

say that we have a loan here not sharing financing. It remains a Riba-based loan because it has the characteristics of a loan. if it is a partnership, it should be manifested one way or another in sharing capital gain, sharing profit, sharing management (except in Mudarabah where there is no sharing of management). It seems to me that this is a lending relation with limited liability. Limiting the liability is acceptable is common stock companies and in Mudarabah too. Finally I can't quote the Qur'an and the Sunnah on this simply because it is a definitional issue. What is Riba? it is an increment in a loan/debt. If this is a debt the prohibition applies to it. I see it a debt with a limited liability. Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: Asim

Question

Dr. Kahf, Jazak Allah Khayran. May Allah shower his blessings on you and your family for helping other Muslims and protecting them from Riba. Thank You, Your explanation is very clear and helps me understand the difference.

I do have a follow-up question: I want to buy a commercial rental property (let us say a strip Mall) in partnership with 3 other people. We each hold 25% percent of the share, and share the title and bear management expenses as well as other expenses. Our net profits are also distributed in proportion to our share.

My question is: Is it Halal if I buy my share of 25% with cash (no bank loan or anything), while my partners borrow money from bank on interest to pay for their shares. Remember the income is generated by the rent we will collect. Similarly the expenses will be paid by the rent as well. Is it Haram for me to go into partnership with someone if they get money on loan to pay for their share and I use cash to pay for mine?

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. Asim,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

In partnerships, one has no right to question the source of funds of other partners and it is permissible to go in partnership with any one regardless of religion, color and ethnicity provided hat in the working of the partnership you avoid what is prohibited. In this regards, if they got they money from interest-based loans and deposit their shares of profit on interest, all that does not affect you as a partner.

What creates a problem is if the management is given to a person who does not mind making prohibited transactions. You cannot give the management to such a partner. In other words, if in the administration of the partnership any prohibited thing is done by the manager, it is done in the name of all partners and on their behalf. If you can make it clear in your partnership agreement that the manager has no right to take any decision that violates thee tenets of Shari'ah, any one can be the manger.

If in this partnership, expenses and other liability on the partnership are going to be paid from its income, there must be no problem from the Shari'ah point of view.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: My Husband Has a Loan: Can I Go for `Umrah?
From: Ruby through Islam on Line
Sent: Thursday, March 31, 2005
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I want to go umrah with my father but my husband took a big loan from the bank with interest to buy business I told him not to take the loan its haraam but he still took it and said we will pay back soon in thia short life we don't know if we will wake up tomorrow and its a big loan too my question is can I still go for umrah if I still owe debt, ALLAH (SWA) KNOWS HOW I FEEL SO GUILTY BY MY HUSBAND TAKING THIS LOAN AND WORST OF ALL HE PUT MY NAME IN IT BY FORST!!! PLEASE HELP!! ALLAH AFIZ
Jazakum Allahu Khairan for your constant help
My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Sr. Ruby,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
You know according to Shari'ah properties, finance and all other ownerships of a wife and a husband are separated from one another. What you earn and own is yours and what he owns and earns is his. So is the liability. If this loan is his and your signature on it was put by a kind of force as you said, and if you are going to Umrah from your own money (not his) or from a gift from others including your husband (even though he is still under debt because his sins are his not yours), father, etc., yes you may go for Hajj and Umrah even with this loan is shared by you nominally and according to American laws. But if you really share your husband business and then of course liability, it is better that you should use the money for paying your interest-based loan. Finally regarding the second case/assumption, your Umrah is InShaAllah permissible and acceptable, even if you spend on it from money that otherwise can be used to reduce your interest-based loan because God promised that one load/burden/sin is independent from other actions, each action has its own judgment on its own. of course, as long as the source on the money for the Umrah/Hajj is legitimate.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Question about deposit of expansion's money

From: MEHDI

Sent: Monday, March 28, 2005

Question

Salamo Alaikum Wa Rahmato Allah Wa Baraketoho,

Dear Brother DR. Monzer,

I apologize for writing to you without a previous notice. My name is Mohamed Mehdi Rahoui and I have been asked by the Board of our local mosque to prepare a report about the permissibility and the possibility of investing part or all of the donation money that is assigned to the expansion of our mosque. The money in question has been sitting for years (more than 5 years) in a checking account at a local bank waiting for the adjacent piece of land to be purchased. Noting that we have at least 3 to 4 years before the construction process starts, I would like to ask about the permissibility of investing this money. In other words can we for example put the money in a saving account instead of a checking account, so that we can collect the interest's money instead of the bank collecting it, noting that the yearly interest's money is approximated to be around 6 to 7 thousand dollars?

Do we have to seek the permission of the donors? And if it is not possible to contact all the donors, can we still invest part of the money?

If we are able to put the money in a saving account, what are the rulings for using the interest's money? Can we add the money to the Zakat and Charity fund that already exists?

Does the opening of a saving account represent the best option available to us in this case or do we have others investment options?

Dear Dr. Monzer, sorry one more time for writing to you without prior notice, but we really do value your advice. May Allah bless your work in this life and in the life after, Ameen

Jazakum Allah Khairan. Sincerely

Mehdi

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.Mehdi ,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

It is wrong to keep large sums of money in checking accounts for a long time. The bank makes money on them, although Haram money from Islamic point of view.

Since this money is given to the Mosques and entrusted to the Mosques project management according to your constitution, you do not need any permission from the donors to place the waiting funds in an income-generating account. You have to do your best to minimize any potential risk.

What I suggest is the following: NAIT has a Muslim Centers fund that it invests in stocks that are scrutinized from Shari'ah permissibility point of view, but what is interesting in this fund is that although stocks went down during the period 2000-2002 Islamic centers that withdrew from the account were given by NAIT a full refund. This is an actual, non written guarantee. On the other hand over the last two years the fund was ok. Since NAIT keeps certain reserves for bad

years it does not distribute full profits in good years. This income is Halal and can certainly be added to the building fund.
The other alternative is to put the money in an interest account in the bank and add the interest to the money that the center distribute to the poor, YOU MUST NOT ADD SUCH INTEREST TO THE MOSQUE BUILDING ACCOUNT. Also if you decide to take this option please do not publicize it because there are many persons in mosques who may not like although this has been the Fatwa of all our great Ulama over the past quarter of a century since the late 1970s when the first international conference on the Fiqh of Islamic banking was held in Kuwait.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Fulfilling Interest Contracts
Subject: I Bought a Car through Usury Before Being a Muslim
From: Jason through Islam on Line
Sent: Wednesday, March 23, 2005
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I am new to Islam, and I have about a year left on my usury car payments. I got the car before I became Muslim. Should I turn my car in and start leasing a car and loose the years of money I put in it or can I ask Allah for forgivness and finish paying on my car.
Jazakum Allahu Khairan for your constant help

My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Jason,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
I think you have to honor your contract as the Qur'an ordain in 4: 1 and I suggest that you make your best effort to expedite payments and reduce the amount left of interest as much as you can and try to take a personal non-interest loan from a friend or employer to complete payment. Allah, Ta'ala, does not mean that we should loose on our present contracts.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Buying Goods with a Price Superior to the Initial Price
From: NOUR-EDDINE through Islam on Line

Sent: Tuesday, March 22, 2005 5

Question

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

During a discussion on taking a loan with interests or using the Islamic way (Murabahha), I was challenged by my friends as the end result is the same for both solution, which mean that you buy goods with a price superior to the initial price. Although I tried to explain to them that with one sulution you are getting money for more money which is Harram and for the other you are paying money for goods, they were not convinced. I need your help to explain to me the difference between the 2 options and give me specific things that make the Islamic way the most appropriate. I have absolutely to convince those guys otherwise it would seem as if Islam is allowing some shortcuts and changing to make Haram things appear Halal. Jazakoumou allahou khairane for your help.

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. NOUR-EDDINE,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

You are right, it is not easy. The unbelievers of Makkah had exactly the same argument as you notice in the Verse 2:275.

This similarity between sale with a deferred higher price and Riba exists and not denied in the Qur'an. Rather while not denying this similarity, the Qur'an argues that there are substantial differences too. The main thing is that these differences can be seen more on what is avoided by the prohibition than by what is permitted:

Effect of the prohibition:

1) Elimination of discounting and re-discounting that makes a huge (and in fact un-necessary) market and creates undesired instability in the whole system.
2) Elimination of undesired financing: Financing that is taken simply for personal reasons that is not for buying goods and services. This prevents all financing that leaks out of the system such as financing to go and gamble in Las Vegas.
3) It limits to a great deal the financing and the transactions of trading pure financial assets that make huge daily figures and also create a lot of instability in the system.
4) It also eliminates all the rescheduling with increments of debts. Notice that rescheduling is also a huge operation that does not provide any real service to the economy.
5) It also redirects the financing from being based only on the creditworthiness, i.e., ability to repay to facilitating trades of goods/services and their production
6) On the level of individual transactions, Murabahah does not allow rescheduling of the debt with increment and adds a liability on the bank's shoulders to be sure that the good is really useful and does not have any unseen defect.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Islamic research (good one)

From: Elisa

Sent: Tuesday, March 15, 2005 8:10 AM

Question

Assalamu Alaykum, Dear Mr. Kahf,

It's Elis again....I read everything in Your website, and I also had the pleasure to read a chapter You wrote in ""the politics of Islamic Finance"", about ""the rise of a new powerful alliance"" between wealthy people in Islamic banking and shari'a boards. Now im drawing conclusions of my research, and I want to make a proposal of implementing the Islamic system in Italy, maybe a few banks are interested in this proposal and I want to make a realistic one. I wondered if you have any suggestion about it, I mean about how to implement an Islamic service in a country who knows nothing about it. I know that Muslim population here is enough to justify the proposal, maybe we need a license, or a certification from IDB, or we just can get in touch with some members of shari'a boards to have a shari'a compliant service. If You have any idea or previous experience about such a situation,I would be glad to know it. I really want to bring Halal banking in Italy.

Thank You again for Your kindness.

My Best Regards,

Elisa

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. Elisa,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

What you need is to suggest to some of these banks to start preparing Shari'ah compliant contract, they may start with house financing on the basis of Murabahah and Ijarah wa Iqtina. These two contracts have become well known, in fact they are approved by the US Banking Comptroller a included under ""banking business."" The same contracts can be used in business financing.

Now we have two banks in Chicago, Illinois that started offering these two contracts to households and businesses and there is a new Islamic bank in Britain.

I can help in preparing these contracts, of course in English or Arabic, and the banks certainly need them in Italic.

Please write me if I can of any further help.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Cost of lending and Riba

From: lia
Sent: Monday, March 14, 2005 1:11 AM

Question

Assalamualaikum warahmatullah, Dear Dr,

I want a clear explanation regarding the question that I asked during our last class, relating to repayment of study loan. Students in Malaysia who took the study loan from a certain fund, have to repay the total amount of the loan, for example, RM 25, 000 together with 4%, the additional amount. That means, they have to pay RM 25,000 plus RM 1,000 (4%) = RM 26,000. this is a conventional loan and not Islamic loan. so the additional amount RM 1,000 is riba or not? it is clearly riba, isn't it Dr?

But some people say that, it is not riba but service charge. how to distinguish between riba and service charge?

That's all. Thank you. Best Regards.

lia

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 Lia,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

It the transaction is structured as you mentioned as a loan with an increment, it is certainly Riba.

But if it is an interest-free loan and it has (obviously) certain cost to the provider, the actual cost can be charged to the beneficiary, be it 4% or more or less. You should notice that the way you describe it does not relate the increment to the period of the loan, that is, it is not 4% per year. But that alone does not make it a service charge because a Ribawi increment does not have to be annual or related to the duration of the loan; any increment is Riba. Or, any cost of money paid to the loan provider is Riba.

The difference is exactly this: if the amount taken above the loan is only equal to the actual cost incurred while providing the loan, including cost of paper work, certification, postage, follow up, etc., this is a service charge not Riba and it is permissible. If the amount included any cost for money that part is Riba.

This question was asked to the OIC Fiqh Academy by the Islamic Development Bank, IDB, and the answer was as I explained. the Fiqh Academy asked the bank to stop taking a fixed percentage and to change it into actually calculating the incurred cost and it was permitted to charge this actual cost.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Questions about interest, insurance and Real Estate

From: Amjad

Sent: Monday, March 14, 2005

Question

Asalam-o-Alykum,

I have a few questions about real estate in U.S.A.

1) Realtors find Home Sellers and Home Buyers and create a deal between them which includes loan from bank that buyer takes and make monthly payments with interest. Since, realtors takes his/her fee and steps aside, is the money that realtor earns Haram? Since that's not realtor's fault how the buyer is going to arrange the money to pay for the house.

2) When someone buys a house by making full payment at once with intention of selling it later for profit is Haram or not?

3) I Just became a certified cash flow consultant. Before I start my business I want to know if it is Haram or not? What I will be doing is finding people who have sold their house or business using owner financing. In other words, people who sold their house or business but didn't receive the full payment and they are receiving monthly payments with interest. I will find these people and direct them to funding sources that buy these monthly payments by giving the full payment (whatever the balance is) to these people. Then, funding source start to receive those monthly payments with same interest rate. Funding sources buy those payments on discount. For an example, let's say balance was 80,000. So, funding source might pay 75,000. I receive my fee for directing these people to funding source. Since, there was already a deal which included interest, and I just changed the person who receives the payments now. Is it ok?

4) Is listening to songs with or without music sin? Or singing songs with or without music please give me details on that too.

Please Answer to these questions as soon as possible. I will really appreciate it.

Thank You! Fee Iman Allah!

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. Amjad,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1. Fees of realtors are permissible, they provide a legitimate service and they are not part of the interest loan or the mode of payment by purchasers.

2. Once you own a real estate property and received it, by getting both the title and the key if it has a key, you can offer it for sale and sell it at your choice and discretion regardless of whether you owe any debt on it or not. If it has a debt with a lien on the property, you obviously have to settle the entire debt, even if it is more that the sale price, unless the creditor accept an other collateral of continues without collaterals (this is an re where both Shari'ah and the law of the land re the same). obviously the profit, or loss, is yours.

3. It seems that bringing together an interest-based deal, the discounting as you described it is a participation in the transaction and it seems to be covered by the prohibition of writing it and be a witness to it contract and in most cases it, materially, includes some paper work for processing which is exactly part of writing it. This seems to me not permissible in Shari'ah.

4. On singing with or without music, there are two views, I belong to the one that sees it permissible unless it is associated with a forbidden thing such as drinking or exposing parts of human bodies that should be covered. Of course, too much singing is a bad habit, try to replace it by listening to the Qur'an with beautiful voices, I think it works!
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

From: Amjad
Question
Asalam-o-Alykum,
Thank you very much for explaining the problem that I was having. I really appreciate it. Now, I know what is permissible. However, I have one more question about insurance/doctors deals.
You said if percentage changes by the time, then it is not permissible. You said, first 30 days fee is ok.
But, the percentage that changes every month is fixed. For example, for 30 days it's 2%, and 60 days it's 4%. If they pay in 30 days, funding source will discount 2% and if they pay in 60 days funding source will discount 4%.
And you said I should only take the money from first 30 days and rest I should give it to Muslim charity. But, at the end of year, when it's time to pay the taxes, they are going to see how much I made and then I will have to pay the tax for that money also that I gave to charity. What do you say about that, what should I do then? Thank You again!
Amjad
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. Amjad,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
I am still on my opinion mentioned earlier because while it is permissible to charge for the service of collection, it is not permissible to charge for the ""price of money."" And if the financing source insists on its structure, as it seems that you cannot convince them to change it, all extra charges are considered interest.
Then, What you give to charily can be arranged to be a tax deductible charity so you do not loose on the tax. You can give it to the local mosque and tell them it is interest money so they use it for charity not for basic expenses of the mosque itself. But even if you could not use the tax deductibility, you still has to give it away to Muslim charity!
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: INTEREST, INFLATION AND ISLAMIC BANKS

Subject: Riba in loans

From: lia

Sent: Monday, March 14, 2005

Question

Assalamualaikum warahmatullah, Dear Dr,

I want a clear explanation regarding the question that I asked during our last class, relating to repayment of study loan. Students in Malaysia who took the study loan from a certain fund, have to repay the total amount of the loan, for example, RM 25, 000 together with 4%, the additional amount. That means, they have to pay RM 25,000 plus RM 1,000 (4%) = RM 26,000. this is a conventional loan and not Islamic loan. so the additional amount RM 1,000 is riba or not? it is clearly riba, isn't it Dr? But some people say that, it is not riba but service charge. how to distinguish between riba and service charge?

That's all. Thank you. Best Regards.

Lia

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 Student Lia,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

It the transaction is structured as you mentioned as a loan with an increment, it is certainly Riba.

But if it is an interest-free loan and it has (obviously) certain cost to the provider, the actual cost can be charged to the beneficiary, be it 4% or more or less. You should notice that the way you describe it does not relate the increment to the period of the loan that is it is not 4% per year. But that alone does not make it a service charge because a Ribawi increment does not have to be annual or related to the duration of the loan; any increment is Riba. Or, any cost of money paid to the loan provider is Riba.

The difference is exactly this: if the amount taken above the loan is only equal to the actual cost incurred while providing the loan, including cost of paper work, certification, postage, follow up, etc., this is a service charge not Riba and it is permissible. If the amount included any cost for money that part is Riba.

This question was asked to the OIC Fiqh Academy by the Islamic Development Bank, IDB, and the answer was as I explained. The Fiqh Academy asked the bank to stop taking a fixed percentage and to change it into actually calculating the incurred cost and it was permitted to charge this actual cost.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Bank Loan for University Fees
From: Hisham through Islam on Line
Sent: Wednesday, March 09, 2005
Question
I would like to know if it is permissable to take out a bank loan (interest based) to pay my university fees. At the moment I am studying at uni and also working part time, but the money I receive from my work is insufficient in paying my tution fees. I can postpone the payment, but by doing so, the uni will limit my access to various facilities. the only options available 4 me at da moment is 1.take out a bank loan and pay the fee 2. take a year out of uni and earn sufficient money to pay the fee (bearing in mind I will delay my graduation by a year) or 3. delay the payment of the fee on purpose for a few months and have my facilities limited. can you please advise me if it is appropriate under shariah to take out a bank loan to pay my fee under such circumstances. Thank you in advance.
Jazakum Allahu Khairan for your constant help
My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Hisham,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
Under the circumstances you described I do not see any necessity to indulge in a Riba transaction. Remember Riba is one of the most grave sins in our glorious religion. All it needs from you is to work a little harder, get more working hours or a second part time job and go on with your study even with lesser university facilities that may be caused delaying the tuition payment.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Taking Interest from Bank
From: Sameh through Islam on Line
Sent: Thursday, March 03, 2005
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
With regards to Riba / usury. I understand it is wrong to take money which isn't yours (you haven't earned). But Business is alright (like Investments, trade, etc). Isn't this how Banks make their money? Like when you make an investment in a company, the company agrees to repay the principal to the lender by some future date, and pay a stated rate of interest in return for the use of the funds. This is an investment made in a company, which sounds like how the Bank works. Because you put your money into the bank, they make business transactions with your money (e.g. invest it in profitable projects) and then pay you back interest (a share of the profit). This is what my parents told me and that the big shierkh (imam) in Egypt said, as we

come from Egypt and live in the UK. After researching this area, I looked at an Islamic bank it said this: 'Our Sharia'a Compliant Savings Account lets you profit from your savings while remaining true to Islamic teaching. We do not offer you interest on your funds, instead, we undertake Sharia'a compliant activities with the intention of generating profit, which we then share with you'. Savings & Term Deposit Target Rates Period Profit Rate Declared For December 2004 Undetermined term. The 'Savings Account' 3.00% Term Deposit Minimum 30 days (1 month) 3.50% Term Deposit From 90 days to 180 days 3.75% Term Deposit Minimum 180 days (6 months) 4.00% This to me looks exactly the same but they changed interest rate with a share of the profit isn't this the same, however I know from your site that taking interest from bank is wrong. Im trying to just do what is right and people keep confusing me by telling me different things. Should I just not listen to my parents and open an account in the Islamic Bank I would really like your help with this matter. Thank you, May ALLAH bless you for your help!
Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Sameh,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
I like to suggest to you that you should read a little more on this issue. look at these point in the meanwhile:

1. Investment is a vague term. It may mean just giving loans (as used in conventional banks) and it may mean creating a company and having shares in its ownership. We need to define our words better.
2. Interest is on lending. this is exactly what Riba is. Riba is prohibited in the Qur'an and Sunnah with very strong wording that include declaring a war from God and His Messenger and the Wrath of God being on not only the taker and giver but also its writer and witnesses.
3. Conventional banks take loans from saver. all deposits with conventional banks are loans this is their nature and their legal definition (one characteristic of a loan is that its principal is guaranteed); they also give loans to business (this is what banks call investment). Any increment on a loan is Riba regardless of what it is called and what the loan is called as long as its nature is a loan. This is prohibited in Shari'ah regardless of who says what.
4. Islamic banks take deposits on the basis of creating a kind of partnership with you, called Mudarabah, and using your money on your behalf in their activities that are also based either on sale, lease or partnership with businesses. They do not take loans and they do not give loans. This is why they tell profit and we do no know how much it is going to be but we can say how much it was in the recent months.

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

Subject: Loans for school tuitions

From: Ali
Sent: Tuesday, March 01, 2005

Question

Assalam alaykum wa rahmatullahi wa barakatuh,

I hope that it is okay for me to ask you for some advice. I just graduated from college in December and am inshaAllah planning to go to law school in the fall. However, the costs of law school are quite overwhelming, and needless to say I would not be able to attend without some type of loan. At the same time, I am not willing to go to law school if I have to use Riba. I was wondering if you could advise me as to what type of Islamic compliant loans are availabe here in the United States, or point me in the direction of any other avenues to receive funding for law school.

JazakAllahu khair wassalam alaykum wa rahmatullahi wa barakatuh,

Ali

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. Ali,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

In fact a Riba based loan to go to law school is not permitted in Shari'ah because it does not represent any necessity, no matter what you may think of the importance of your studying! And unfortunately, to the best of my knowledge there are no such facilities in the USA.

I have only one advice to give, the same as I gave my on who wants to go to law school: work hard and save and get help from family and friends. Student loan that do not charge any interest for 18 month after grad. May help too if you find any.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Donating Interest Earnings on CD

From: Mohamed through Islam on Line

Sent: Wednesday, February 23, 2005

Question

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

Is it Halal to donate interest earnings on CD[certificate of deposit],to Islamic charities, instead of leaving it to the Banks?

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. Mohamed,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
The answer is YES certainly; you should not leave such interest to banks because that will be helping them making more evil transactions and more profits out of it. Besides, they would laugh at you and make mockery of your action. Please notice that according to Shari'ah this interest money is not yours.
You should take it and give it to a Muslim charity of your choice. You do not need to inform the charity about its source and you can also claim a tax deduction on such donations.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Lease and installment sale
From: Hasan
Sent: Sunday, February 20, 2005
Question
Assalaamu Alaikum Brother,
I have a very specific question about car financing and RIBA in New York,USA as I am looking for a new car but I am very confused now. With the change in the current law, most of the companies are not offering regular car leasing which was earlier HALAL.
Now I have two option.
Otpion 1)
They call it SMART BUY option, it is pretty much the same as regular leasing of the car, I will be making monthly payments for a fix period of time as a rental payments but in this case I will be the owner of the car means I will be holding the title for this car and calculation method for the payments is interest based and the person can buy this car by making one big balloon payment at the end of the contract period.
Option 2)
In second option, for example if the cash value of the car is $10000 dollars and interest is $2000 for the period of 3 years, so the person will be paying in total $12000(cash value plus interest). This amount will increase or decrease if someone make the payments early or defer the payments, and this is RIBA.
But I spoke to few car dealers to avoid the interest(RIBA), they can buyout the interest rate in advance, what it means is, they pay this $2000 interest to the bank in advance and make the fix loan amount, now the total loan still will be $12000, it will be fixed amount and will not increase or decrease for the fixed period of time. Either if I make my payments next day or in 5 years, loan amount ($12000) will not change, Whatever payments I will make will go towards my principal amount. Will it become murabahah in which someone buys something and sell to someone with cost plus profit and is it HALAAL.
Need help, please let me know either both options are Halal or which one is preferrable...Wassalaam
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. Hasan,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
If you make the contract with the car dealer for say 12000, it is permissible as installment sale. But if you make the contract with the bank for a loan and interest is paid in advance (this 2000) it is then a loan and interest.
Further notes: I think there must be more info than what you gave. In option one how come you have the title and then you said you can buy the car? In option 2, it is normal in leases that if you do not pay an installment the next month installment will be calculated differently because it will include a penalty (that is sometimes permissible to a certain limits) and the rental part of it will be higher than when you pay regularly (this difference is also permissible).
Please notice that paying interest in a lump sum or on installment does not change its nature.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

From: Hasan
Question
Assalaamu Alaikum Brother Kahf, Thank you so much for your reply.
If I am right and what I understand from your email, if the cash value of the car is $10000 and the interest on this loan is $2000 for the period of lets say 3 years. In this case the loan will be $10000 and the interest will be $2000. And it is RIBA.
If the car dealer pays the interest $2000 upfront and make the total loan $12000 that will not fluctuate over the 3 year period then it is permissible.
Also in option one earlier when we use to lease the cars in New York, we do not have any title not any other document except the registration certificate from motor vehicles office but with the new law change, instead of leasing the cars they call it SMART BUY option in which the first lien holder is the bank and they issue the title on my name.
Please let me know if I am right as I am confuse in this new situation with the recent law change.
Wassalaam
Hasan
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. Hasan,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
For option 2, NO, if the contract is done with the bank as a loan without interest of 12000 in the example, this is permissible. The same if it is done with the dealer to buy the car on installment

for 12000. But if it is done with the bank as a loan for 10000 plus interest of 2000, it is then Riba even if it is paid in advance and no fluctuation.
A Smart Buy is a buy not a lease. Does it give you the option after say 3 years to return the car or do you have to buy it then for an agreed amount given in the contract. If there is no option, it is then a purchase on installments with a balloon at the end. If there is option, it looks to me as a lease but I can't be sure unless you give me more details on the kind of lien and what is exactly written in the smart buy agreement.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

From: Hasan
Question
Assalaamu Alaikum Br. Kahf,
Thanks so much for your reply, this is my second email.
SMART BUY option is pretty new in New York and dealers do not show the contract unless I sign it.
But what I have been told by dealers, it works the same as the lease, they allow certain mileage for the period of 3 years and as per my agreement I have to make fix payments (I will say rental payments) for 3 years.
If I return my car back to the dealer, they charge me as a penalty for any excessive wear and tear plus if I drive my car over the allocated miles in my contract, otherwise I can buy tha same car after 3 year at an agreed amount.
Because of the past experiences and the lawsuits in New York, most banks become the first lien holder and they issue the title of the car to the person whoever will drive it for 3 years.
I do not know their calculation method.
Again Br. Kahf thanks so much for your reply. Wassalaam
Hasan
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. Hasan,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
I really appreciate if you can provide me with a text of this Smart Buy and why courts made the change? what was the problem with the previous leases?
It seems to me that, suppose you bide by the rules of using the car during the 3 years and have the option to return it and walk away at the end of the period, it is still a lease even with the different name. I have no problem with the insurance and maintenance being on the lessee.
But I am really interest in understanding the legalities of this change if you can provide them to me.
Wa Allahu A'lam

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

From: Hasan

Question

Assalaam Alaikum Br. Kahf,
I wanted to say thank you to you for answering my question regarding SMART BUY, RIBA and fixed loan, I am sorry could not reply back to you quickly. I was trying to find information from car dealers.
I forwarded the web-link earlier which tells us why car manufacturers came up with a smart buy option, I visited different dealers but lien information is not available until I sign the contract, smart buy option pretty much work the same as the lease but few things are different as what I have been told by car dealers.
There calculations for monthly payments and the final baloon payment are INTEREST based, but the person will pay monthly for the usage of the car and at the end of term is liable for the wear and tear if he or she does not buy the car at an agreed amount, another thing is different in smart buy as compared to lease is that in smart buy option they issue the title and the car registration on the driver's name to avoid any lawsuits. This option is still confusing but I hope with time it will be more clear.
Again thankyou so much for your help. Wassalaam
Hassan

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. Hasan,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
I looked at the web that you sent and understand why it is done this way. Now, you mentioned about charging you for the wear and tear, If this is above the number of mileage that is allowed every year, I think it remains a lease, even if it is called sale. My reason is that at any time you can return the car and walk out (being within your normal use) you are in a lessor/lessee relationship even if they all it buy. This is supported by the fact that they put on you certain use limits and charge you for damage or wear and tear that is only above the normal use. I understand the legalities in it because once it is determined that the company owns the car it becomes responsible for liabilities toward others. Now other states solved it by a low that treats this kind of leases in a way that is similar to sale only to remove this additional liability.
On the other hand, the way the amount of monthly installments is calculated doesn't matter. We know in all leases and installment sales, payments are calculated on interest basis. This is only caused by the fact that we live in economies that are interest-dominated (notice the miraculous application of the Prophet, pbuh, that there will be a time where every body will be affect by Riba, even if it were by its dust!)
Wa Allahu A'lam

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

Subject: Premium Bonds
From: Zakia through Islam on Line
Sent: Sunday, February 20, 2005
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
Can you please tell me, if it is Haram to buy premium bonds,as a way of investing money, Iwould be very grateful if you could answer my question, thankyou may allah be with you always.
Jazakum Allahu Khairan for your constant help
My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Sr. Zakia
Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
Bonds have different varieties. Please explain what is exactly a premium bond so I can give you an exact answer.
However, generally, any bond that gives you a fixed amount periodically and returns the principal after some time is forbidden because this is Riba (interest) loan and the periodical amount you get is a prohibited Riba.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Interest and Riba
From: zarine
Sent: Sunday, February 20, 2005
Question
Dearest brother Monzer, Assalam alaikum wa rahmatullahiwa barakatahu.
Your reply indicating willingness to answer my query appeared to be the end of my search since four years. I got your response very promptly. Really my heart uttered a prayer for you and my eyes shed tears of happiness....no exaggerations.
I'm working in a gulf country as a medical practitioner.
I'm seeking a fatwa from you regarding my entire earnings would be considered haraam or may be perhaps just a part of it. Since fatwas are based on individual circumstances and conditions and are generally not generalized, I request you to please be patient with me and read my long

letter carefully and then reply since I am writing in length just to explain in details the reasons of why I did what I did.
Please brother Monzer read thoroughly till the end, patiently. And take your time to answer if necessary.
I got married soon after internship. But my husband didn't let me work as doctor (as against our implied verbal understanding) at the time of our marriage. I also had a very difficult marriage. I went into depression because of not being able to work. I begged, pleaded, cried, everything but he didn't relent and didn't allow me to work.
Later he got a job in the Gulf. He left leaving me to join him later when he sent me the visa. And while leaving gave me the permission to work in our country in his absence. That was the only time I worked, totalling to a period of 9 months. When I joined him later, I was shocked. He was posted in a very remote place, with no phones or mobile also. The neighbours were only arabic speaking and staying on mountains near and far. I couldn't even call my family regularly. No one to talk to because of language problems and cultural differences. Once again he started the previous episodes of neglecting me and not talking to me for days at a stretch over slightest differences. I started
Suffering again! I asked him to apply for a transfer to a better place where I could have at least some friend or neighbor to talk to. But he just refused. He allowed me to work only under one condition i.e. only if I got a job under the same employer (ministry Of Health) as him, none other. Till then he said I should stay with him in the remote village or go back alone without him.
I opted to stay with him to keep the marriage, and it seemed more sensible to stay with him rather than with my father after marriage. The only other option would have been divorce.
In all this time I had gone into depression and my levels of tolerance exhausted, because of lack of work (my mental abilities and talents were stagnating) and lack of company. On top of that was my husband's stubborn refusal for transfer.
For me this job appeared as the only way out of that place and out of my mental rot. Mind your salary (my earning) was a minor issue then, as much as using my abilities as a doctor, though I had intended to contribute my earnings in our household to help my husband who was below poverty line at the time of my marriage, and whose father had taken debts beyond his ability to repay, which my husband was paying voluntarily on his own.
Meanwhile I took an interview with the representatives of our employer (MoH). Based on my experience of 9 months, my knowledge was very good for the required post and I was selected in the interview where my medical and practical knowledge was tested. Appointment was still pending. Now comes the hitch. The required experience was minimum two years.
I was absolutely desperate for the job for my mental sustenance. My agent through whom I had applied came up with a solution and that was to forge experience certificates for the deficient period.
During the period between my selection and appointment also I was in great dilemma whether my job was halaal or not because of this, but I had no way of knowing. So I prayed to Allah often that I don't know whether what I'm doing is right or wrong, but if u (Allah) feel that it is haraam for me just let me not get appointed and I'll know it is haraam. And Allah knows best I cried in prayers even at night in solitude, saying that if it is haraam ,just not let me get the job, though I needed it desperately. I had also pledged that if I get the job I will give away my one

month salary in charity. So when I finally got the appointment I took it as a signal from Him that may be it is halaal after all.
I have lately discovered a case similar to mine here, for comparison. Another female doctor who had not completed her internship was selected and appointed but was asked to work without salary for two years (one of internship and another of experience). Then she got paid full salary from the consequent years.
I have been giving in charity to my husband's poor relatives as well as to my brothers and parents in times of their need, thinking that if it is halaal money I'll get good deeds written for me, but if it is haraam money ,then it is not mine anyway.
Considering that I have given my hours and skills for the four years,do you think ALL my money is haraam?
Besides coincidentally for the first year and two months of my job I was constantly working under the supervision of two specialists (my superiors), so the chances that I could have harmed a patient because of my lack of experience were almost nil.
I'm in all this mess just because of my husband and my obedience to him (regarding not working earlier). Really, why should I suffer because of him? After all, all that I've earned is my hard earned money and I'm trying to salvage it.
Now my question is: Is all my money haraam given the circumstances that forced me?
Or will it be enough if I give away in charity the salary for entire one year and 3 months.
I am at a loss what to do. Guide me please.
And may Allah grant u sakina and barkah in return for ur efforts and time for me.Ameen.
Waiting in earnest.
Thanks.

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Sister Zarine,
Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I read carefully your letter, all of it. What you did was wrong, no doubt about that. What you got as salaries from day one is for your work (both time and expertise). The system, after all, may be incorrect in requiring 2 years experience!
This wrong that you did needs Istighfar, repentance, prayers and good deeds including charity. Allah says "surely good actions takes away bad actions إن الحسنات يذهبن السيئات" Certainly giving charities (Sadaqah) is important, may be in the amount of 15 month salaries on the basis of the other case, but there is nothing to undo the past other than Istighfar and good actions.
One very important thing you must keep in mind. Since Allah gave you a cover on this wrong act, do not let any body know about it AT ALL LITERALLY. Do not uncover what God has covered. And from now on forget about it completely. We all do mistakes but we must not live chewing them. The Prophet, pbuh, said "all children of Adam are mistake doers and the best of mistake doers are the repentants." Be InShaAllah among the best and May Allah be with you always. I pray that every thing will be good for you and that your husband's relation with you becomes excellent.
Wa Allahu A'lam

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

Subject: Joining the Pension Scheme that has Riba
From: A Questioner through Islam on Line
Sent: Thursday, February 03, 2005
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I have been working for many years, I have not joined any pension scheme, with uncertainties in the future financial status. I am considering joining the pension scheme. What I need to know to join a pension scheme is it Halal? if not why? what sorts of things should I look for in the agreement I cannot find a copy of the statement online, but I have read, will get paid according to the final salary divived by the number of years worked please can you let me know asap
Jazakum Allahu Khairan for your constant help
My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. ,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
We cannot give you a Fatwa about a pension scheme that either you or we do not know! can we? pension system offered by governments or companies in general is permissible and the problem that may arise is related to Riba in the use of the funds of the scheme. Private pension schemes contracted with insurance companies may have more problems of Riba than schemes run by governments and companies. If you give us more info we will be able to give a more detailed opinion.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Selling a House Bought Through Bank Loan
From: Reef through Islam on Line
Sent: Thursday, February 03, 2005
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
Due to necessity, I bought a house for my family using a bank loan (having spent 10 years renting). I'm now selling the house and I'm hoping to have enough equity to buy outright or at least have a smaller loan later for a new house. However, due to my current circumstances, I decided to rent for a year before buying a new house. My question is this: I will have a significant amount of money in my account for one year and it's going to accrue some bank

interest. Is it permissible for me to use this interest to pay the rent of the house? Many thanks Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Reef,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
No, accrued interest is not yours according to Shari'ah, UK has now an Islamic bank and you could deposit your money with it and get a Halal profit that you can use any way you like. BUT interest is not owned by you according to Shari'ah. You should give it away to Muslim charity for distribution to Muslim poor and needy on the ground that it is not yours and you should not return it to the bank because doing so helps it make more of the evil of Riba. You then treat interest money as if it were owned by no body (and certainly not you) . Such money should be given to Muslim charity.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Availing the Housing Loan Taken From One's Salary

From: Mohammed through through Islam on Line
Sent: Monday, January 31, 2005

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
In the Philippines, all government employee are deducted a certain percentage of his or her salary. This can be accumulated as the time goes while in government service. When you retire from the office, this will be given back to the retiree. Moreover, the employee is entitled to avail of different loans depending on the length of service rendered and contribution given. To mention some, these are salary loan, policy loan, emergency loan, housing loan and many more. If an employee wanted to avail on housing loan with the intention of fulfilling the Sunnah of the Prophet Muhammad (peace be upon him) that says teach your child to pray at the age of seven, beat him at the age ten if he or she doesn't pray and separate a room for your boy/s and another room for the girl/s at the age ten also. As such, can I avail of the housing loan which will be deducted from my salary for ten to twenty-five years as staggered payment without incurring Riba? Jazakum Allah khayran!
Jazakum Allahu Khairan for your constant help

My Answer

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

Loans without interest are certainly permissible at any time, from any person or agency and for any purpose. But apparently, your question is not about loan without Riba. If a loan, for housing or for any other reason is interest-based, it is then forbidden because interest is Riba and Riba is one of the most grave sins a Muslim may commit.

If the system is such that deductions that are taken from your salaries are credited to a special personal account that belongs to you (owned by you) and held within the government agency, and the agency gives you a loan from your own account and requires you to pay the loan back to your account along with any increment (even if the system calls it interest) that is also credited to your own account; this increment is not considered interest from Shari'ah point of view because it is paid by you to you. In fact, your account held by the government is yours and it is subject to Zakah on annual (Hijri) basis.

Additionally, the correct translation of the Hadith you quoted does not have ""separate rooms for boys and girls but only separate ""sleeping spaces."" This can be done within the same room. remember two thirds of the Ummah cannot, financially, afford having separate rooms for their young boys and girls.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Interest in Islam

From: Nezaam

Sent: Monday, January 31, 2005

Question

Salaam Dr Kahf,

My name is Nezaam Joseph. I am contemplating writing a book regarding interest in Islam.

I was hoping I could get some input from you in this regard.

I will attempt to address a few financial issues there in.

I will not bore you with the details as I am sure you are all to familiar with them.

The first issue is that of interest. Firstly, I believe real interest is prohibited in Islam, I do believe nominal interest is permissible and I would go a step further to say that seeing as our currency has no intrinsic value and not backed by gold or the like we are obliged to charge nominal interest.

My logic is as follows. If I borrow $10000 today, Islamically I am borrowing a basket of goods worth $10000. 1400 yrs ago it was gold, today because of the volatility of gold one could then use the same basket of goods used to determine inflation. At the end of say 1 yr I would not want the $10000, I would want the same basket of goods or the nominal value then of the basket of goods. which if inflation was 5% would be $10500.

What I have achieved is backing the currency by something real, re-introducing a "gold standard" if you will. In this system the currency $ will only act as alleviating the double coincidence of need, but other wise the foundation of the system is that of barter with the basket of goods at its core.

In conclusion one has to charge the inflation rate as a premium in a loan.

Dr. I will greatly appreciate you feedback and if possible at all I have many more issues I would like your opinion on.
Wa' laykoem Salaam
Nezaam

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Mr. Nezaam
I think you need to study these issues little more before you jump to writing a book! the effect of inflation dealt with through indexation, please read about it, not through interest.
Remember the distinction between real and nominal interest rates is only a teaching tool in economics, real life doesn't work that way because interest is charged in the contract, ex ante, while inflation becomes known only at the end of a period, ex post. Even when inflation is expected it is not accurately expected! Besides, do you think that when money was metallic, there was no inflation? Is inflation a phenomenon of non-commodity money only? Add to it, did you ever encounter, in real life persons who think in terms of basket of goods? how about money illusion, consumer illusion, investor illusion, etc.?
Please refer to the Journal of the OIC Fiqh Academy (of course in Arabic), issues of 1995-2000 where it discussed indexation and resolved that any indexation, even to a presumed 'basket' is a form of Riba!
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

From: Nezaam
Sent: Tuesday, February 01, 2005 11:59 PM

Question

AssalaamoeAlaykoem wa raghma toellahi wa barakaatoh,
Dr Kahf,
Shukran for you response it is much appreciated.
Firstly I would like to respond by saying that I have studied this issue for the past year now. In South Africa where I am from there seems to be a great need for literature addressing long term loans and insurance. I was approached to possibly shed some light or insight on these matters.
Secondly I would like to answer some of your questions, though I suspect some of them may be rhetorical.
I believe money whether it be metallic or salt(which was a currency once) went through periods of inflation or deflation which was determined by there desirability or supply there of. But because these monies had utility or was intrinsic that is acceptable. Fiat money though, is paper and by itself lack intrinsic.

My argument is as follows, If we agree that we will trade as per barter system, which is very permissible in Islam, the underlying currency would be this basket of goods (something real and intrinsic). The $, Pound or South African rand however would be just a mere representation of the basket of goods which we loaned. It would also remove the double coincidence of need when we trade. Note though that the underlying currency is still the basket of goods. In terms of the repayment there is no interest. In terms of the paper representation of the basket of goods it would seem that there is interest but in fact there is none.
Houses in South Africa as in most parts of the world is expensive. Large sections of the Muslim community in is SA are affluent. Creating a system for Muslims when purchasing homes the Islamic way would not gain much momentum if inflation is not taken into account.
Though people don't think in terms of a basket of goods that should be the underlying principle, this could easily be factored in with the inflation rate. Note that we need not know what the inflation rate is as we are trading in the basket of goods and the repayment should be the basket of goods, the currency or legal tender is merely a representation of that basket of goods.
I could not respond to money, consumer or investor illusion as I don't know what you are alluding to, could you please elaborate.
Is it possible that you could forward me or point me in the direction for acquiring the paper you mentioned, I have a working Arabic vocabulary
I am also addressing the issue of insurance and how we can make it more Islamically acceptable. If you don't mind I would like to bounce it of you.
Again I thank you for your response and I greatly looking forward to you comments on this email.
Nezaam

My Answer

Dear Mr. Nezaam
Assalamu Alaykum wa Rahmatullahi wa Barakatuh, Please notice that you made two assumptions in your statements, they are underlined and they are not acceptable. Please this is an issue that has been solved years ago, and there is no need to raise it again, so make some more readings please! my time is really very limited that I like to use for better things at this time, sorry.
Best Regards, Wassalam,
Sincerely,
Monzer Kahf

Subject: Question on Islamic Economics
From: Yuki through Islam on Line
Sent: Sunday, January 30, 2005

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
In the Name of Allah, Most Gracious, Most Merciful. All praise and thanks are due to Allah, and peace and blessings be upon His Messenger. Dear respected scholars, As-Salamu `alaykum. I?fd like to ask you about Islamic economics, whose features are banks bearing no interest and zakah(some economists name it ?esocially commissioned goods?f). In the beginning, does Islamic economics really exist? Some western economists say that there does not exist Islamic

economics. But others especially Muslim economists insist that there does exist. Could you tell me what exactly the definition of Islamic economics is and what the theory of it is like? And one more question. Is it permissible to analyze Islamic economics by using the method of modern economics, which is often utilized for doing research on the theory of capitalism or the economy of countries based mainly on capitalism, whose features are private ownership and market economy. Also recently this method has been in use for analyzing communism, whose features are public ownership and planned economy, and socialism, whose difference from communism is not to control consuming goods. As a matter of fact, there wouldn?ft be a country based on complete capitalism or complete socialism, let alone complete communism. All the countries are based on mixed economy even though some countries hold up ?esocialism?f or ?ecommunism?f. The matter is what extent a country leans to. Now since Islamic economics allow private ownership and market mechanism even though there are some conceptional differences, in that sense, I guess Islamic economics is not so different from capitalism. Could you shed more light on this point? Thank you in advance. Jazakum Allah khayran May Allah Almighty give me a clear understanding of the teachings of Islam and guide me to the straight path.
Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Yuki,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
Your question is the subject of a full course and I suggest that if you are an economic student, you should take such a course in any university that offers it such as the IIUM, in Malaysia, Yarmouk University in Jordan. In fact most universities all over the Muslim countries nowadays have certain course that touch on this matter.
A brief answer, is yes Islamic economics is a branch of the science of economics it deals with both the positive arena and the normative arena of economics. The Islamic economic system is not similar to Capitalism but Capitalism is similar to the Islamic economic system because it is the system of human nature. the IES relies on a mixture of private and public ownership (all minerals and properties of direct public benefit such as energy sources are public), it relies on the market, The Prophet, pbuh, established a market in Madinah and set its rules of functioning, interest is prohibited, it is not an allocator of resources nor a distributor of income in this system, the third sector is large in this system, much larger than what exists in most economies today, Awqaf and Zakah are the main pillars of the third non-profit sector that replaces several of the government functions. The whole system of financing is based of sharing, sale or leasing principles not on interest, etc.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Islamic Economics & Finance
Sent: January 30, 2005
Question
Is debt consolidation permissible
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. Shah,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
The first two kinds of offering are permissible and it is permissible for a Muslim to offer them to other people.
Consolidating debts and rewriting them has two kinds of problems: 1) you must not write an interest-based contract even when it is in replacement of one that has higher interest because the Prophet, pbuh, mentioned it in specific ""the Wrath of God is on the taker of interest, its giver, its writer and its two witnesses,"" in a more detailed but still correct narration he added ""they are all the same."" 2) the second problem is that this is very often a way to encourage the beneficiary to go again into credit card and other debts. However, advising a person on the same and getting her/him quotes and rates, etc. is not Haram while letting her/him write the application for consolidation and new interest-based agreement
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Getting Rid of the Amount of Interest
From: Kazi through Islam on Line
Sent: Thursday, January 27, 2005
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
A FRIEND OF MINE USE TO HAVE A SAVING ACCOUNT IN EUROPE WHEN HE KNEW THAT THE INTEREST IS -RIBA- HE CANCELLED THE ACCOUNT AND HE WANTS TO GET RID OF THAT INTEREST AMOUNT. CAN HE GIVE THE MONEY TO A MUSLIM WOMAN LIVING IN A MUSLIM COUNTRY AS SHE IS IN NEED OF MONEY FOR HER OPERATION. IF NOT HOW CAN HE GET RID OF THAT AMOUNT OF INTEREST. MAY ALLAH REWARD YOU ALL. ASSALAM ALAIKOUM. IBN ADAM LONDON
Jazakum Allahu Khairan for your constant help
My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Kazi,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

According to Shari'ah any Riba based contract does not generate its effect (the earned interest). Earned interest is therefore not owned by your friend although it is in hi hand. It must be given to a poor or needy for whom it becomes Halal on the ground that it is owned by no body and this person is in need.
If the woman is poor and in need for that amount it is permissible to give it to her; otherwise, interest money must be given away to a Muslim charity to be used for distribution poor and needy because Muslim charities usually have lists of needy persons locally and/or in several countries.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Sale on credit
From: Elisa
Sent: Thursday, January 27, 2005
Question
assalam wa Alaykum, Dear Dr.Kahf,
first I m pleased to be able to speak with You, my name is Elisa, I m an italian student at Bocconi university in Milan, and I m making a research about Islamic finance to have my degree. I saw your fatawa on ""Islamonline.com"", and I know You re one of the most competent scholar about this field. I cannot ask for a fatwa maybe, cause I m not Muslim, but I m really convinced that the Islamic one is a better financial system compared to the conventional one. Anyway there are two things in particular that are not clear for me, I wondered if you could kindly bring some light on it:
first some scholars say that riba al-nasi'a is the increment related to the passing of time,in other terms it is the interest, some others believe that is just the ""waiting"" (al-nasi'a)and that interest should be identified with a combination of both riba al-nasi'a e al-fadl. which one do You think is the more compliant with the explanation the Prophet(saas)gave of riba in the well known ahadith ""wheat for wheat....is riba unless it is hand to hand and equal in amount""? and about the deferred payment, or purchase on credit, is there riba or gharar, or both?
Furthermore I would like to give to your attention the following ahadith:
Volume 3, Book 35, Number 454: Narrated Al-A'mash:
We argued at Ibrahim's dwelling place about mortgaging in Salam. He said, ""Aisha said, 'The Prophet bought some foodstuff from a Jew on credit and the payment was to be made by a definite period, and he mortgaged his iron armor to him.""
Then, every time someone's payement is delayed there is gharar, so we should eliminate gharar by giving something as a guarantee of the payment. referring to this..how could the purchase on credit ""Halal"", and above all when the price is higher than purchasing cash...do You think the Prophet (saas) would have paid more than the cash-price to have His foodstuff?
I hope You will understand my questions
Thank You anyway for Your attention
Best Regards,

Elisa

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Sister Elisa,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

For the Hadith you quoted from book 35, please tell me which collection of Hadith you refer to so that I can check its Arabic origin. There is always a problem of translation. This is apparent in this Hadith from the word mortgaging. It means put a collateral, not mortgage the way it is used in today's language/transaction. But this Hadith began talking about Salam (Salam requires cash payment and delay of delivery) then it caught 'A'isha about credit and collateral. Sale on credit denotes sale for deferred payment, i.e., it creates a debt on the purchaser which may accommodate asking for a collateral. The issue of a collateral is independent from the issue of Gharar. A creditor may seek a collateral from the debtor regardless of the reason of the debt. Seeking a collateral may indicate the presence of a credit risk in the mind of the creditor because a collateral is a remedy (mitigation) for credit risk.

Credit and collateral should not be mixed with Gharar. Gharar is ambiguity in a contract. Gharar may relate to the object of the contract (the good or the price) or to some of its main conditions such as date of delivery or payment. When ambiguity relates to miner matters such as "any time within three days" the contract remains valid even with such ambiguity but when it is substantial, it may void a contract such as a fisherman selling the "catch of tomorrow." In brief sale on credit does not involve any Gharar unless the subject of sale or the date of payment is grossly indeterminate. Further, a sale contract may be for cash payment and immediate delivery, or either price or delivery may be deferred. These three types of contracting may have different prices and nothing, in Shari'ah, prevents them from having variant prices.

In other words, if the payment is deferred, the price may be higher than a contract with immediate payment and if the delivery is deferred and payment is cash the price may be lower. This is a matter of free contracting and people's (contractors') preferences. Islam does not deny variation in prices as a result of variation in date of payment or in date of delivery. In fact, the verses 2:275 and 2:283 are understood by many as an indication for recognizing a higher price if the contract stipulates deferred payment. Verse 2:275 does not deny certain similarity between Riba and sale although it answers that there are differences that necessitates making one permissible and the other prohibited; and Verse 283 speaks about documenting debts (notice that sale with deferred payment produces debts as compared with cash sale).

For the first issue, the discussion is long and may take us more than one email so please if you find any need for more explanation do not hesitate to raise the issue in your future emails. Al Riba that is mentioned in the Qur'an is mentioned with this ""al"" article that is a definitive article; it refers to a thing that was known and practiced. This al Riba is an increment in a debt/loan. A loan always results in a debt but a debt may come from sale and other contract such as dissolving a partnership or distributing an estate. Hence, Riba that is prohibited in the Qur'an is a Riba in relation to giving loans and rescheduling debts. This is what we know as interest today.

The Hadith of the six items along with other related Sayings refer to another kind of Riba that occurs only in Bay' (exchange). Exchanging these six items, and their similar, may be with immediate payment and delivery or one of the two exchanged items may be postponed. Here is where the word Asia's comes from because it means postponement/delay. Postponement in handing over one of the exchanged items when the subject of the contract is one of the items mentioned in this Hadith and their similar is not permitted and called Riba al Nasi'ah. This is the meaning of "Yadan bi Yad" or "Ha'a bi Ha' " that is mentioned in this Hadith. (You should notice that there is postponement in giving loans and in rescheduling debts, i.e., in interest transaction. This is why the word Nasi'ah is sometimes used in relation to interest).
The Hadith also talks about another thing that is when you exchange quantities of the sale item such as gold for gold and date for date. In such an exchange quantities must be equal regardless of quality. This is Riba al Fadl. You should notice that quality is not denied because in another Saying the Prophet, pbuh, advised to sell the low quality for cash and buy the good quality for cash at a higher price. Of course, in this exchange if there is a delay in delivery or payment you would have both Riba al Fadl and Riba al Nasi'ah together.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Investment Contract with Pre-Determined Profit
From: Muhammad through Islam on Line
Sent: Wednesday, January 26, 2005 5
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
Kind Attention: Dr. Monzer Kahf Dear Respected Scholar, I would like to know whether is it permissible to borrow from a person for Eg..An amount of 100K to invest in my business for a certain period for Eg like.. 6 Months Period. Can I give him a proposal that I will give him a certain amount like 1K Per Mth and at the end of the 6 months period, I will give him back the 100K. If he agrees to this proposal, does this agreement have to be written in paper or it can be just agreed oraly? Pls do let me know the reference if you are quoting from the Quran or Ahaadith. Thank You
Jazakum Allahu Khairan for your constant help
My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Muhammad,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
This kind of agreement is Haram, it is exactly what Riba is. You know that Riba is prohibited in the Qur'an and the Sunnah, this does not require any specific quotation because such quotations are well known. Riba is an agreed 0n increment in a loan or a debt. the subject of your question becomes a matter of definition That is why there is a unanimous agreement

among all Scholars on the definitional axiom that ""any loan that entitles to an increment is Riba"" regardless of what you call it. the characteristics of a loan are such that the principal is guaranteed and payable some time in the future. As such any increment above the principal is Riba.
A further argument goes as follows: a person may earn income as a result of ownership of some asset that may grow (such as owning a piece of land and grass grows in it or a cow and it gives milk and other increments or a physical good and its price changes in the market) or as a result of expending a person's labor. what does this lender own? the lender owns a debt on you, he/she does not own a piece of your business, does she/he? if he/he owns a piece of the business, being a partner, she/he may earn according to the actual result of the business at the end of a period when you make your concluding account and statement of position. But this lender owns only a debt on you that is guaranteed by you; it is not a physical thing that may grow! That is why the rule is Shari'ah is that ""an owner may earn but a lender may not earn"" add to it that an owner is also expose to potential liability (loss) if things went wrong with the property she/he owns, but a lender is not exposed to such a loss because you guarantee the loan.
With regard to the second question, any permissible agreement is better to be confirmed in writing as the Qur'an suggests (2: 283) but it is equally valid when it is only verbal.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Using Interest to Pay Donation for Son's Admission to School
From: Shafqat through Islam on Line
Sent: Tuesday, January 25, 2005
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I have some amount of money in an interest giving account due to lack of Islamic options in our country. I am aware that it, i.e- interest accrued, can be used to help the needy. Can I use it to pay 'DONATION' for my sons admission to a school? This donation is almost like a bribe without which it is next to impossible to get admitted in good schools here in India. Also we don't have Islamic shools in our cities. I will appreciate your advice.
Jazakum Allahu Khairan for your constant help
My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Shafqat,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
My advice is No, you cannot use this interest money to give a donation to a school so that your son can be admitted to a school because you are getting a benefit from this giving. Remember earned interest is not your and it is Haram for you, it is equally Haram to get any benefit from it

even if this benefit is a relief from an unjust tax (or obligatory bribe) that otherwise you have to pay like any body else! Interest money is Halal to the poor and needy because for such a person money that accrues for no valid reason is Halal, but you cannot use this money to rid yourself from obligations that are yours even if such obligations are unjust because you benefit yourself from such a use of the Riba money and this is not Halal for you because the money is not yours.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Is This Transaction Riba?
From: Usman through Islam on Line
Sent: Sunday, January 23, 2005
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
My cousin owned a single door apartment. The monthly rental is P1,500.00. She pawned it to our neighbor (lender) in the amount of P40,000.00 on the condition that the rental will go to the lender until such time that it is redeemed. She wanted it to transfer to me to make it P50,00.00. However, I will redeem it on the condition that the amount (P50,000.00) shall fall on deposit instead of pawn and that I will pay my cousin P300.00 monthly rental instead of P1,500 while my deposit (P50,000.00) is not paid back. If my deposit is paid back, the monthly rental will upgraded into P1,500 or higher. Is the transaction between me and my cousin considered Riba? Jazakum Allah khayran!
Jazakum Allahu Khairan for your constant help
My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Usman,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
Yes, this is a clear and direct Riba. Riba is any material benefit of a loan or any additional thing you get from her other than the principal amount of the loan of 50,000. It doesn't matter whether you call it a loan or a deposit or any other name as long as it is in fact a loan (a loan is an amount [of money or any other standardized good such as gold, copper, corn or wheat] given to somebody with the pledge/commitment of returning it in the future). The reduction of the rent from its fair market rate (assuming 1500 is its fair normal market level) to 300 (i.e., the difference of 1200) is Riba. The pawning she has with the lender is also pure Riba.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: How to Get Rid of Haram Money and Haram Stuff
From: A Questioner through Islam on Line
Sent: Sunday, January 16, 2005
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
My brother use to send me lots of gifts (perfume, travel tickets, cell phones, body creams, cash money, etc ...). I found out that his income is HARAM and lots of people were financially broken because of him. I have already used the travel tickets and part of the perfume but I still have stuff such as Digital camera, cell phones, and used perfumes. He also insisted on paying an outstanding loan on my behalf even though I refused but he still paid it off. All this happened before I know that his income is HARAM. Also once I sent him an amount of money on his request to invest with him and he gave me profit on that amount. I want to know how I can fix this now that I know the source of the money. I can send a detailed list of the items I have or I already spent or the ones he paid on my behalf. The problem is that I am already have dues and payments. The problem is that I have no money to pay all these things back. I have lots of dues to pay. I am a simple person who fear ALLAH and don't want any HARAM. I am devastated. He destroyed everything I was building with his HARAM money. I didn't want my brother to do anything for me. I was always rejecting his help but he always insisted and this is how he paid the loan and all the other stuff I need to know what to do with the loan he paid for me. What about the profit he sent me from my investment with him. What shall I do with the stuff he sent me and I still have (Digital Camera, used perfume, cell phones ...)? What shall I do with the money that I already spent or used (travel ticket, restaurant invitations, cash money already spent, loan settlement? He paid me for a hotel once; he also rented me a car? Can I sell the stuff that I have and send the money to the people that were financially broken? If not can I give this stuff to my local mosque? If yes, do I have to tell them this is HARAM money? Baraka Allah Feekom
Jazakum Allahu Khairan for your constant help
My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. ,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
You will have to determine what to do on two grounds: 1) what do you mean by "his income is Haram"? and 2) whether you can know the original owners of the items your brother gave you.
1) If your brother's income is against his labor such as working as a broker of Riba transactions, in a casino or a swine slaughter house, His income is Haram for him but what he gave you is not Haram for you. If he got his income from theft, or cheating people out of their money, his income is Haram for him and the items he got from such actions including cash are Haram for him and for you (not only if you got them as gifts but even if you paid him for them). Such items remain the property of their true owners.
2) For the second category of items, if you know the owner, you should return them to their true owners specifically, even if you have to send them by mail without giving your name. If the specific owner of each item is not known you have to give them for Muslim charity, not to

a mosque unless there is a charity comity in the local mosque. These must then be distributed to the Muslim poor and needy. I don't suggest that you sell any thing but let the Muslim charity or comity take full charge of such items.
the same thing applies on the profit he gave you, but here if you do not know how did he get or from whom and you are not sure that he got it from Haram sources or transactions such as Riba, you have no reason not to keep the profit. In other words, you keep the profit he gave you (because we treat people as honest unless proven otherwise) unless you are sure that he got it from prohibited transactions such as selling liquor or lending on Riba or by means of theft, cheating and the like.
Items that you consumed including loan payment on you behalf and cash you used up that you determine that they belong to other persons but you can't pay them now are considered debts on you and you have to give them, or their fair value, to their true owners (or to charity as the case may be) as soon as you become able to do that. But please before you take any action be sure about point number 1 above and if you think we can help you any further come again and ask.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Islamic finance contract from specific company
From: Asad
Sent: Saturday, January 01, 2005
Question
Asallamulikum
I hope everything is going well for you brother. My name is Asad I asked for your assisiance late last year regarding a paper I was writing on Islamic Finance. Alhumdillah it went well.
I want to ask you some questions inshAllah.
1) What do you think of Guidance financial group? Are they following Shari'iah? What are they doing right or wrong? What must they change in order to make it better complaiant?
2) What do you think of LARIBA? Same questions as above.
3)If the two above options are not correct, then what must a Muslim do in America to aquire land or a home?
4)In Guidance Financial Group's Decling Bal ance Home-Ownership Program, they use competitive rates of interest to determine their profit payments so that the investors get a proper rate of return. Is this correct? Isn't that kind of like a sure rate of return making it harram?
JazakAllahu Khairun, for reading my e-mail. I apologize if this a bother to you.
Asallamaulaikaum wa rahmatullahi wa barakatu
Asad
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. Asad,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
I don't give direct opinion on specific companies. I can give you the rules and you apply them. Make the following two tests: 1) Do they have a Shari'ah board that approves the format of the contract, 2) Does the actual contract you sign read interest and loan or owners, ownership and profit/rent. Other points are irrelevant including using a model that is similar to the interest model!
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

FATAWA INTEREST RIBA LOANS 2004

Subject: Having a Soft Loan, Can I Go for Hajj?
From: Sr. Saida through Islam on Line
Sent: Wednesday, December 29, 2004
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I am about to go for hijja this year (7/1/1005). I am working and I have soft loan which ia general for our office to take a loan. Either for buying a fridge or for buying a plot. Am I allowed for such a prayer?
Jazakum Allahu Khairan for your constant help
My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Sr. Saida
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
If these are interest-based loans they have priority for payment over going to Hajj. If the available money is not sufficient for both they should be paid and hajj maybe delayed because The Prophet of God, pbuh, informed us that quitting what is Haram has priority over doing what is required and Riba is one of the most grave sins. However, Hajj is permissible while the loan is still outstanding.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Paying Extra Charges in Tuition from Interest Money

From: Umm Najeeb through Islam on Line

Sent: Wednesday, December 29, 2004

Question

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

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

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Sr. Umm Najeeb,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

The issue of fairness of the tuition is outside our discussion because, it is a matter of the law. If you feel you are treated unfairly, there are mean (although some may b difficult and costly) to appeal such treatment. Even if you are charged a clearly unjust tax, it cannot be paid from ""earned"" interest. Interest is in fact unearned according to Shari'ah. This means it has to go back to its payer because the contract that generates it is invalid. But we do not return it to banks because it will help them make more of the evil of interest. One cannot pay with interest any personal obligation, even unjust ones, because it makes it used as personal property while it is not. If you and your husband are poor that you deserve charity, it may be given to you by your relative, and you can then use it for any purpose. but if you are not poor, just this extra

amount I think you have to fight your case with your own resources, even if it may man delaying going to school for a year or so. I am sure you are aware that different states have different regulations in this regard and you can make a strong case if you can find some cases in the same state you are in, especially recent ones. If you feel being a Muslim has any thing to do with this unfair treatment, seek help from CAIR an other equal opportunity defense organizations.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Is This Transaction OK?
From: Mohamad through Islam on Line
Sent: Tuesday, December 21, 2004
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I have two questions: 1) a finance company repossessed a car from a default customer, this car is now available to me at a monthly installment for a fixed time period and at a fixed amount payable monthly irrespective of changes in market rates. Is this transaction ok? 2) A car dealership is offering to sell me a car thru a finance company I have to pay monthly fixed installments (not variable irrespective of future market trends). Is this transaction ok? 3) I am currently out of my domicile, I don't know exactly how long it will take me here, how many rakaats am i to offer? And can I combine the prayers? Are the sunnah and witr prayers to be omitted
Jazakum Allahu Khairan for your constant help
My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Mohamad,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
1) Buying a car on installment from a bank that repossessed for default is permissible provided there are no interest clauses in the sale contract. I cannot answer your question by a yes or no because I need to see the contract itself to be able to assess its compatibility with the Shari'ah.
2) Variability of installments or lack of it in a sale is immaterial to the permissibility of a contract. What matters is that it is clean of Interest and/or other violations of Shari'ah. Installment purchase, even from an interest-ridden finance company, is permissible if the contract does not contain any interest clause or any other Shari'ah violation.
3) Reducing the four Rak'ah prayers into two and combining Zuhr and Asr on one hand and Maghrib and Isha' together is permissible for traveling persons. You are a traveler as long as you do not know whether you are staying for four days outside your areas of residence (by approximately 85 Kilometers) or 15 days according to the Hanafi School. if You are a traveler

and you extend your stay from day to day so that at any moment of time you don't know whether you are there for four days or more you can then continue reducing and combining. But once you know you are staying there for four days you become a resident where you are and then not permitted to reduce or combine.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Dealing with Banks without Taking Interests
From: Moaty through Islam on Line
Sent: Wednesday, December 08, 2004
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I have a friend who is a car dealer. Sometimes when a person buys a car, he draws the finance paper for the bank which pays us in full and charge the client interest. He does not charge interest. Is he involved in Riba? Should he quit the business if he is?
Jazakum Allahu Khairan for your constant help
My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Moaty,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
I understand the dilemma that you feel. I think writing an application for interest-based financing is part of writing the Riba because approval comes on the application.
Since you said that this car dealer does not involves his business with any Riba, I suggest that after making the deal with the customer, have a non-Muslim employee fill out the interest-based financing application. For a Muslim there seems to be no way to avoid the correct Saying of our beloved Prophet, pbuh, that puts the Wrath of Allah on the taker of Riba, its giver, its writer and its two witnesses. Writing a Riba contract or an application for Riba financing is not permitted in Shari'ah.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Student Loans and Zakah
From: Sr. M through Islam on Line
Sent: Wednesday, December 08, 2004
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

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

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Sister M.,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

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

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Meaning of the Word Riba al Fadl

From: Jeff

Sent: Friday, November 05, 2004

Question

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

What are the literal translations of riba al-fadl and riba an-nasi'a?

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Jeff,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
Literally, the word Riba means increment and the word Fadl means surplus/excess and the word Nasi'ah means deferment.
Riba al Fadl is thus Riba of excess in exchange or Riba of exchange (because it is also called Riba al buyu' (Riba of/in sale)
Riba al Nasi'ah [the ' stands for hamza and the h for ta that is at the end of a word] Riba of deferment or Riba of debt(s) as it is also called Riba al duyun.
in the word Nasiha the h stands for the deep ha, it is the noun of the verb Nasaha =to advise and the noun is advice.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Borrowing Money and Using It in Business

From: Omar through Islam on Line
Sent: Monday, November 01, 2004

Question

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

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Omar,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
Borrowing and paying on a loan any increment is certainly Haram; this is exactly the Riba that is prohibited in the Qur'an (2: 279). The same kind of cooperation can be done in a Halal manner: do not borrow but make partnership with the owner of the money, use it in business and share the profit as you agree on but losses must be distributed according to the percentage of capital contribution.
trading share depends on the shares/ companies because trading include owning them. You can't own shares of companies that produce forbidden goods and services such as banks, entertainment companies, weapon companies, etc. Also you can't own share that are heavily involved in forbidden transactions such as insurance companies, etc. Try to take a look at the

website of the Dow Jones Islamic market index and you will find there certain criteria that helps you select permissible stocks to trade. Bonds, being interest-based, are forbidden.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Student Bank Accounts
From: Munir through Islam on Line
Sent: Tuesday, October 26, 2004
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
Ramadan Kareem, I would like to ask about Student Bank Accounts. Is it haram to have an account with Student Overdraft which is payable after graduation? When I asked the bank, they said, it is interest free provided that I use the amount up to the limit given by the bank. Otherwise, the bank incurs interest charges for over limit used amounts. I was wondering if this is permissible? Jazakum Allahu Khairan for your constant help
My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Munir,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
If the contractual relation between you and the bank does not contain any interest for overdraft up to certain limit and you only use it within that limit, your use of the banking facility is permissible inspite of the fact that the bank is conventional and deals with other people on interest basis. What matters is your relation with the bank.
On the other hand, please be sure of what you say about this relationship because it seems to me there are other conditions that you may not be aware of. It doesn't seem the banks habit to give such a deal, please check other conditions.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: sold receivables
From: Jeff
Sent: Monday, October 25, 2004
Question
Dear Br. Monzer, Salaams again.
If a company sells some of their accounts receivable for cash, I am treating that as part of riba debt for the purposes of our rating, because it is essentially a ribawi way for the company to get

cash right away instead of getting a short-term loan with interest for the same amount. Do you agree with this approach?

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Jeff
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
Yes, this is an interest transaction. Obviously the company pays interest; so the transaction should be considered as part of the leverage of the company in estimating its loans/equity ratio.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Tawhidic argument for the prohibition of riba

From: Jeff
Sent: Thursday, October 21, 2004

QuestionDear Br. Monzer
Please comment on the tawhidic argument for the prohibition of riba described in the email exchange below and the attached document. In the attachment, the argument is introduced in the third paragraph and mostly explained in the section entitled “the linguistic notion of riba.” Please tell me why you agree or disagree with it. I look forward to receiving your input on this to help me in writing a description of riba for our website.
Jeff

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Jeff,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
I DON'T GO ALONG WITH THAT ARGUMENT. The claim that it needs a philosopher's or Sufist's background to understand it is the same claim usually made by Sufist that other people don't understand them because ""they did not reach their level.""
Paragraph 12 ""from ....Money"" seem to me out of space. Fist, it is not money that grows but rather debt. The original practice of Riba [Riba al Jahiliyyah or Rib al Qur'an] was on extension of existing debts [usually resulting from deferred sale]. Second, Riba does not apply to money only but to a whole spectrum of goods whose ingredients are similar such as grain, date and so on. Third, Why is the claim of 'self propelled value' applied to money only not to land that makes intrinsic growth or animals (weren't these worshiped by many nations on the same ground while we have no report that people worshiped gold/silver in the literal meaning of the word). Fourth, aren't all self propelled values also in the hands of God Who is the Ultimate

Creator anyway? Fifth, grass that grows in the desert of a bedouin is to him equally self propelled and more visibly so also to him the self propelled powers if wind and rain are much more compelling as the Qur'an clearly indicates in several places. Sixth, who said that money is only a medium of exchange and a unit of account? is it not a sore of value too and even a measure of future value regardless of interest. Add to all that that for the Arabs of the time money was not known as just money as we know it now [see how we impose our understanding and definitions on people who lived 1400 years ago]. While they knew gold and silver as irregular pieces like small rocks and as minted coins, they treated them by weight as a commodity/money and they treat a whole line of other commodity as medium of exchange too. This is why you find that the definition of price in the sale contract in Fiqh as the other commodity that is paid in exchange; it may be gold/silver coins or pieces of irregular weights or it may be date, grain, camels or garments.

Additionally, It seems that, appealing to a Western reader as it may be, the argument of relating Riba al Fadl to Khaibar exchanges between departing Jews and soldiers is not consistent with the historical events. Khaybar was in the seventh year of Hijra wile the prohibition of Riba in the Qur'an was among the latest revelations as Omar said and it was after al Abbas the uncle of the Profit became formally Muslim when Makkah was opened in the year 8. Besides the Jews did not depart from Khaybar but were left to stay and farm the land. It is very unlikely that the Prophet would prohibit the Riba al Fadl before even the Prohibition of Riba al Nasi'ah (by the way, writing it as Nasiha confuses it with the word advice as the latter means) in the Qur'an because it is very strongly argued that Riba al Fadl was only prohibited because it may be a cover up of Riba al Nasi'ah.

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

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Islamic House finance contracts

From: Lamis

Sent: Wednesday, October 20, 2004

Question

Dear Dr Kahf, Assalamu Alaikum

Thank you very much for your reply.

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

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

Lamis

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Sr. Lamis,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
I don't know the Islamic financial product you talk about in Australia. But I can tell you one thing: if the contract is reviewed by respected Shari'ah specialists you can be comfortable with it regardless of who says what. Unfortunately, we have in America some finance companies that claim to be Riba-free but their contracts are in fact Riba-based and they refuse to have them reformulated in accordance with Shari'ah.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Investment with fixed return

From: Rizvi through Islam on Line
Sent: Wednesday, October 20, 2004

Question

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

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Rizvi,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
If the contractual relation is such that put with us now an amount and we give you double at a certain future date, it is then not Mudarabah but pure Riba regardless of the way they will use the money.
but if it is such that invest with us now and we think we will make double in six month but only God knows how much we will actually make and we will distribute the actual profit between us and the investor; his seems like Mudarabah and it may be permissible. To give an exact

statement I need to see the contract itself and be sure that it does not contain any violation of Shari'ah.
By the way, most of those who promise big return are usually bluffers and phony, be careful!
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Sale of Debts
From: Dr. Mujeeb
Sent: Monday, October 18, 2004
Question
AsSalaamu Alaykum: Ramadhan Kareem & Mubarek Brother Monzer.
A friend who knows you well, Brother …….. (…… Foods) asks you the following through me as he does not use internet:
A used-car businessman sells cars on the basis of deferred payments/installments (without interest). He has approached financing (mortgage) companies to sell these contracts in a package for about two-third of the balance amount. DOES SHARIAH ALLOW SUCH TRANSACTION WITH MORTGAGE COMPANIES?
Some mortgage companies pay a flat percentage of the balance upfront, while others pay most upfront and some as they receive payments from the car owner. DOES SHARIAH DIFFERENTIATE BETWEEN THE TWO OPTIONS? Regards,
Mujeeb
My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Dr. Mujeeb,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
Please give my Salam and Ramadan Mubarak for our Br. …… …….. and inform him that the sale of undue-yet debts whether they are a result of installment sale or any other contracts for any thing less than the face value of the debt is prohibited in Shari'ah and it makes no effect on the ruling whether the whole proceed of this sale is paid at the time of the sale or any part of it. This amounts to pure Riba and there are 2 resolutions of the OIC Fiqh Academy to this effect: one about discounting of future IOU's and one about sale of debts.
On the other hand, sale of Ijarah (lease) contracts at any price is permissible because the holder of lease contracts still own the cars themselves.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Do I have to pay the interest I contracted on a loan?
From: Farooqui through Islam on Line
Sent: Tuesday, October 12, 2004
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I was in US on a student visa After completing my education I came across a US muslim citizen, who agreed to get into a business partnership with me. While doing and starting the businees, i also had to borrow money from banks, I had a nice business setup which included my office assets and car. About 3 months after I started the business, I had to renew my student visa, for which I took the necessary documents from my university and went to Pakistan to get my visa renewed.(Since i had to leave US to get new visa) But the US consulate in Pakistan refused to give me visa. I explained my position that i have my home, assets and loans to repay in USA, but they refused my application. Question: Now i have a situation where, I lost all my assets in US, but i had loans in my names in US. I never had intention to do this, but the chain of events, beyound my control, put me in this situation. I could not afford to pay back banks in US being in Pakistan, also since the interest would have increased the principal amount by many times. After few years when i earned sufficiently, Since my inner soul was always reminiding me of this , I donated the portion of money i used in US by borrowing from banks to orphans and charities. Please advise, in light of my circumstances. Jazakum Allahu Khairan for your constant help
My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Farooqui,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
Giving to Muslim charities, poor and needy is always excellent acts of benevolence and rewarded by Go, InShaAllah.
On the other hand, Lack of visa does not make you loose all your assets, not denying that it affects your ability to manage them rightly and causes inconveniences and losses. Additionally, taking interest-based loans is Haram to begin with. You should have not engaged in interest loans in the first place and you need not loose all your assets because of the visa problem in the second place. Unfortunately, once you contract an interest-based loan, you should fulfill your commitments. I am definite that most of the banks you dealt with are willing to reconcile with you, through negotiation that can be done via any friend of yours who is still in the US and drop all interest and charges if you pay the principal after such a delay. If you had certain real properties that you put as collateral for these loans, banks may have already settled their loans by selling the collaterals.
In brief, I think you should negotiate to pay reduced amounts on your loans in the US unless there were collaterals that are sold for them.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

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

From: A Questioner through Islam on Line

Sent: Thursday, September 30, 2004

Question

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

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

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. ,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

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

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

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

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Question on use of Bank Interest

From: Abdullah through Islam on Line

Sent: Thursday, September 23, 2004

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh

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

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. Abdullah,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

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

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

2) If we have to deal with conventional banks we must first make our relation on no interest-basis unless that make the bank profiteer from us in such a way that makes it fooling us and make benefits on our shoulders. In this case the rule No. 3 applies.

3) If we happen to deal for any reason with a conventional bank on the basis of interest, or if interest accrues to a Muslim from any entity for which interest is the normal practice, WE MUST TAKE THE INTEREST AND GIVE IT TO MUSLIM CHARITY. DO NOT ALLOW IT TO MINGLE WITH OUR OWN HALAL MONEY. We cannot use it for any thing that is our responsibility, no payment of tax or bills, and no other uses. IF IT IS HALAL TO THE MUSLIM POOR AND NEEDY it is also Halal to similar services to the Muslim community.

4) In applying this opinion: No. There is no difference between conventional banks in the Muslim countries and conventional banks in the non-Muslim countries.

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

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Arranging Bank Loans for Employees

From: A Questioner through Islam on Line

Sent: Thursday, September 23, 2004

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh

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

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. ,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
Are you sure this is exactly the arrangement? It seems unrealistic and I have never heard of companies that offer such a benefit. Are you telling me you take any amount from the bank and the company pays it back to the bank along with its interest?
If it is true, it is permissible to take it according to Shari'ah because as the benefits of employment you are given a lump sum and you have nothing to do with the loan contract or the payment of interest and principal. The point that it is paid from the bank makes it like your salary that is also credited to your account in the bank!
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

From: Hesham through Islam on Line
Sent: Monday, November 01, 2004
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I submitted a question on September 27th titled “Company Arranging Bank Loans for Employees” with reference 5GE6W2. Thanks to you, I received a valuable answer however it seems that I did not explain the question well and so the answer contained some assumptions that are not right. I’m submitting the question again with some additional information.
The additional clarifications are: Though the company will pay all related installments & interest, the loan contract is in my name not the company’s. The amount is a specific amount each 4 years according to the position in the company. Thank you very much
Jazakum Allahu Khairan for your constant help
My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Hesham,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
Your new explanation helps a little but still needs some further note. Signing a interest-based contract is not permissible unless it has some way to make you avoid the interest. Hence, if the contract, or the state laws permits you (gives you the option) to pay the balance of the principal without interest in case employment is terminated for any reason, and you are sure that under such circumstances you can actually pay the balance, signing it becomes Haram.
The reason is that in principle signing an interest loan contract is forbidden. We made an exception because you are given an employment benefit in the form of a lump sum with the condition that you sign this contract. Fine, you may sign it if it has such an option because from your point of view it becomes an employment benefit, a gift of a certain amount (based on your

position) provided that you return certain balance if you quit during its amortization. In other word, you do not carry any interest-based loan.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Prohibition of Interest, its Signing and Writing
Subject: Writing or signing a Riba contract
From: haneef
Sent: Wednesday, September 15, 2004
Question
Assalam 0 Alikum,
I am in need of urgent advice. Can you please answer my following questions?
Is it Halal or not, to work as a part time Customer Sales Advisor in a bank such as, Barclays? I have read you article on Islam Online. In this you say it is haram to sign or make contracts that involve Riba. Would, this include opening an account for a member of the public? Jazzak Allah.
Kind Regards,
Haneef
My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Haneef
Yes, if it requires you to write it or sign it as a witness or on behalf of the bank. Please notice that we are dealing on exactly a thin edge as working in a bank itself is controversial and I take the line of those who do not consider it Haram,
; it is certainly not the best job to take in the world.
Finally, sorry for the delay in my answer that is caused by traveling and interruptions in internet access
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Taking Interest Investment for Tax Shelter
Subject: Interest for Tax Deduction
From: Osama
Sent: Monday, September 13, 2004 9:52 AM
Question
Salam,

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

My Answer

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

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

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

Subject: Giving Charity from What He Earns From the Bank

From: Aminu through Islam on Line
Sent: Thursday, September 09, 2004

Question

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

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

Jazakum Allahu Khairan for your constant help

My Answer

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

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

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

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

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

Subject: Is an increment in a loan to cover inflation Riba?
From: Islam on line
Sent: Wednesday, September 08, 2004
Name of Questioner rizwan Country of Residence Pakistan
Question
my question is regarding riba. the issue is that i owe 30,000 (pakistani rs) from a person which he has requested to pay me in 12 monthly installments. now is it permisseble for me to take in the 12 installments of a little extra amout to cover my inflation cost for example 33,000 / 12 which is 3000 more than the loan but the fact is that i am getting my money in 12 months
Jazakum Allahu Khairan for your constant help
Yours,
My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Rizwan
Assalamu Alaikum Wa Rahmatullahi wa Barakatuh
Yes, such an extra is Riba and it isforbidden. If you keep your money with you it will loose the same value; and who knows if you invest it in any stock or in any business you may loose too! You have the choice of not lending him at all and you have the choice of lending him gold, dollars or Saudi Rials, but in all cases you only get back the amount you lent in the same currency, no extra, and no less. any increment above the number of ruppees lent is Riba.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

-Subject: interest on loans to compensate for inflation
From: hussam
Sent: Monday, September 06, 2004 1:46 PM
Question
Dear brother:
If we lend a sum of money to a person or organization, can we condition that the money be returned at the due date with its value not its quantity, indexed to gold or a foreign currency or the price of certain goods or other indicators.
I have read that this the opinion of (abi yousef) in hanefa mazhab
Alsalam alekum

housam

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. Hussam

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

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

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

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

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

Abu Yusuf opinion relates to the case of "the currency of the loan does not exist anymore" like a loan in Majidi [the silver currency of the late Ottomans] or a loan in French francs after converting to Euros. In dealing with change of value, he and others are explicit that you give what you took in quantity. By the way this issue was debated in the OIC Fiqh Academy and you may like to refer to its Majallah of the years 1998-2000, the resolution to this effect was adopted in 2000, in the full plenary meeting in Riyadh.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: hussam

Sent: Tuesday, September 07, 2004

Subject: Subject: loan

Question

Dear brother:

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

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

Walsalam alekum

Housam

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Hussam,
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
These are in cases of hyper decline, not normal inflation. Notice that it said about other currencies that they are subject to changes but relatively stable. Yet The OIC Fiqh Academy took a different direction. of not accepting any assumption. but at the time of repayment we look at what happened if the currency really went that down, you look at the value at the time of the loan giving. if it is normal (expected decline) you disregard any change and look at quantity for quantity.
why it is impractical? look at the case of Lebanon. Suppose the borrower is a government employee and the lender a real estate owner. The currency collapsed from 1.5 to the dollar to 85o to the dollar. several thousands percent. the salary of the borrower increased only ten times/ he will need forever to be able to pay his loan if you take its the differential in the currency value. At a time when the assets and return of the lender not only did not decline but went up more than the differential in the currency value (as usually happens with real estates) can you fairly charge the borrower the value? the Issue of hyper decline must be treated with consideration of each case alone. Ibn Abidin suggested for such cases what he called an obligatory arbitration to be imposed by the judicial system.
The answers given by such general Fatawa are incomplete!
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: student loan
From: Faduma
Sent: Monday, September 06, 2004
Question
Assalaam alaikum,
Inshallah, I hope you may be able to assist me in resolving this problem. I am a university student in Canada. However, I was able to come to university on the basis of a government student loan program. The composition of the loan program is so that a portion of my loans are bursaries (which I do not have to repay) and loan. Additionally, the federal government has a loan forgiveness program, in which a portion of the student's debt is forgiven after the duration of their studies are complete. But what is most significant is that during the duration of the student's studies, interest is not accrued, but only comes into effect 6 months after the completion of their studies.
As I am entering into my final year of undergraduate studies, I am very concerned with the interest component of my loan. I admit that I was aware of the structure of this loan when I agreed to its conditions, but I was not very observant of my religion at that time either.

A friend has suggested that I seek out another loan, but one that is compliant to Islam, with which I can repay my government loan and not incur any interest. But I lack the necessary resources to set out finding such a thing.
Also, I am not yet certain, but inshallah I would really like to continue my studies on to the graduate level, but I am wary of continuing to accept student loans.
I would appreciate your help on this matter, jazakallahu khairan.

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br./Sr. Faduma
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
Here are the principles that apply to student loans:

1) Interest-based student loans are prohibited unless in very rare situations (such as when work-required certificates are withheld against payment of a balance of school fees and the student need them for getting a job). The reason is that there is no necessity for such loans especially in North America where there are other opportunities to have financial aid and part time jobs.

2) Student loan programs in the US and Canada vary in the concessions they give. Programs that offer no interest during study period and an option to pay the loan principal within a given period after graduation may be permissible provided the borrower knows for sure that she/he will certainly be able to pay back the loan within the grace period.

3) Student loans taken before becoming a Muslim or before knowing the Shari'ah rules must be paid, as soon and as quickly as possible, within a their grace period, if any, or after that, of course with whatever generated interest, in such a way as to minimize the involvement in interest to the lowest level.

4) If continuing your graduate study extends the grace period of no interest until completing it, thus giving you more time to manage your money flow and to better prepare for full payment during the grace period, it may be advisable, from the point of view of this angle, to do so.

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

Subject: Hajj and Student Loan
From: Islam on line
Sent: Thursday, September 02, 2004
Name of Questioner Malikah Country of Residence U K

Question

Alhamdulillah, Insha Allah I have the opportunity to go on hajj next year. I am a new muslim and I've been told that I can not go on hajj if i have debts. My debts are are due to educational expenses from the student loans company (i have already sort fatwa about riba on this and it

was deemed ok for me to take the loan due to my circumstances). Will it be halal for me to do hajj with the debts i have.
Jazakum Allahu Khairan for your constant help
Yours,

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Sr. Malikah
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
Although it is permissible to spend on the Hajj trip while you have an outstanding debt, I suggest that you should not go to Hajj while you are under a Riba-based loan. Besides the point that I argue that unless under very special circumstances, student loans are not necessary to the extend that warrants relaxation of the prohibition of Riba, spending the money to rid oneself from a Riba-based loan has a priority over spending it for going to Hajj since while under debt you are not under an obligation to go for Hajj. However, if you are sure of your decision on taking a Riba-based loan for education and your ability to pay it in the future and that your trip for the Hajj does not reduce or hinder this ability, it is still permissible, though not preferable, to use your present savings for going to Hajj.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Buying a land from who bought it on interest
From: Abdullah
Sent: Sunday, August 29, 2004

Question

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

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Abdullah
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
If your friend is willing to take the 6350 from you as a loan, buy the 2 lots in interest and sell you one for 25000 plus the amount of interest he is paying the bank, considering the amount of the loan as a first payment and the rest installed on a number of years (same amounts and due dates as in his loan with the bank), this sale contract is correct from Shari'ah point of view, although the transaction becomes a formal ""go-around""! Once you buy the land from him, it becomes yours (you become the owner) and you may sell it any any time after the purchase contract with your friend. It is permissible to agree with the buyer that she/he may assume the debt you owe your friend as part of the sale price and the rest may be installed to you or given cash. It is also permissible to sell the land before you complete all payments of the debt to your friend.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Interest as a Result of Transferring Money
From: Mohamed through Islam on Line
Sent: Thursday, August 26, 2004
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
Few years ago I transfered Us $ to Egypt where I have a bank account in Egyptian pounds, because I needed the money in Egypt. The transfer was not for business or trade, but for personal needs. The money was transferred at a rate of 1 $ = 3.42 pounds and the bank was paying me interest during these years but I did not take the interest for myself because I was told its not halal and I was giving it to moslem charity.
Now I needed the money to be transferred back to the USA to US $ but the rate is now about 7.00 ponds for each $ which means my original capital is reduced almost to half. Since I did not transfer the money originally for trade or business, can I take the interest from the bank to restore some of my capital?? Allah says (lakom rawoos amwalekom), but I can't even get my original capital because of the flactuating exchange rate and I did not do any business or trade, is it not logic that the interest in this case to restore some of my capital is halal, to balance this situation because I have no control over the exchange rate and I should not loose my capital without doing any business or trade because of the banking systems in a moslem country like Egypt. I would appreciate it very much if you can study this unique situation and advise me with the right fatwa. Thank you very much for your help. ,jazakom allah kol khyer
Jazakum Allahu Khairan for your constant help
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Mohamed
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
NO. Please notice that your capital is Egyptian pounds, it is not Dollars, and your principal is still intact, in Egyptian pounds, you still have it. It is simply the bad lock that every body has when a currency plunges down. suppose that money was not in a bank but hidden under the mattress of your mother back home, won't you get the same principal in Egyptian currency and transferring back to US$ make you loose the same. Please notice that interest is not a compensation for currency devaluation, or loss of value! Besides, why did you make the irreparable mistake of putting the money on interest in Egypt? Not only that interest should be given to Muslim charity but also the deposit contract itself is sinful and you fell in the trap of Riba by your own choice in making that deposit. You could have placed the money on investment with an Islamic bank in Egypt and gotten permissible profit on it that you could keep.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Taking a Loan to Buy a Car
From: Mohammed through Islam on Line
Sent: Sunday, August 22, 2004
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I need to know if I will take a bank loan from Islamic bank to buy a car (the car is essential request for my work & I can not afford to buy it at once) For me is it Halal or Haram. second I went to a cars showroom , they have two prices one for cash & the second is installment price for five years (cash price + interest) is also Haram for me to buy the second price knowing that it is including interest. Thank you
Jazakum Allahu Khairan for your constant help
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Mohammed
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
Islamic banks do not give "loans to buy cars." They give financing on Murabahah or Ijarah. Murabahah works in a way that ends with similar result as the two prices you mentioned. Hence, It is permissible to take Murabahah financing from an Islamic bank or to contract the car dealer to buy on installment, even if the price differential is calculated on the basis of interest.
What you must notice that, wile this transaction looks similar to interest based loans, the two contracts are in fact different as they originate from two different sets of principle: loans with

increment versus freedom of setting prices in sale. This is the same confusion that was argued by the Makkan unbelievers as the Qur'an narrates [2:
279].
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Giving Interest Money to Poor Brother
From: Abdul Majeed through Islam on Line
Sent: Monday, August 09, 2004 12:11 AM
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
ASSALAMU ALAIKUM MAY AL MIGHTY ALLAH GIVE YOU GOOD REWARD FOR YOUR GUIDANCE. I HAVE SOME INTEREST MONEY IN MY NRE ACCOUNT WHICH I AM NOT USING. SO KINDLY ADVISE CAN I GIVE THIS MONEY TO MY POOR BROTHER FOR HIS DAUGHTER'S MARRIAGE. BEST REGARDS ABO RIZWAN. Jazakum Allahu Khairan for your constant help
My Answer,
Bismi Allahi al Rahmani al Rahim,
Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,
Dear Br. Abdul Majeed
Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh
Interest money is Haram money for the person who gets it from an interest-based institution. Giving it to the poor and needy makes it Halal for the recipient. If your brother is really poor, technically, you may give it to him and he will be free to use it for any purpose he chooses.
But on moral ground, do you feel comfortable giving this dirt to your brother for the marriage of your niece? You are an uncle and uncles are like fathers is the Islamic culture and heritage. If you are able to help don't you feel a moral responsibility to help as much as you can your brother in the marriage of your niece who is like your own daughter? Remember, if her father happens to be absent or not there you are the one who stands in his place!
Wa Allahu A'lam,
Wa al Hamdu li Allahi Rabbi al 'Alamin,
Wa Assalam,
Sincerely,
Dr. Monzer Kahf

Subject: Building a Mosque with Loans from the Bank
From: Najeeb through Islam on Line
Sent: Saturday, August 07, 2004
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

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

Notes

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

Jazakum Allahu Khairan for your constant help

My Answer,

Bismi Allahi al Rahmani al Rahim,

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

Dear Br. Najeeb

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

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

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

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

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

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,
Dr. Monzer Kahf

Subject: Is There Riba in such a Deal?
From: Khurram through Islam on Line
Sent: Wednesday, August 04, 2004
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
A friend of my father has proposed him to do business with him in the following way: He has asked for loan from my father and has suggested that he will be giving a fixed percentage of profit to my father besides the loan. My father has not asked him for the profit. But if that man himself is giving such a proposal, will that profit be considered as interest for my father? Jazakum Allahu Khairan for your constant help
My Answer,
Bismi Allahi al Rahmani al Rahim,
Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,
Dear Br. Khurram
Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh
If the money is given as a loan, then any contractual increment is a Riba, whether it is a percentage of profit, a percentage of loan principal, an amount that is determined by any outside or inside index or a fixed amount. The meaning of giving as a loan is reflected in the fact of whether the loan principal is guaranteed, asking or offering does not matter; what matter is the agreement, what do they agree on.
On the other hand, if the person is trustworthy, and the business is profitable and not risky, the agreement can be legalized, from Shari'ah point of view, by giving the money as Mudarabah (investment) where your father remains the owner of the money, it is not guaranteed and he can share in the profit according to any percentage they may agree on.
Wa Allahu A'lam,
Wa al Hamdu li Allahi Rabbi al 'Alamin,
Wa Assalam,
Sincerely,
Dr. Monzer Kahf

Subject: Purchasing Cars Through Commercial Loan Banks
From: Iqbal through Islam on Line
Sent: Wednesday, August 04, 2004
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
Car and home loans Dear respected scholars Asalaamu alaikum In Australia, most members of the Muslim community are purchasing cars and homes through commercial bank loans and mortgages. This is justified in two ways: - one has no option in a Western country which does not have Islamic banking - and hence you need to borrow to be able to acquire a car and a home. - the interest prohibited refers to excessive interest over and above an accepatble rate

(usurous rate). Interest at or below the average is acceptable. Please comment on the above - especially the notion of interest and riba in Islam. Also, please comment on what riba encompasses (interest, excessive profiteering, etc). Wasalaam Jazakum Allahu Khairan for your constant help

My Answer,

Bismi Allahi al Rahmani al Rahim,

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

Dear Br. Iqbal

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

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

This kind of Riba is defined, in Shari'ah, as an increment stipulated in a loan contractor in a debt rescheduling (for the time difference between giving the loan and repaying it or for delaying a debt to a further due date). Kindly notice that there is no reference to a low or high rate. Therefore, a low rate of interest is equally prohibited. Of course, high rate is double evil because it is Riba and it is exploitative too. The Prophet, pbuh, made a reference to ""an atom of Riba"" is some of his Sayings. Riba is one of the most grave sin according to our religion; it is the sin about which God said that a war is declared from God and His Messenger on those who do not quit dealing with it. The prophet, pbuh, said that the Wrath of God is on the taker, the giver, the writer and the two witnesses. and in some other Saying he, pbuh, said: they are all equal (in the sin).

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

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

Subject: Investment and Inflation

From: Shazly through Islam on Line

Sent: Sunday, August 01, 2004

Question

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

In 1997 a person took a certain amount of money to invest in Egypt and then ran away to the US. Recently we were able to locate him and under pressure agreed to give back the money in installments. As the value of the egyptian pound has devaluated dramatically since then and we

could have invested the money ourselves, so are we allowed to get an increase on the orginal amount or would that be "Reba". Please take into consideration that we did not lend him the money but was for investment .
Jazakum Allahu Khairan for your constant help

My Answer,

Bismi Allahi al Rahmani al Rahim,
Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,
Dear Br. Shazly
Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh
If the money is taken for investment, we first need to know what happened to that investment before he ran away to US. If it was lost with no fraud or betrayal of contract, or gross neglect, then the owner of the money is the looser and that person should not be charged any amount and needs not to repay anything, let alone any increment over the principal amount.
Once we determine what is the actual result of investment, if there is any money left to the owner and the investment term expires, that person must return the remainder to the owner. If he did not, he was then making a mistake of aggression on the funds held in his hands, and he can be charged for any damage that happened to the owner as a result of this delay but this can only be done within a settlement that must take into consideration the abilities of both parties and their use of funds, the amount of damage including the effect of inflation on the domestic and external price of the Egyptian pound but not to include a presumed potential lost profit or return (for instance rate of interest or rate of distribution of profit in Islamic banks) .
Wa Allahu A'lam,
Wa al Hamdu li Allahi Rabbi al 'Alamin,
Wa Assalam,
Sincerely,
Dr. Monzer Kahf

Subject: Hajj while parents are still under debts

From: A Questioner through Islam on line
Sent: Wednesday, July 28, 2004

Question

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

the payments for our debt while i prepare for my hajj. But then i feel it does not seem right. Thank You.
Jazakum Allahu Khairan for your constant help

My answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabbi al 'Alamin Was al Salatu wa Al Salam 'Ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi 'Ama'in
Dear Sr.,
Assalamu 'Alaikum wa Rahmatullahi wa Barakatuh,
Let us first talk about the principle and then come to a suggestion. The principle is that the debts that are on your father, mother or on them both are theirs and you are, from a technical Shari'ah point of view, not responsible for these debts as long as you are not a part of borrowing or a signatory on their documents, if any. This means that once you have the financial ability to pay for the Hajj cost and a companion as acceptable in the known schools of Fiqh, you are then required to make Hajj and delaying it without a reasonably good reason is sinful, But you need to look at my second paragraph!
Your strong desire to pay these debts on behalf of your parents, and the offered help by your older sisters are all indications of good family ties and excellent feeling to please your parents and to relieve their burdens (remember that debts are a burden even in the life-after) This is greatly rewardable by God, as you very well know that pleasing parents pleases God too. If you decide to pay your parents' debts you may end up with no sufficient savings to make the Hajj and in this case IT IS NOT OBLIGATORY ON YOU NOR EVEN RECOMMEDED.
My suggestion is the following: if the debts are not pressing so that a delay does not hurt your parents including their feelings, you go for Hajj and let the repayment of these debts take a little longer. But if they are pressing or your parents are embarrassed by their inability to pay them or if these debts carry interest, removing the embarrassment or the sin from your parents may deserve probably more reward from God and once you use your savings for the debts I assume that you will not have sufficient funds to make Hajj, it is then not obligatory on you.
Wa Allahu A'alam
Wa al Hamdu li Allah Rabbi al 'Alamin,
Wa Assalam,
Dr. Monzer Kahf

Subject: Selling in Installments

From: Maen through Islam on Line
Sent: Monday, July 26, 2004

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
Is selling in installments, even at a higher rate than the instant purchase, lawful? Isn't the extra money paid as compensation for time and time is not a good to be bought and sold? If so, what is Riba (Interest) then?
Jazakum Allahu Khairan for your constant help

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Maen
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
Installment sale at a price higher than the cash price is permissible. The difference is not a price of tome. Can any one buy time? How would you buy it and who sells it. Besides time is not Riba! You probably meant to say the time value of money. In Loans and debts, the time value of money is not permissible to make adjustment for. i.e., any difference in the amount of a debt or a loan because of the time value of money is prohibited and it is a form of Riba. Time based Riba, called in Fiqh, Riba al Nasi'ah (or al Nasa') and sometimes called Riba al duyun (debts' Riba) is defined as any contract stipulated increment in a debt, whether initiated (i.e., when giving a loan) or already existing (i.e., rescheduling a loan). if a differential becomes institutionalized by usual and customary practice it is treated as if it were contract-stipulated.
On the other hand, the increment in deferred payment and installment sales is in a price of a commodity and people are free to determine prices the way they like, certainly it makes sense to ask for a higher price if you are going to pay me later because I have my own equation of evaluating my cash inflow/outflow. This is a price differential not an increment in a debt. Once a rule is decided, some people like to split the hair and say what is then the difference between getting a loan to buy a commodity and paying for it the same total of loan plus interest, as a deferred price?
The same amount is paid in both cases. But the difference remains clear because you came from different principles. This is exactly the same question asked by the Makkans unbelievers and the Qur'an answered them "But God made sale permissible and made Riba (interest) unlawful" (2: 279). The difference can be seen in the difference when you permit the Riba transaction. Because once you permit it, permissibility of rescheduling of loans (debts) becomes a logical analogy, piling up financial (but really only thin airs) of layers of financial properties becomes natural because you go and discount and rediscount and so on.
These are not permissible under the permissibility of installment sale.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

-**Subject: Inheritance and paying taxes out of interest**
From: Rahma through Islam on Line
Sent: Wednesday, July 21, 2004
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
My father passed away a month ago and left me, my brother and my stepmum a house and a financial inheritance. We cannot sell the house because my stepmum still wants to live in it. The problem is that me and my brother, as co-owners, will have to pay yearly taxes over the house even though we do not live in it and get no return. Now, the financial inheritance is quite high but we will need this to pay the yearly taxes (of around 300-500 euros). If my stepmum stays in

the house for another thirty years even the inheritance will not be enough to pay the taxes, and ovbviously, living in Egypt, my income is not high enough to pay for them. My brother proposed to put our financial inheritance into a bank account that returns a lot of interest. This would allow us to pay the yearly taxes from the yearly interest and to keep the actual inheritance to use for ourselves. If I don't do this I will lose practically the whole inheritance just paying taxes (and possibly getting into depth in the end). My question is whether it is halal to use interest to pay taxes over a house. I will need to know within one and a half week because then i will need to sign papers confirming whether i will open such a bank account or not. Jazzak Allah khairan How much mail storage do you get for free? Rahma Bavelaar!
Jazakum Allahu Khairan for your constant help

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Sr. Rahma
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
First Let us pray to God to shower the soul of your deceased father with mercy and forgiveness.
I want to make a few points about inheritance clear before we discuss the interest and taxes. And I will assume that there are no other survivors, specifically you do not have parental grand parents. Of course all our discussion is from Shari'ah point of view:

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

Now let us come to the taxes:

a- Of course future taxes will be the liability of the persons who own the taxable property. It is not necessarily the responsibility of you and your brother alone and your share of this liability is proportional to your share in the property.

b- If your stepmother is going to be an owner of part of the estate (whether by inheritance as a Muslimah or by a last will as a non-Muslimah) and she wants the house, the three of you can agree on the distribution so that her share will be in the house, all or part, this way she is going to be responsible for all or part of the property tax, If she is not going to be getting any thing, you can assign a rent on her to pay the taxes and other expenses and may be get some income.

c- Although technically you are not responsible for your stepmother, but morally and out of kindness to your deceased father you should take care of his surviving wife after his death if you can do it especially if she has no income and she doesn't have sufficient resources to pay for her needs including residence.

d- Another issue is also at stake, whether she is Muslimah or not. That is the law of the land. Many European countries have laws to the effect that the spouse (in this case the wife) inherits the residence the couple live in. If you stepmother invokes these laws she is going to win, though not permitted in Shari'ah. But if she wins she will take the house along with the tax liability so that you are not responsible for its taxes.

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

I- It is forbidden to place money on interest regardless of the purpose, even if it were to give the interest to charity! From Shari'ah point of view the contract itself is not even valid.

II- If an interest happens to accrue to you for certain reason, you can't use it to pay your liability, even to the bank that pays it to you. You cannot use it for anything that benefits you by giving you an advantage or relieving you from liability; simply because according to Shari'ah this money is not yours and the only thing to do with it is to return it to the payer but we do not do that because the payer (the bank) takes it as a business to earn for interest differential between lending and getting deposits, therefore we treat it as money that has no owner. It must be given to Muslim charity.

III- In other words, placing funds on interest is sinful, and using the interest for taxes is another sin; both are prohibited.

IV- There is another alternative; Europe today has several banks that have department abiding by the rules of Shari'ah. such as the newly established Islamic bank of Britain and the Islamic division of the HSBC in UK and may be some other European countries. You can deposit funds in these banks and get Halal return instead of the Riba-based banks.

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

Subject: Is This Project Halal or Haram?
From: Elnyash through Islam on Line
Sent: Wednesday, July 14, 2004
Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
A project will be executed on Build Own Lease and Transfer basis, investor A will handover the plant to company B after successful commissioning. B shall pay A equated instalments over certain number of years, instalments are calculated in such away that A should achieve a fixed Internal Rate of Return (IRR) on actual project cost. 1-Is above deal lawful (halal) 2-To avoid paying interest in case of default, is it halal to rework the balance instalments to maintain the fixed IRR (assuming above is halal) 3-If any of above is not halal, is it permissible to witness such an agreement or to continue as an employee in company B. Jazakum Allahu khayran.
Jazakum Allahu Khairan for your constant help

My Answer:

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

1) Leasing is permissible. And build own and lease on a diminishing ownership basis is also permissible. You know in leasing the owner carries responsibility for taxes, maintenance and insurance. It this transaction is lease-based and structured on the basis of diminishing ownership (and obviously diminishing ownership), making installments equal and the rental return also equal is permissible too.

2) Diminishing lease contracts have a built-in cushion for default that preserves the rate of return fixed because if you do not pay an installment you do not increase your ownership and rent does not decline, the lessor keeps earning rentals on the proportion of the property she still owns. Why do You do not need any adjustment?

On the other hand, diminishing leases are accompanied by an offer to sell and payments of installment represent partial acceptance of such an offer. You cannot make the offer with two prices: one for regular payment and one in case of default.

3) Working in a company that makes sometimes, even for buying its major plant, non-permissible transactions is not forbidden as long as the company's line of business is not morally shameful (e.g., producing and selling liquor is considered a moral shame in Shari'ah) and the job you do is itself permissible.

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

Subject: earning Interest on interest money
From: Kroes through Islam on Line
Sent: Saturday, July 10, 2004

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
Even though I am not a muslim I frequently participate in discussions on muslim sites on the internet. The other day I joined a discussion on receiving interest on a bank-account. In my

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

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Mr. Kroes and peace to you too,

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

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

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

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

Why it is not counted as Zakah, nor rewarded as giving Sadaqah (religious charity)? Because from Shari'ah point of view you did not earn it, it is not yours and both Zakah and Sadaqah must be given from what you own. Furthermore, Earned interest should be given away to charity because it is not yours and although you know its true owner (the bank who paid it to you) you

should not return it to it because it gave it to you by the law of the land and it you return it you will be helping it making more of the evil (interest-based transactions). You then treat it like money that happened to be in your hand but you do not know its real owner. Giving it to charity is the only thing that can be done with such money.
Was Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Re-fixed return in Mudaraba
From: Sami through Islam on Line
Sent: Tuesday, July 06, 2004
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I am in receipt of answer to my question vide reference number 7NP52B. I am really gratefull for your prompt response. But sir , few clarification on the same issue. One thing is for sure that DSOP fund is used in the business run by the Army itself through its professional administration. This business is of varied nature ranging from sugar mills, cement factories to trading etcetra. But if the return distributed to contributor is fixed, what will this return be called? Sorry for bothering you again and again but this is important. I will be obliged for early response. Allah may bless you all.
Jazakum Allahu Khairan for your constant help
My Answer,
Bismi Allahi al Rahmani al Rahim,
Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,
Dear Br. Sami
Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh
In fact, it depends on the conditions under which the DSOP Fund is run. Please read the whole system or send it to me complete if it is not confidential, of course. If the system of the fund is such that it takes deductions from members and give them fixed return while it guarantees the principal (total amount deducted throughout the period of participation), it is then Riba.
If principal is not guaranteed or if it is mentioned that it is taken to be invested for you or on your behalf under profit and loss arrangement then it is not Riba even when the return is fixed. Why? Because it is permissible when investment is done on the basis of Wakala or Mudarabah to fix the dividends while you make final adjustment (settlement of differences between the fixed periodical payment and the actual results of investment). This adjustment may be done at the end of each year or at the end of subscription.
If the actual investments of the fund are permissible as you said, correcting this situation becomes very easy. I think that you and your colleagues must discuss with the management of the Fund to adjust their accounting rules to make them based on profit/loss basis; it seems to me that it is very easy to do that.
Wa Allahu A'lam,
Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,
Sincerely,
Dr. Monzer Kahf

Subject: Giving interest from one account to another of same owner
From: Bhalla
Sent: Tuesday, July 06, 2004
Question
Assalamo alykom
I have a quick question related to my 401 k.
I can borrow money from my 401 k. I will have to pay interset. But the interest will go to my account.
This means that I will pay myself interest. Is this considered as a riba or not.
Jazaka ALLAH khayran
Bhalla
My Answer,
Bismi Allahi al Rahmani al Rahim,
Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,
Dear Br. Bhalla
Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh
You answered your question! giving interest to yourself, in two different accounts, is certainly not interest, even if the IRS likes to call it this way. Take a loan from your 401K and buy a car or a house and pay interest to yourself to please uncle Sam so he does not charge you any penalty!
Wa Allahu A'lam,
Wa al Hamdu li Allahi Rabbi al 'Alamin,
Wa Assalam,
Sincerely,
Dr. Monzer Kahf

Subject: Bank Interests: Haram?
From: Faisal through Islam on Line
Sent: Tuesday, June 29, 2004
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
Could please tell is the interest of bank Haram, because the bank uses our money and invest it in some business and from the profit of that business it gives some percentage of money so could u please tell me is the interest money of bank haram or is it legal
Jazakum Allahu Khairan for your constant help
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Faisal
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
Interest is Haram. It is the most common kind of Riba in today's world as well as in the past. The bank interest in an increment in a loan, The legal definition of the money you deposit in the bank is ""loan"" it is guaranteed and this is the most important characteristic of a loan. The bank does not invest the money it has; it rather gives loans to businesses on interest basis. this is what the bankers call investment it is giving loans on interest.. This means that the way the bank uses your money is also Haram and you must not allow it to use your money this way. This is why the Fatwa is that in any area where there are Islamic banks it is Haram to deposit your money in conventional banks because you are helping the bank to make forbidden activities. Interest banks earn from businesses is a forbidden Riba because it is earned on loans and interest given to depositors is also Haram Riba because it is given on a loan.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: fatwa about car purchase on interest
From: suhaib
Sent: Friday, June 25, 2004
Question
Dear Dr. Kahf, assalmu alaikum:
I am Dr. Suhaib, I would like to ask you a question about purchasing a car with a certain deal. The deal is that I make a contract with the bank based on interest, but the car dealership company would write me a check for the interest amount 10 days after buying the car and I would pay that to the bank. Hence, I would only pay the original amount of the car's price. Is this halal? I would appreciate your answer, jazakallahu khair. Wasalamu alaikum,
Dr. Suhaib
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Dr. Suhaib
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
I don't really get it. The dealer will pay you the interest due on all future installments or only on the first one? Besides, suppose it is only one payment to the bank and the amount of interest for all the loan is determined, why not the dealer give you the credit itself and sells you the car with deferred payment or installment?
In a simpler way, you are purchasing the car on interest, but someone else is going to refund you the amount of interest. Refund from another person does not legitimize the interest-based contract. It is interest-based contract and it violates the rules of Shari'ah!
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Loan with Interest before Conversion
From: Tibebu through Islam on Line
Sent: Thursday, June 24, 2004
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
My question is that I am anew revert to islam before I revert I was a member of the credit association in the company that I work. From this assoc. I took a loan which has interest, even if I stopped taking a loan I am still paying the interest because the money that I took was too much to me to pay. What do you advice me? And what about the properties that I bought with that money?
Jazakum Allahu Khairan for your constant help
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Tibebu
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
The Prophet, pbuh, told us that once a person reverts to the True Religion, things that were done before reverting are cut off [meaning he is not questioned and punished for them]. Now you are required to honor your legal obligations of interest payments until you rid yourself of the loan. You have to make your best to pay it off as soon as possible without putting your properties and finance in jeopardy. try to save as much as you can, sell properties that you can do without, borrow from friends and family without interest, negotiate with the credit association for faster payments and lower interest, etc.
The properties you purchased are yours, good and Halal InShaAllah. So is any value increase in them.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: percentage of profit and borrowing from retirement plans
From: Badre through Islam on Line
Sent: Monday, June 21, 2004
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
Dear Scholar, My Allah reward you for your efforts. I have 2 questions: 1- What is ruling in regards to making profits in Islam? Is there a certain percentage limit and does it matter what product is being sold, whether is a necessity or commodity. 2- I voluntarily contribute into a

retirement account where I control whose stock I buy and I have the option to borrow from my account but I have to pay my account back with interest. My question, what is the Islamic ruling on this situation, since I am paying myself back with interest. May Allah help you and Assalam aleykoum. Badre Chraibi
Jazakum Allahu Khairan for your constant help

My Answer:

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

1) The truth is that there is no limit on the rate of profit given in our religion. There are examples from the time of the Prophet, pbuh, to this effect. Once Hakim Bin Hizam was given one Dinar by the Prophet and sent to buy a sheep. He bought one for a Dinar and sold it for two (100% profit) then bought another for one Dinar and came back to the Prophet, pbuh, giving him the Dinar and the sheep. The Prophet accept them, prayed for a prosperous future for the man and told him not to sell other people's property without prior permission next time. There are stories of Ibn 'Awf making such high rates of profits, and the famous story of ""uthman when he bargained with other companions on several hundred percent of profit, then he donated the whole thing to finance the battle of Tabuk. There is a rule though that requires a seller not to be way above the market: the rule of excessive Ghabn that may cause the contract to be void if the price is substantially higher than the prevailing price in the market (an element of cheating or ignorance may be involved). Unfortunately, there are some late Fuqaha, especially Malikites, who argue for a limit on the rate of profit and such a limit varies from a commodity to another. This is generally based on the idea of Maslahah (public interest) and the authority of a government not on the Shari'ah rules and principles. This means that in fact they are talking about exceptional cases of government intervention not about the normal market practice.

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

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

Subject: Buying a Car by Credit
From: Yassine through Islam on Line
Sent: Monday, June 14, 2004

Question

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

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

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Yassine
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
Credit is permissible as long as there is no interest.Please remember that interest is a stipulated increment in a loan contract. and if there is no increment loan is permissible and buying on credit is also permissible.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Using Interest for University Education

From: Moez through Islam on Line
Sent: Sunday, June 13, 2004

Question

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

Yours

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. Moez e Deen

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

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

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

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

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Taking a Student Loan

From: Shahid through Islam on Line

Sent: Thursday, June 03, 2004

Question

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

I’m studying in England. I’m from Pakistan. I have been accepted by the university of ……. for M. Sc. software engineering. I haven't money to pay university fee that is why I'm going to apply for student loan offered by the British government. The loan which I'll have to repay within 10 years with fixed interest. I want to know: can I apply for such a loan? I haven't any resource for funding. Is there any organization which offers student loan without interest? Please guide me.

Jazakum Allahu Khairan for your constant help

My Answer,
Bismi Allahi al Rahmani al Rahim,
Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,
Dear Br. Shahid
Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh
Student loans do not make a necessity that justifies relaxing such a strong prohibition like that of Riba. Student can work, get scholarships and find other means of financing, even if their study is delayed for some time.
I think you must find some non interest way to finance your study.
Wa Allahu A'lam,
Wa al Hamdu li Allahi Rabbi al 'Alamin,
Wa Assalam,
Sincerely,
Dr. Monzer Kahf

Subject: What to Do with the Interest
From: A Questioner through Islam on Line
Sent: Thursday, June 03, 2004
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I opened a bank account 2 years ago when I was ignorant of the concept of interest in Islam. However, 3 weeks ago I informed the bank that I wanted to stop the interest continuing in my account and they have accepted because I was now aware of the danger of interest. Despite this, what am I supposed to do with the interest that has accumulated in the past 2 years? Do I simply withdraw the total interest that has been built up, e.g. £8.12, and give it to charity or is the whole of my account now haram to touch? Please, I need your guidance on this matter. Jazak Allah Khayran for your thoughts and time.
Jazakum Allahu Khairan for your constant help
My Answer,
Bismi Allahi al Rahmani al Rahim,
Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,
Dear Br.
Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh
Your own money that your earned/acquired through legitimate means remains yours. only the interest is considered not your according to Shari'ah. The Qur'an (2: 279) reads ""but if you repent, you get your principal, no injustice is done by you and no injustice is done against you.""
Wa Allahu A'lam,
Wa al Hamdu li Allahi Rabbi al 'Alamin,
Wa Assalam,
Sincerely,
Dr. Monzer Kahf

Subject: Hajj and Pending Financing Credit

From: A Sister through Islam on Line

Sent: Monday, May 31, 2004

Question

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

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

Jazakum Allahu Khairan for your constant help

My Answer,

Bismi Allahi al Rahmani al Rahim,

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

Dear Sr.

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

InShaAllah you will have a perfect Hajj that will be accepted by God and rewarded no less than al Jannah. getting interest-free financing to buy a car is permissible; does the company offer you a financing without interest, if so it is permissible to accept it. If financing is on interest you should not accept it and keep going in the bus or in taxis until you will be able to save sufficient amount to buy a car, at all times you can use loans from family and friends as long as they are not interest-based. If the loan in not based on interest and the company offers you a schedule of payment (for instance, monthly payments for a given number of month) you may go for Hajj while you are still under debt because this debt is in fact against your future income; it is not required to be paid from the amount you are saving for the cost of Hajj.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

Subject: Islamic Interest free system

From: Akhtar through Islam on Line

Sent: Saturday, May 29, 2004

Question

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

Sir i am serving in armed forces and presently serving at Sierra Leone. 1. Pakistan though a muslim state but without islamic laws. Our entire economic system is interest based therefore

one is forced in one way or the other inspite of his best effort to avoid it.I heared one of the renowned scholar few days back that for the progress and welfare of the muslim ummah living in the non muslim countries certain islamic laws can be suspended because state is responsible to provide alternative to riba based economy to the masses (on this theory he declared mortgage can be resorted to by muslims living in non muslim countries). If this is true why can not the same principle apply for muslims living in muslim country(with no islamic laws) because individual is not responsible ,state is responsible to promulgate laws and provide alternatve of the interest based economy so that individual can eat halaal and do not have to look toward haraam. Keeping this premise in mind my question is as foollow. a. Some deduction (as per my choice with no binding) is made from my salary on monthly basis which is called DSOP Fund. That money is used by army in business projects and we are given yearly return on our deposit. Some people say the return given on the deposit is fixed while other say it is variable. I have never gone into those details. On retirement, wholesome amount is paid to the depositer. Beside that during service as well whenever individual desire, he can draw 80% of his total deposit. Is this return on our deposit is riba once i am not demanding a particular percentage of interest on my deposit? Sir , I will be highly obliged if answer to this question is sent on e mail (sakhtar502003@yahoo.com). ALLAH may bless you all and also pray for our success both in this world and aakhrat. Akhtar

Jazakum Allahu Khairan for your constant help

My Answer,

Bismi Allahi al Rahmani al Rahim,

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

Dear Br. Akhtar

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

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

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

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

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,
Dr. Monzer Kahf

Interest Debts Consolidation

Subject: Taking a Loan to Pay Debts
From: Mohammed through Islam on Line
Sent: Saturday, May 29, 2004

Question

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

My Answer,

Bismi Allahi al Rahmani al Rahim,
Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,
Dear Br. Mohammed
Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh
If you are really under the circumstances you mentioned, your taking an interest-bearing loan from a bank at a lower interest rate is the lesser of the two evils in addition to avoiding any prison time because of default on required payments. When the choice is between two evils we ARE REQUIRED TO TAKE THE LESSER ONE IN ORDER TO AVOID THE WORST ONE.
What is necessary is that you must repent to God and pledge within yourself that you will not repeat resorting to interest generating use of credit card and any other interest based transactions. May Allah accept your repentance and help you be always on His strait path.
Wa Allahu A'lam,
Wa al Hamdu li Allahi Rabbi al 'Alamin,
Wa Assalam,
Sincerely,
Dr. Monzer Kahf

Subject: Buying Certificate of Deposits (CD)

From: A Questioner through Islam on Line
Sent: Tuesday, May 25, 2004

Question

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

My Answer,

Bismi Allahi al Rahmani al Rahim,
Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,
Dear Br.
Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh
There is nothing in our religion that prohibit dealing with banks because banks are legal entities that may undertake permissible or non-permissible contracts.
What matter is the contract and its real components and nature. a loan contract with interest is prohibited. Interest is the most common form of Riba that is prohibited in the Qur'an and the Sunnah of our beloved Prophet, pbuh. It is the only sin that is threatened in the Qur'an with a war from God and His Messenger.
It does not matter whether the loan is given to/taken by the government or an individual. Any increment in a loan is interest and is prohibited. Additionally the use of the loan for a good purpose does not justify the prohibited interest. The government has a thousand and one other way to get funds for financing public projects in accordance with the Islamic rules and regulations; why should it have to select only a prohibited kind of contract?
Wa Allahu A'lam,
Wa al Hamdu li Allahi Rabbi al 'Alamin,
Wa Assalam,
Sincerely,
Dr. Monzer Kahf

Subject: Giving out Haram Money as Charity

From: A Questioner through Islam on Line
Sent: Sunday, May 23, 2004

Question

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

My Answer,

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

Dear Br.
Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh
Money is a kind of thing whose units are equal to each other or complete substitutes to each other. Therefore, you do not need to worry about the exactly same physical units earned as interest when you clean your own money from it. You may pay the amount of interest for charity without any worry about the exact physical units of money.
Wa Allahu A'lam,
Wa al Hamdu li Allahi Rabbi al 'Alamin,
Wa Assalam,
Sincerely,
Dr. Monzer Kahf

Subject: Getting out of Interest on various Activities
From: Kizhar through Islam on Line
Sent: Wednesday, May 19, 2004
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I would like to know whether money getting out of interest may be spent in following ways; 1. for purpose of organisation which is spreading islam among non muslims and organisation which teaches islam to muslims 2. to one of my relatives who is not dependant who was most affected by giving allhis money in interest now in needy situation 3. to pay income tax and other tax. please note that i am living in a country where islam is suppressed maximum by government indirectly and promoting all sort of sirq activities.. i pay my tax to country out of compulsion not with full whole hearted, in this situation shall i give income tax and other tax from interest money from bank saving account 4, as donation which is sought by all religious people..note i am living in so called secular country... especially donation asked by school management for my spouse apart from fees; 5. for compulsary collection of money by local dhadhas i.e. local brave and strong people who si collecting money in compulsary manner 6 for giving something or corruption to government official..please note here for certain purpose to be done, we had to give corruption to finish the task otherwise our work will not get completed....kindly enlighten me salam
Jazakum Allahu Khairan for your constant help
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Kizhar
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
According to Shari'ah, interest money is not yours and must not be kept mingled with your own money because simply you did not earn it as the interest generating contract is invalid and null.
The best way to dispose of it is to give it to Muslim charities. Hence, options 1 and 2 in your questions, add to them Islamic organizations that provide help to the Muslim poor and needy.
It must not be given in a way that give you any economic benefit. This rules out options 3, 4 and 6 regardless of whether the burden imposed on you is just or not, as long as paying it for that

option benefits you. It is permissible to give it to benevolent secular non-profit organizations such as those that promote health and education while it is not permissible to give it to religious organizations that promote false believes and dogmas although Islamic charitable organizations are preferred over such organizations because of dire need for their services among Muslims in India (and in all other countries!).
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Buying computer on subsidized interest
From: Salim through Islam on Line
Sent: Sunday, May 16, 2004
Question
Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
In My country the government provide subsidization for the purchase of a Personal Computer in the form of a loan at a rate of 3% interest for 3 years. Are we allowed to take this loan if we consider the depreciation factor of our currency and also the annual rise in cost of living.
Jazakum Allahu Khairan for your constant help
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Salim
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
Riba is an increment in a loan; and this is exactly what interest is. Bringing in the isuue of depreciation of assets and the rate of inflation only confuse the matter and do not change any thing in its ruling, definition or reality. Interest is not paid as a compernsation for inflation nor for depreciation. Otherwise you would see interest changes according to the asset bought and when there is no inflation it must become either zero or negative.
What is prohibited in interest is the fact that it is an increment in a loan regardless of its rate, high or low. Additionally the government subsidy that ended up reducing the interest rate did not change the nature of interest and does not affect the Shari'ah ruling.
Interest remains prohibited, even when subsidized by the government; and Musllims in Mauritius must seek means from the government to have equal subsidies through Islamically permissible modes of financing so that they will not be discreminated against in this regards.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Interest-based transactions

From: Adel through Islam on Line
Sent: Saturday, May 15, 2004

Question

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

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Adel
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
It is permissible to rent to a conventional financial institution but making interest-based transactions remains Haram whether the country is ruled by Muslims or non-Muslims, such a distinction has no foundation in the Qur'an and Sunnah and you cannot apply the terms of Dar al Harb on Muslim communities who live as minorities in a country with a non-Muslim mojority. The Muslim community is not in a state of war with the majority, it is the country of both and those Muslims have no other country that they call home.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: extra payment when a debt is due

From: A Questioner through Islam on Line
Sent: Wednesday, May 12, 2004

Question

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

My Answer:

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

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
I can see a confusion caused by taking a statement out ot its context. Let us try to put it straight!
There is a correct Hadith, reported in Bukhari, Muslim, Tirmithi, Abu Dawud and Nasa'I to the effect that there was a debt on the Propphet, pbuh, and when he paid it he gave more than the amount of the debt. This Hadith is famous among Fuqaha' it is the story when the Prophet, pbuh, bought a camel from Jabir, the companion, while they were on a travel and Jabir made the condition that he will continue ride it until they reach their home, al Madinah. After arrival and hand over of the camel, the Prophet, pbuh, asked Bilal, His treasurer, to pay him and "give him more."
This Hadith is an example of kindness at the time of repayment. This kindness may be expressed by extra money, a gift, a Du'a, etc.
On the other Hand, Riba is a conditional increment in a debt (or loan because any loan creates a debt the moment it is given to the borrower).
Hence, the distinction is: If an increment is not conditional (whether in the contract or by virtue of aknown custom/habit, and not expected, it is then an expression of kindness at the time of repayment, and if it is conditional or know so that it is expected, it becomes Riba that is forbidden.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: deducting inflation rate from interest
From: Rami through Islam on Line
Sent: Tuesday, May 11, 2004
Question
Salam ALaykum
I am working in a usury bank as a cash teller. I must have an account in the bank as per bank procedures, to transfer my salay. I cannot open an account in an islamic bank because i am working at the same time the islamic banks are open and i cannot leave my work. I am planning to withdraw the interest and give it to needy people. My Question is: May I deduct the inflation rate from the rate of interest the bank is giving me. In this way i will be giving to needy people less than before, so that the value of my money remain the same, because the inflation rate is too high and if i don't accept the interest my money value will decrease by time. To clarify: Instead of giving to needy people each year 10% of my saving balance which is the rate of interest, i will give them 10% less 2%(the rate of inflation) =8% of my saving balance
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Rami
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

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

Subject: Using Interest Money to buy a house for a poor
From: Fatuma
Sent: Friday, April 30, 2004
Dear Respected Dr. Monzer Kahf
Question
Aselamualykum
May Allah reward you for the service you're giving to the Muslim Ummah.
I live in Ethiopia and am planning to form a charitable institute for Muslim orphans I already have 6 kids who are under 5 years presently with group of friends we have rented a house for them and got them a nanny to take care of them by making monthly contributions.
While raising fund to build for them a house I came across some Muslims who have interest money from their saving account, I was wandering if I can use this money for the house building and other expenses for the kids.
Thanks for your time and weselamualeykum
Fatuma
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Sr. Fatuma
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
May Allah bless your effort to help orphan children and be with you and support you to achieve this goal.

Yes, you can use the interest money for the orphans, for their housing as well as for their food and clothing.
But I like you to consider placing them with Muslim families, on fostering basis, it may be many folds better for the kids than putting them together in a house even with a good nanny.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Taking a Student Loan
From: Sr. N. through Islam on Line
Sent: Thursday, April 29, 2004
Question
Assalam-o-alikum,
I have been accepted to one of the Ivy League schools. The problem is that I have to get student loans (that will also incur interest). In the light of Islam, is it permissible (not fully indorsed but permissible under certain circumstances) to get such loans? The way I see it is that in this world where Muslims are left behind due to their lack of knowledge (especially west-certified knowledge), this is a good chance for a Muslim to acquire competence in the western academia, so one is well equipped to take on the challenges pitched by the west. Moreover, I also think that like the Islamic banking programs that HSBC and such bank are running to provide Muslims with the capital to buy property in the west, which in my opinions are not fully doubt-free and Islamic either, student loans with very low interest rates may also be looked in the same was- a necessity not luxury. Plus, doesn't it matter what ""intentions"" you have; in this case, serve my people better for which a good education is an imperative. May Allah bless us all.
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Sr. N.
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
Even with the argument you put forward, student loans do not make a necessity because there are normally other means to acquire advanced study and to finance such stdies too. Student loans are not the only option for financing study and there are may excellent schools that cost much less than you thought. Work hard on finding such other means to be in a very good school. Besides, Islamic banks provide Islamically permissible financing and it is incorrect to accuse them of ""not being so Islamic."" Financing human improvement mas its means that are compatible with Shari'ah but since Islamic banks are still new they did not reach this area of financing yet.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam

Sincerely,
Dr. Monzer Kahf

Subject: Buying American Cars
From: Ahmed through Islam on Line
Sent: Thursday, April 29, 2004
Question
Salam Alaykum
I live in Canada and I want to buy a new car, many scholars said that we should try to avoid buying American products as much as we can because of what the Americans are doing to the Muslims all over the world. But the American cars have a lower prices and I can get very good deal and I can't afford to buy imported cars, can I buy an American car? If it's ok to buy it I'll be financing the car through the manufacturer with 0% interest rate but during the course of financing I'll be forced to buy full insurance for the car, is that's ok as well?
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Ahmed
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
The Fatwa on Boycotting American products as much as they can applies to all Muslims. Remember, many people, Muslims and non-Muslims, in the US prefer Japanese cars over American brands. Aren't there Japanese car assemblies in Canada? If the Canadian car market is similar to the american, Japanese cars must be selling for 0 interest these days. Besides, Canadian manufactured American brands are not included in the Fatwa.
Lastly, car insurance is permissible, whether comprehensive or liability only.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Earning Interest from Bank Account
From: Ali through Islam on Line
Sent: Tuesday, April 27, 2004
Question
Salam Alaykum
What is the religious consequences of me earning interest from my bank account. Please notice that i am a bit confused, and don’t assume me to know anything about the definition and laws of interest in islam. I have asked two muslim leaders (sheikh), one of them advised me that interest is totally unacceptable in islam and it is completely haram. The other leader has advised me that interest is acceptable in islam as long as I don't use it to buy food, in another way it is acceptable if I buy anything that will remain on this earth and will never enter to my body by any how. I am completely messed up now and confused because also other leaders

they asked me about my (mazhab) as they told me interest consequences differs from (mazhab to mazhab). So i am writing you this email in order to hopefully clarify this point for me. I hope you will supply me with the general consequences and laws of interest in islam. Lastly after supplying me with general overview of interest in islam, regardless to whatever your answer is, i would appreciate if you provide me with the right information regarding a case i have. Basically i had a loan from my bank in order to complete my studies. After finishing my studies i have been required to pay interest by and for the bank. Is that acceptable in islam as i would have no other choice. I must pay the money and the interest. The bank suggested me to open another bank account with a high interest, where the interest i will earn from bank account (A) will be directed and paid to the interest that i have to pay to bank account (B). so is it acceptable to use the interest of a bank account to pay the interest of another bank account? looking forward to get your reply as soon as possible, thank you,
It would be great if you supply me with the name of scholar that will answer my question. Also i wish to receive the answer straight from sheikh Yusuf al Qaradawi, just because i am confused from the previous two (sheikhs). Therefore somebody that is well known and knowledged will assure me. Thanks.

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Ali
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
I am not Shaikh al Qaradawi but I know his opinion very well and it is exactly what I am going to advise you.
Allah in the Qur'an (2: 275-279) prohibited Riba with most strong words; it is one of the worst evils according to our religion. The most common form of Riba is the Riba of debts/loans that is defined as any increment in the amount of loan. Accordingly, any contract that provides for interest to be paid on a loan or extension of a debt is void according to Shari'ah and you know that a void contract does not produce any effect. This means that all related matters remain as they were before the contract. The implication of this is: the interest earned by such a contract is not earned from Shari'ah point of view, it is not yours and it must be return to the payer. If the payer happens to be a person or institution that promotes Riba and its main business is to make Riba-based contracts one must not return this interest to it because one would be helping it to make more evil. And, since you do not own it you cannot use it for any thing that is part of your own matters, not for food and not for any other obligation that is yours. You must dispose of it in such a way that makes it permissible for the recipient; the only recipient who may be given such an un-owned property is the poor and needy. That is why the Fatwa is to give it to any Muslim charity that makes it reach the poor and needy. This is not considered Sadaqah because a Sadaqah must be from a property you own, but you give it away only to keep your own money pure and clean, not mingled with the evil of interest.
The Prophet, pbuh, said that the Wrath of Allah is on the taker, giver, writer and the two witnesses of Riba (reported by Muslim in his Sahih book). It is obvious that taking it is worse than giving it, but no one would take it if there is none to give it! And helping doing it is also forbidden.

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

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Interest in saving and loans cooperatives

From: Khalifa through Islam on Line

Sent: Tuesday, April 13, 2004

Question

AS Salam alaykum

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

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. Khalifa

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

There are several points in this cooperative scheme:

1) It is certainly permissible to establish cooperatives of Muslims and non-Muslims together provided no Riba and other prohibited activities are conducted by the cooperative.

2) Any charge on a loan is Riba except the cost of its administration. It does not matter, with regard to the prohibition whether the rate of interest is small or large, fixed or variable, determined and/or paid at the beginning or at the end.

3) The cost of administering a loan is payable by the borrower, not the lender. The lender is making an act of help and a form of charity, she must not be charged with any cost as the Qur'an says: "there can be no blame (charge, cost,, etc.) on the good doers مَا عَلَى الْمُحْسِنِينَ مِن سَبِيلٍ ". Consequently, there must be no mixing between a charge for the cost and interest, interest is a charge for money and the charge for cost is recovring actual expenses related to giving the loan, keeping records and taking it back, etc.

4) There must be actual calculation of the cost, the idea of collection a percentage and then returning the surplus is acceptable. But you cannot include in the cost of loans amounts paid to the community servants or for charity or for building a house for rent as an income to the community/ cooperative. Only the actual cost of the loans services can be included.

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

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

Subject: Interest-Free Education Loan and Investment
From: Kasem through Islam on Line
Sent: Tuesday, April 13, 2004

Question

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

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Kasem
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
You've asked several questions together that I'm afraid confused me. I will answer what I can and please come back again for any unanswered question. They are not in sequence.
1. The Amanah department of HSBC is run in accordance with Shari'ah and it has a Shari'ah advisory Board. You may invest in it confortably and its return is InShaAllah Halal, just follow their instruction for any purification factor that they may tell you about from time to time.
2. The Indian growth fund is not known to me. Its name gives the shade that it is an investment in growth Indian stocks. Of course, if it is not within the Amana department, these stocks are not scrutinized for their Shari'ah permissibility. But this does not mean thar they are all not Halal, some of them may be Halal and some may have Halal portions in them. You need to do your homework to determine the Halah portion in their return. Start from the semi annual report and study the case of each stock the fund holds to reach an overall percentage. You take your principal (the 50000) and the Halal percentage of the capital gain. If there is any tax you devide it between the Halal and the not halal at the same proportion.
3. The non-Halal should be given to the poor and needy or to Muslim charitable organizations. You must not use it for yourself. If your nephew is poor, either of them, you may give it to them whether for study or for medical treatment. If they are not poor (including their parents) you may not give it to them.
4. Non Halal money of this kind and the bank interest should not be used for your personal expenses including taxes on your Halal income. When you give it away it is not considered Sadaqah or Zakah, but you will get InShaAllah the reward of preserving your own Halal money from being tinted by the evil of this Haram money.
5. You certainly can give from your own money (the principal of the IGF and the Halal portion of its return) to your nephew or for any other purpose and you will InShaAllah be rewarded for this deed.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: How to solve debt problems in Islamic ways
From: Abu Anas through Islam on Line
Sent: Sunday, April 11, 2004
Question
Salam Alaykum
My friend has asked me about how to solve debt problems in islamic ways besides work harder? Hope if you can give a detail answer. Jazakallahu khairan kathira.
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Abu Anas
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
The Fatwa is not a luxury idea that one likes to hear about. It is a solution to an actual problem or case. That is why the Ulama always say that a Fatwa is not a rule that can be applied in all similar cases. A Fatwa is specific to its own circumstances. If your friend has a case, he should explain all its circumstances and seek a Fatwa. It does not need your proxy!
There are several Islamic contracts that replace interest-based contract in financing purchases and otherfinancing needs. Each such contract has its own conditions and applicabilities. Some produce debts and some are based on the sharing principle.
For replacing present interest-based debts, there are also several Islamically compatible contracts that can be used to replace such debts by islamic financing.
But remember debts, whether interest-based or not, are always the result of living beyond one's own means and any person who does that will incurr debts, whether they come from Islamic contracts or from Riba-based contracts.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Financing a Vehicle and Leasing
From: A Questioner through Islam on Line
Sent: Tuesday, April 06, 2004
Question
Salam alaykum
I would like to know the difference between financing a vehicule and leasing a vehicule. After reading the fatawis on the website, I went to a dealer for a vehicule. When I read the contract, it says that the dealer sells the vehicule for an ammount multiplied by 5.5% on 36 months then he transfers the property of the vehicule to the bank who will in turn gets the monthly payment directly from the seller until the vehicule is fully paid. Is this permissible since this is not leasing? How is that different from leasing? Jazakoum Allah khairan
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br.
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
The contract you described is a cash sale with interest-based financing on 36 month. The dealer then sells it (actually it means discouts it) and get the cash amount. The bank with then receive from you the monthly installements.
In leasing, you pay to the dealer a monthly rent for a given period, 36 month. The dealers remain the owner of the car, and at the end of the period you are given the choice to either buy the car for a predetermined amount, give it back and walk away or negociate a new lease

contract. The dealer may still sells the contract to a bank, this action of the dealer in both cases is none of your business.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Charges on loans in Muslim Welfare Society
From: Hoosein through Islam on Line
Sent: Saturday, April 03, 2004
Question
Salam alaykum Dr Monzer
We have formed and presently functioning a Muslim Welfare Society with about 100 Muslim members, who should save about one thousand kyats (local currency) everyday. Every saving member is entitled to draw two to three times of his saving amount with donations dully paid. The Managing Committee has to fix the donation rate to two thousand kyats or more for every one lakh drawn as loan. The Managing Committee is in a predicament to fix the rate of donation, just because of some stingy members who donate only a meager amount of one hundred or more kyats against the huge amount they draw as loan. This donated amount is kept separately and not shared amoung the saving members. Donators have donated this amount with the intention to be donated further. Accordingly, the Managing Committee donates these donations to the poor destitute Muslim ladies and gentlemen and uses in other welfare activities of the Muslim Ummah. Moreover this donation is used for some defaulted saving members who could not pay back their loans. If the defaulted member is found to be really in trouble in repayments he is helped further with considerable amount of capital money to re-establish his business. Some Members argue that the fixed amount of donation is not within the bounds of Sharia. The Managing Committee argues that if they do not fix up the donating amount then the Society will collapse if some saving members play mischief. Ultimately the Managing Committee will be in trouble in repaying the saved amount to the honest Members. Please advice and guide us the proper way of functioning of the Society with the bounds of Sharia.
My Answer,
Bismi Allahi al Rahmani al Rahim,
Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,
Dear Br. Hoosein
Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh
I like first to mention that such a welfare organization is very important and useful to the Muslim community.
Yes, the amount charged on loans in Riba (interest) whether it is fixed or variable. This is when you charge for the loan. It is prohibited even if you use it for helping the poor and needy. Calling it donation does not change its prohibited nature.

On the other hand, the cost of providing loans should be carried by the borrowers. You can apply the equation that is approved by the OIC Fiqh Academy in the late 1980s for the interest-free loans.
You should calculate the administrative cost of providing these loans for the past five years. This cost includes provisions for unpaid loans and for doubtful debts. the rate of the cost to amount of loans can be used to ask all present and past borrowers to contribute (you multiply this rate by the balance of the loan) for the present year.
In future years: at the end of each year calculate the rate of actual cost for the year to the average balance of loans in the year and add this average to the previous four years (i.e., delete the oldest of the five years) and calculate the new five years average that will be applied for the new year. Any surplus you may find in any year in the funds collected for the expenses must be given away to the poor and needy; and any shortage can be covered by adjusting next year rate. The idea is that we want to charge them only the cost of administering the loans.
If the financed money is actually used for buying goods or houses, another alternative may be used; Murabahah for buying goods and Purchase /lease for houses.
You can still ask for voluntary donations from borrowers and savers to help the poor and needy and you should put such donations in an autonomous account.
If you need any further details/explanation, please do not hesitate to contact me.
Wa Allahu A'lam,
Wa al Hamdu li Allahi Rabbi al 'Alamin,
Wa Assalam,
Sincerely,
Dr. Monzer Kahf

Subject: Question on Student Loans
From: Siddiqi
Sent: Tuesday, March 30, 2004
Question
Dear brothers,Dr. Anas and Dr.Monzer,salam alaikum
Your guidance requested
M.N.Siddiqi
Forwarded From: Anees
Assalaam Alaikum wa Rahmatullah,
My name is Anees, I am a 4th year medical student at UT Southwestern in Dallas, and a Member of the Islamic Medical Association of North America (IMANA). Recently IMANA has commissioned a task force on exploring the possibilities of Islamic Financing of Medical Education. It is in this capacity that I am writing you.
In our brief research, we have encountered difficulty in identifying an islamic model of financing non-tangible goods, such as education.
As such, I have two questions. Firstly, is there such an entity in Islamic Economic theory? In other words, do we have a chance in finding an alternative for the countless muslim students who now find themselves in debt with riba.
Secondly, we are trying to identify a list of advisors who would be willing to act as advisors to our commission. Would you be willing to aid us in this capacity?

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

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Most beloved and most respected Br. Dr. Siddiqi
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
Sorry for coming back to you late, I was very busy traveling overseas and putting a few things together in response to certain important commitments. I only red the question today!
My answer is: yes on both questions of Brother Anees. There is away, if we think originally and innovatively and are willing to take a lead in creating a new thing; and I will be glad to help in the process.
The way I suggest is: IMANA acts as an intermediary in issuing medical education bonds (or units) with future maturity designed for parents who will need these units for their children medical education in the future. These units or bonds represent courses units (no money). They are issued on behalf of students who need the immediate money to pay for their tuition now. In return these students will have to pay for these units they owe in kind on maturity. Collaterals and other personal and material guarantees may apply. The units do not have to be personal and they can be sold in a small market created by IMANA. Of course legalities to conform with the US laws can be worked out.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Opening a Bank Account in a Non-Islamic Bank
From: Tamer through Islam on Line
Sent: Sunday, March 14, 2004
Question
Salam Alaykum
I was wondering on the Islamic ruling of opening a bank account. Must it be in an Islamic bank or not? Also what type of account should I be looking to open? What about the interest I receive in my account (if any)...should I simply discard it or can I use it for personal use or should I spend it on more needy Muslim brothers? Thank you for your time.

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Tamer
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
If you live in an area where an Islamic bank is accessible, you should use its facilities to open an account and other services unless it cost you much more than normally charged by other banks.

Egypt has several Islamic banks and there seems no need to open an account with conventional banks in Egypt.

If you happens to have earned interest, such interest must be given to Muslim needy, preferably through Muslim charitable organizations. You cannot use it for any personal things including payment of taxes or even of interest you may have contracted with a Riba-based institution. The reason is that earned interest is not yours and the contract via which you earn interest is not valid from Shari'ah point of view. This means that it is still owned by the bank that gave it to you. But we do not leave it to the bank because it is interest-ridden (we then would be helping it doing more evil) we have to treat it as money that has no owner: give it to charity. You will be rewarded for keeping your own money and finance pure from the evil of Riba but it is not considered a Sadaqah.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Getting an Interest-based Student Loan

From: John through Islam on Line

Sent: Thursday, February 26, 2004

Question

Salam alaykum Dr Monzer

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

the time table till after your studies. However I don't know if that rule applies to out of the country study or Islamic studies anywhere in the world. Thank you again for your time, and may Allah guide us all, ameen. Asalamu alaykum wa rahmattallah, John

My Answer,

Bismi Allahi al Rahmani al Rahim,

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

Dear Br. John

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

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

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

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

Subject: Raising the price because of Deferred Payment

From: Saeed through Islam on Line

Sent: Wednesday, February 18, 2004

Question

Salam alaykum Dr Monzer

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

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. Saeed

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

It is permissible to buy cash for 1000 and sell deferred for 1050 provided the price and due date are fixed in the contract. It is Haram to make any addition to the amount of debt if delinquency

happens. This means it is forbidden to increase the amount for any future delay. It is also Haram (Riba) to advance an amount on the condition of taking it back in the future with an increment. And if you buy cash, you must take possession of the rice before you make the contract of selling it whether you sell it cash for any price or for future payment at any price too. Possession can be done by simply separating it in the warehouse from other rice or by carrying it to a different storage, it doesn't have to change place as long as it is actually marked as owned buy the purchaser and left as an Amanah in that warehouse.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Interest Earned on Fixed Deposit
From: Tahir through Islam on Line
Sent: Monday, February 16, 2004
Question
Salam Alaykum. Dr Monzer
In the present world there is immense economic competition and at times the economic survival of an educated man also becomes difficult. A man died in our family about an year ago.His widow was left with a sum of money which of course she did not have the potential and knowledge to invest. Since that was all she had it was very difficult for her to take any sort of risk. Quite naturally even well established businessmen could not guarantee her investment. In such a case where she has to bear the responsibility of two daughters as well would it be legitimate for her to opt for interest earned on fixed deposit. If not then kindly state what would be a feasible alternative. I shall be grateful for your answer. Thank you.
Notes: Kindly also keep in consideration the fact that the country where she, the widow, lives is Pakistan (not as financially hopeful as America or Canada)
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Tahir
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
In Pakistan there are several Islamic banks, most of them have branches in every big city. It is forbidden to deposit on interest in interest-based banks. And in fact you do not have a problem in Pakistan at all because the alternative is available and investment deposits with Islamic banks are practically as secured as deposits with conventional banks.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Question on Interest on Student loan and Murabahah

From: a Questioner through Islam on Line

Sent: Monday, February 16, 2004

Question

Salam Alaykum. Dr Monzer

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

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. ---

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

1- Interest-based student loans are prohibited in Shari'ah, there is no necessity to be an excuse for taking such loans. Go to the other type of universities that are good and within your financial means.

2- In Murabahah there must be a physical commodity that is purchased by the financier and after being possessed by the purchaser it is sold for a deferred price or on installments. That is why id does not work for students financing.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Fayaz

Sent: Monday, February 09, 2004

Subject: Request for Fatwa

Respected Sir;

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

1. We have 0% interest scheme for buying new cars, which means if I buy the car in cash for 'X' amount I can buy the same car in the same amount paid in 18 months.

Is this allowed according to ISLAM?
2. Can I take interest based loan to buy a house? (7-8%)
If I take this loan I can save tax which is huge and plus after couple of years I will have a house of my own.
3. I have a saving account in the bank and the bank keeps dropping interest in it periodically. Is this permissible to use according to ISLAM?
Anticipating an early reply.
Best of Regards
Fayaz

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Fayaz
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
1) It is permissible to buy a car on installment without interest.
2) Buying houses on interest is prohibited, like any other interest-based loan. However, India has at least one Islamic bank and you should try to get financing from Islamic banks in India and then you get the same tax benefit.
3) Interest credited to your account is forbidden for you to use for any of personal and family expenses. The only way to keep your own money clean from the evil of interest is to give it to Muslim charity or to poor persons that you personally know that they deserve Zakah. It is not considered Zakah or Sadaqah. But you will InShaAllah be rewarded for preserving your own money clean.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Question:

From: Islam on Line
Sent: Sunday, February 08, 2004
Subject: The Impacts of Riba
Name of Questioner
Question
Where can I find a detailed discussion on the non-psychological impacts of interest. What harm does it bring to a financial institution? What is the stance of secularist finance when it comes to the virtuosity of Interest or Riba?

My Answer:

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

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
almost every book on Islamic economics has something to do with this. Please look closely in the libraries, see the works of Muhammad Umar Chapra, Muhammad Nejatullah Siddiqi, Monzer Kahf (www.kahf.net), Muhammad Rafiq al Misri (Arabic only), Abd al Rahman Yusry (Arabic), etc.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

From: Abdi
Sent: Tuesday, February 10, 2004
Subject: line of credit
Salam Alaikum,
A line of credit even though it has interest on it, is okay? There are lines of credit for 3 years and possible longer period. Would that be a better total for refinancing?
Jazak Allah Khair,
Abdi's
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear The Abdi’s
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
No, a line of credit on interest basis is not permissible in Shari’ah.
I mentioned a line of credit with Istisna’ with subcontractors. The line of credit itself has no interest is on what you withdraw and if what you withdraw is Istisna’-based it becomes permissible even if it is calculated like interest.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Question:
From: Abdi
Sent: Sunday, February 08, 2004
Subject: Re: construction loan
Salam Alaikum,
We are actual the builders in this project. Usually, the banks will do an interim construction loan and then a permanent loan.
Our understanding from the emails is that the bank has to buy the loan/construction

and then sells it back to you. I recall during your lecture you had mentioned in that car sells in Canada they show the bulk price which includes the Original principal and the interest as one form. For example the loan amount is $35,000 during 5 years includes both principal and interest and that was okay.
Our idea is to convince the bank is from a Tax issue point. In commercial/ residential property if we agree on the rate to show the loan amount as say $500,000 which includes both principal and interest to file the lien for that amount. My benefit is when I sell anything above the $500,000 I would pay income tax. It would be more difficult to have to explain Islamic Shari'ah to them. What are you thought on this idea?
Do we still need to have two contracts of buy and sell agreement?
Jazak Allah Khair,
Abdi

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Abdi's
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
I don't know any contract that is compatible with Shari'ah and it gives cash and gets it back with any increment. I do not know that there is a way, compatible with Shari'ah that allows you to take cash from the bank for construction because any financing contract in Shari'ah has to pass through a commodity (sale or lease).
Of course, you can buy all building materials through Islamic financing, the contract will then be Murabahah (the bank buys them cash and sells them to you on differed payment.
You can also have a line of credit (like construction loan) and use it to pay sub-contractors, so you have several Istisna' contracts (for each sub- contractor you make a contract with the bank that it buys his job cash and sells it to you at increment of say 6% annually for 10, 15 or any number of years. The contract has to determine the number of years so that the price (paid on installments) become known from the contract itself once the bank pays each sub- contractor. You synchronize all these several Istisna' contract so that their payment is done together as one installment.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Question:

From: Abdi
Salam Alaikum,
Thank you for the lecture you gave in Austin at the Islamic Center. I have some questions to ask?
1- Do you have a copy of a commercial Islamic loan form that can be presented to the bank? If not, what is the procedure to use if I wish to refinance my loan which is a commercial loan? You

had also mentioned a bank in Ohio which may have been willing to do an Islamic Commercial loan, do you have the name or contact which I may try to pursue?
2- You had mentioned that the law requires for residential property to separate the principal from the interest which means that even if we create a Credit Union as you had mentioned and we used Fannie Mae as an investor, will the contract still be Haram since we cannot combine that principal together with the interest as one lump sum as the loan amount?
3- If a loan is taken out where in the first ten years it is interest (tied to prime rate) only and if the borrower wishes to pay the principal during the ten years he may do so or can start on the 11th year. I would assume this is Riba and Haram?
Jazak Allah Khair,
Abdi

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Abdi
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
1- Essentially, there is no difference between a commercial and residential financing contract from the Shari'ah point of view. The only way to refinance is to use either the Murabahah format (the banks buys from you a part of the property that is valued at the amount of new financing, so you take the cash to pay the previous loan, and sells it to you at deferred price at a new rate and payment schedule) or the lease/purchase format (the banks buy that same part and leases/sells it to you at a given rental rate and given new schedule of payment. But if the financing was already of lease/purchase basis, you have to either buy from previous lessor its share in the property or that lessor will have to transfer its interests in the property to new owner/lessor).
The name of the Bank is Fifth Third Bank in Ohio. The name of the person who then contacted me is Chris Aldridge and his email is Chris.Aldridge@53.com (Aldridge, Chris) and phone (513) 744-6975. I think it is useful to contact him. Please inform me if you get any lock in renewing the contact with this bank.
2- If we establish a credit union, we may use the term finance charge to give the split details to the IRS and to comply with legal requirement, although using the term profit is better but until someone fights it in the supreme court it is permissible to call it finance charge (not interest that has become equal to Riba in its linguistic use although the word itself is innocent or rather has a good meaning. By the same token, it is a profit of financing in the Islamic Shari'ah and there is no problem in giving a special name to the profit in financing transactions that differs from profit in other transactions, the word finance charge is not a bad word for this purpose). In other words, if the substance of a contract between the two parties is acceptable in Shari'ah, how do you report it to people outside the contract does not affect it, it is an action outside the contract itself.
3- The loan as described is Riba-based essentially because it is a loan. In Islamic financing the word loan is never used, we use instead the word financing, and financing can be structured on lease/purchase or on buy and resell. The same financing you mentioned can be structured on lease purchase: the bank owns the property and it leases it for ten years, with open option to

buy it given to lessee, at any time at cost price, the buyer can exercise this option at any time during the ten years or after them.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Question:
From: Abdi
Salam Alaikum,
I own a commercial property and paid for in cash. If I took out a construction loan which later will become a permanent loan from the bank to develop the property is that loan considered Riba?
The interest rate is tied to prime and is not fixed it will move up or down. The loan period is 15 years. The loan document I assume will state the principal plus interest tied to prime rate.
Can you help us in providing the actual language format to make this loan Halal?
I believe if the bank is getting the rate they want, the format papers shouldn't be an obstacle. I should at least try.
Jazak Allah, Abdi

My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Abdi
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
According to Shari'ah this is structured as two Istisna' sale contracts one between the bank and contractor to make construction on your land and the other between the bank and you to sell you the same at a higher price and future payments. The two contracts can be put together in one contract structured as follows:
1) three parties' contract: contractor, owner of the land (you) and a bank
2) the specification of construction, price, schedule of payment, etc. are already negotiated between contractor and owner, they are presented to the bank
3) the bank buys construction from contractor according to details in (2) and will capitalize each payment until final delivery, each stage is accepted (received) by owner on behalf of the bank and you (being an authorized agent of the bank) give the bank order to release each of the payments, once building is completed, banks transfers ownership of construction (sells) to you at a price that consists of the future payments as you agree between you and the bank (10, 15, 20 years). In the contract you agree on the capitalization rate for the payments the bank made (it becomes exactly like cost plus).
4) Upon completion you receive the construction from the bank and release the bank from other (physical construction) liabilities, and start making the periodical payments.

Of course these are the main points and there are many added regarding warranties, representations, specifications, early payments, defaults, etc. that lawyers add. I have a sample of such contract that is used by the Islamic Development Bank in Jeddah, it is in English but you know these are copyrighted and I cannot release it to anyone.
The contract does not really add any thing that the bank may fear (compared with regular construction financing) but it may not like to deviate from the standard printed forms it has.
If your banker agrees to work with you on these changes (from the banker's point of view they may be trivial) I will be glad to review it for you from Shari'ah point of view (certainly at no charge).
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Question:
From: mimi
Sent: Monday, February 02, 2004
Subject: taking a loan to give to son for trading
Assalamu Alaikum Dr. Kahf:
Eid Said, May God bless you and yours.
I have a son how is graduated from UBC in Vancouver, Canada(Finance) he specialized in trading , was up and down for him for the last 2 years . to make the long story short , now he is telling me that the market picking up and he asking me to lend him $35,000.00 to invest in trading. which I know it is very risky business, and I know nothing about it. He promising me to pay it , and he knows that he will make money , so on so on.
I do not have the money , but I can borrow the money against my apartment . I am divorced women in my late 50's making enough money to live on my own , and cover my monthly 300.00 medications , pushing my self every day to go to a job not secured at all, I can lose it tomorrow
Please help me by tilling me what is the right way according the Islamic Shari'ah , am I obligated to help him financially, I have been supporting him financially , for the last four months in London England, which it cost me approximately 1500.00 a month, and almost one year in my home free room and board while he was looking for a job , then paid him$3000. to go London to look for work. and $1000.00 before that to go for interview in Montreal ,Canada.
I am obligated Sir to give him???????
Gazak Allah Khirn.
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Sr. Mimi
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

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

Taking an interest loan to give him this suggested 35,000 dollar is Haram and not permitted in Shari'ah. Interest loans are not permitted and if some Muslim does it must be only out of necessity. There is no necessity to give him such money. Besides, the chance that he may loose it all and not pay you back is very high in commodity trading and in stock trading because they are very risky. I don't recommend that you give such money for this business even if you were not to borrow it.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Hafizal

Sent: Thursday, January 29, 2004

Subject: use of interest money in charitable work

Assalamu Alaikum

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

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

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

Jazakallah Khairan

Wassalam

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. Hafizal

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Any Haram money that is unreturnable to its true owner and any money that has no owner are permissible for the poor. Under an Islamic setting such money belongs to Bait al Mal to be used for the poor and needy. The Qur'an says in more than one place that there should be no "Haraj" (inconvenience) for the poor and the handicapped (as a form of poverty and it certainly does not include the rich handicapped; notice that the poor may each flesh of dead animals, etc. and such interest money is not worse than it). When there is no Bait al Mal, such money may go directly to the poor by the person who has possession over it (though does own it because in Shari'ah one does not own interest money that one earns under other laws). It is still

better to give it through Muslim charities. Such money becomes Halal for the poor recipient and she/he better not be informed about its source.
Some Fuqaha argue that such dirty money may not be used for respected things such as buying copies of the Qur'an and distributing them free, or building the payer area in a mosque, but even in a mosque they say such money may also be used to build the toilets area! I shouldn't suggest using it for staff salaries, though it is permissible to do so; I prefer to have it used for basic needs of the poor, including education and health projects.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

FATAWA INTEREST RIBA LOANS 2003

Question:
From: Islam on Line
Sent: Sunday, December 28, 2003
Subject: Student Loans with some Riba
Name of Questioner Waqas
I am a university applicant. While applying to universities, I have to consider the prospect of financial aid. Financial aid, as per my understanding is a student loan with a small mark up(Riba).Should I accept the aid or not? I can not afford the education otherwise. Q-2 Is insurance Halal? If not then Why?
Notes
Your answers shall be even easier to accept if you could explain them in the light of Ahadith and Ayah from the Qur'an.
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Waqas
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
Interest is prohibited in the Qur'an [2: 279] in clear terms regardless of the purpose of the loan and its recipient. It is considered one of the worst sins that invoke a notice of war from God and His Messenger [the Qur'an] and the wrath (which is defined as expulsion from Heaven) of God not only on the taker of interest but also on its payer, writer and two witnesses as in the correct Saying that is reported by Muslim.
This prohibition applies to student loans like any other loans. But, you should know that in the USA there are several forms of financial aids that are not loan-based.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam
Sincerely,
Dr. Monzer Kahf

Question:

From: Islam on Line
Sent: Sunday, December 28, 2003
Subject: Inflation and Getting Interest Rates
Name of Questioner Rami
Dear Brothers, Inflation rates actually diminishes the value of money we deposit in banks and therefore, I don't see nay valid reason why we shouldn't get a kind of compensation in the form f interest rates. What's your opinion? Jazakum Allahu Khairan!

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Rami
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
While it is true that inflation reduces the purchasing power of an amount of cash a person holds, interest is neither the cause nor the effect not the contractual compensation of inflation. Interest is a contracted increment in a loan and that is forbidden in Shari'ah.
Inflation reduces also the value of cash you keep in your pocket is the bank going to compensate you for it? it also reduces the value of contractual future salaries of salaried persons and of debts you may have on your brother or mother is the bank going to compensate you for that reduction?
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Question:

From: Islam on Line
Sent: Monday, December 15, 2003
Subject: 2-Money Taken as an Equivalent to a non-perishable Product
Name of Questioner Hussam
Can a bank or a financial institution lend money as equivalent of a non-perishable product like gold or gems at the market value at the time of lending and then the borrower returns the money as the cash price value of the same product at the time of repayment provided that both parties agree that in the loan contract. Bearing in mind that the value of the product may be less at the time of repayment and hence the borrower will get a discount on his loan.

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Hussam
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
This is the Exact Riba ['ain al Riba" as described by a Hadith of Ibn Umar. The reason is that Shari'ah does found transactions on mere assumptions. If you give Dollar you get back dollars, and if you give grain you get back grain. However, if you give gold, you may agree, on the day of repayment, to repay in silver, dollar of Rial at the market price of the day of repayment provided that you make complete settlement without leaving any part in terms of other units. Example: a loan paid as 1ooo US Dollars. On the day of repayment, you may pay in Euros the equivalent of US$ 1000 at the price of the day of repayment (say 900), But if you decide to pay only the equivalent of $700 (=630 Euros) the remaining balance can be only $300 not its equivalent on that day (not 270 Euros). When this balance is paid you will have to use its equivalent at the market price of the new date of payment.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Question:
From: Islam on Line
Sent: Tuesday, December 02, 2003
Subject: difference Between Islamic Loan and Conventional Loan
Name of Questioner Amr Country of Res. Djibouti
What is the difference between Islamic loan and conventional loan?
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Amr
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
In Shari'ah there is only the term Loan (Qard); the term Qard Hassan is used in the Qur'an to mean charity being a loan to God. A loan in Shari'ah applies to things that are standardized (whereby units are of the item are exactly the same) and at the same time that can be exhausted by usage (in contrast to durable things such as a car or kitchen small electric appliances that can be lent as 'I'arah, i.e., to be returned themselves exactly), such as money or bushels of wheat of given specifications. In a loan, the borrower, after using the borrowed units must retuned equal number of units of the same item on the due date. A loan in Shari'ah is therefore defined as an act of goodness or kindness, it is a pure help from the lender to the borrower and it is rewarded by God as the Prophet, pbuh, told us. A loan does not carry any contractual increment since the Qur'an (2: 279) instructs that we should get back only the principal with no addition and no deduction. Therefore, any increment above the principal of a loan that is either conditioned in the contract or known in customs and traditions is considered Riba and Riba is a major sin according to the Qur'an and the Sunnah.

Accordingly Islamic banks do not provide loans because they aim at making profit from their businesses. Instead they provide financing in accordance with the Islamic principles that are sale-based, lease-based or venture capital-based (profit and loss sharing)
Loans of conventional banks are interest (Riba) based. They are forbidden in Shari'ah.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Question:
From: Siddiqi
Sent: Sunday, November 23, 2003
Subject: Fwd: working in insurance with interest
Salam and Eid Mubarak
I forward this since you are an expert on insurance as well as on Fiqh al
aqalliyat.
Siddiqi

From: usuf
To: siddiqi
dear sidiqui sahab
Assalamu Alaikum
dear sahab
is it permissible for a Muslim to work as development manager in a insurance company. keeping the condition of Indian Muslims the risk element attached to their lives and properties and no Takaful here. can I go and sell them financial security. Indian Muslims have lot of misconception about insurance and ulemas few of them add to it. your advice is needed and all the conventional insurance contracts in India are based on profit sharing model because the return on the investment is not guaranteed. your advice is awaited Allah hafiz. Yusuf
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br.
Assalamu Alaykum wa Rahmatullahi wa Barakatuh and Eid Mubarak to you too.
May I begin with the last note on profit sharing. You know it is not sufficient that a company distributes variable return to make it permissible. There are two more conditions: 1) the contract must be based on de facto ex post return that is the variability is not in a loan based-relation but rather is in an investment (Mudarabah) based relation that makes the distribution of profit as a percentage of realized profit and losses on capital (no guarantee of principal); and, 2) the use of funds must be Halal. This means that even if the contract is Halal between partners their investment must be in permissible activities. Do conventional insurance

companies in India invest their money in government bonds and other interest-based assets or in permissible business and trades?

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

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

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: David

Sent: Sunday, November 23, 2003

Subject: Riba, inflation and the abstract nature of money

Dear Dr Kahf

Riba and Inflation

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

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

understandably forbid Riba but it is a question of the context it was written in Thanking you in advance for a logical answer in relation to the abstract nature of money.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. David

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

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

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

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

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

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

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

Wa Allahu A'lam (and God knows Best)

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

> *"INTEREST AS COMPENSATION FOR INFLATION*
>
> *While some of the bad effects of interest mentioned above, e. g., interest causing instability, have come to light recently its unfairness as a social arrangement has been in focus for ages. What makes it tick, then, not only among those who stand to benefit by it*

but also by people in general? There seem to be two main reasons, one a product of the circumstances during the last half century and the other rather old. The older reason for general acceptance of interest is the perceived lack of an alternative. The recent reason is erosion in the value of money due to persistent inflation during much of the last half century. Bank depositors as well as creditors of all sorts stood to lose in terms of purchasing power unless compensated for the decreased value of the sums originally involved. Interest was looked upon as such compensation.

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

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

Question:

From: Islam on Line

Sent: Monday, October 13, 2003

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

Name of Questioner hesham Country of Res. Egypt

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

DIDN`T GO TO BANK ON PURPOSE TO PUT MY MONEY TO GET THE BANK USURY ? & IF THE 7 THOUSAND LE IS PROHIBITED TO USE HOW COULD I SPEND IT?

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. hesham
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
May Allah bless the soul of your father and give him mercy and forgiveness.
The reasons you mentioned do not justify interest. It was not your mistake, but that of the guardian who could have asked for placing the funds in an Islamic bank. In Egypt you have three Islamic banks that could have received the money on Mudarabah basis and invest it and give you your share of the profit that is Halal and permissible.
Interest cannot be justified by loss of opportunities because you don't know what would be the result of such opportunities, it could be a great loss! It cannot be justified by inflation (decline in the value of money) because such a decline affects you even if you keep the money in your pocket or under the mattress. Interest is an increment in a loan that has no real counterpart, it is taking money with no reason as the Qur'an puts it (bi al Batil). Remember the reason given by those who justify it is only the expectation of return from other opportunities and the sacrifice the lender makes, both are abstract and mere expectation, psychological and speculation about the future, they are not a real thing.
This interest is not yours, and you cannot return it to the bank because that helps it do more of the evil of interest, you MUST GIVE IT AWAY to Muslim charity or the poor and needy. You will InShaAllah be rewarded for keeping your own money clean from the evil of interest (Riba) but it is not considered a Sadaqah on your part.
By the way if Zakah is not paid on your own money you are still required to pay Zakah for the past three years, since your father passed away, from your own money not from this interest.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Question:

From: Islam on Line
Sent: Tuesday, November 18, 2003
Subject: Forced to Take an Interest-based Loan to Start Business
Name of Questioner Samir
Assalamu alaykum, I have been unemployed for 4 years and have been looking very hard for a job. Now I have the opportunity of starting a business with the help of the government. The government will fund a very small portion of the business and the rest will be funded by a bank loan (interest based). I have looked for all possible means to fund my business but with no success. I don't have any savings left since I have spent them during the years I was

unemployed and I have even got myself into debts. Please tell me if taking the loan is permissible in my case. Jazakum Allah Khair.

My Answer:

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

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

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

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

Question:

From: Islam on Line
Sent: Saturday, October 25, 2003
Subject: Student Loan for Landed Immigrants
Name of Questioner Country of Res. Egypt

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

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. abdul hamid
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
I don't know what OSAP is. therefore my answer will be based on your explanation and it may not be on the OSAP. I find no need for student loans in Canada and the USA because there are other means to finance study at the University level. there are many scholarships you need to dig a little harder and search on the internet those organizations that give scholarships, there are study/work programs, there is always the possibility to work part time and study and there are student loans that do not charge interest if you pay the loan back within 18 month after graduation, which is a sufficient period to pay the loan if you work hard and spend wisely. Instead of the loan you need to work harder, be a little thrifty and you don't need your father to send you money from Egypt.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Question:
From: Islam on Line
Sent: Tuesday, October 21, 2003
Subject: Are Prize Bonds Halal?
Name of Questioner Muhammad Country of Res. Pakistan
Assalam-o -Alaikum I want to ask that are prize bonds Halal? if we win prize on a prize bond ,is that Halal?
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Muhammad
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
Prize bonds are forbidden in our Shari'ah, they are interest-based and the prize is interest; they also have resemblance to gambling. This is the essence of the Fatwa of the International Fiqh Academy of the Organization of Islamic Conference (the OIC). In prize bond you give the loan for the purpose of winning a prize, this is interest not even in disguise. The gambling element comes from the fact that you are giving a price for the chance to win a prize.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Question:
From: Islam on Line
Sent: Tuesday, October 14, 2003
Subject: Getting a Loan to have tax exemption
Name of Questioner Hussam Country of Res. Canada
We are developing a new project in a Muslim country which is financed by us, we had no intention to get any loan from any bank, the estimated investment is between 300,000 to 400,000 US$. Now, in order to get TAX exemption for 10-years, we need to get small loan 10,000 US$ from a government investment funding organization, the TAX money that we are trying to avoid is very big amount over 10-years and it will affect our ability to compete with others...we are asking if we can borrow this money from this investment funding organization to get TAX exemption. it is expected that it will take 30-45 days to get the TAX exemption papers completed and then we will return the money to the bank with some interest The question is it HALAL ???
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Hussam
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
I thought carefully of your question. it is the kind that makes me silent! I do not dare to say that it is permissible to take this loan under the circumstance, at the same time I argue that you have a strong case to make all you can to save on the taxes. protecting your property against substantial taxes is a very legitimate excuse that justifies limited relaxation of prohibitions.
So I cannot give you a Fatwa but I can tell you if you take this loan and ask me after that I would say you are, InShaAllah, not sinful in what you've done. This seems to me the kind of "the dust of Riba" that the Prophet, pbuh, told us it may be unavoidable sometimes. Please remember the Verse that assures that good deeds verily wipe out bad ones "Inna al Hasanata Udhhibna al Sayyi'at."
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Question:
From: Islam on Line
Sent: Saturday, October 11, 2003
Subject: Giving Interest as Charity
Name of Questioner Abdul
Dear Sir Assalamu Alaikum I am living in the Uk and I am keeping my money in a current account from which I get interest. I always spend the interest in charity. The question is, Is it acceptable to give some of this money to relatives (for example, brothers and sisters) as a gift. Please take in consideration that they are not poor or needy. Jazakum Allah Khairan

My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Abdul
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
No. Earned interest is not yours and you may not use it as your money. It must be given to Muslim charity because it is considered "money that has no owner" . Hence you may not use it for giving gifts to relatives. Only to the poor and needy directly or through Muslim charitable organizations.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Question:
From: Islam on Line
Sent: Tuesday, September 23, 2003
Subject: Wages from Bank Interest
Name of Questioner salah Country of Res. Algeria
SALLAMOU ALAYKOUM I LIVE IN IRELAND AND I WORK BY AN ALGERIAN MOSLEM , THE ALGERIAN MOSLEM HAS A BUISNESS BUT ALL HIS BUSINESS WITH THE INERTS BANK (RIBA), AND HE KNOWS THAT (RIBA) IS HARRAM. MY QUESTION WHAT ABOUT MY WAGES (MONEY)????? THANK YOU SALAMOUALAYKOUM
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Salah
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
If you live in Ireland, that is then your place of residence!
If the work you do is permissible in Shari'ah, your wages are permissible InShaAllah regardless of what your boss does and earns.
Also remember that if his business is permissible, dealing with banks does not make all his income and resources from interest, in fact he most likely is paying interest instead of earning it!
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Question:

From: Islam on Line
Sent: Saturday, September 20, 2003
Subject: Giving Interest to a Relative
Name of Questioner Shakeel Country of Res. UAE
Dear Scholar, Assalam Alaikum!! My question is that I got some amount as interest from my savings account which I do not want to use for myself and also cannot return to the bank. So, I gave to my maternal uncle who is suffering from lung cancer for his treatment/personal use. Is this Ok?
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Shakeel
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
If the person you gave interest to is poor, yes you did the right thing and you did not need to tell him the source of the money. Interest must not be returned to banks and must be given away to the poor and needy and similar purposes. If the poor is a relative that is much better as long as you are not financially responsible for her/his (i. e., you may not give to a poor parent or grandparent). You are not financially responsible for maternal uncles.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Question:
From: Islam on Line
Sent: Sunday, September 14, 2003
Subject: Helping Brother from Interest Money
Name of Questioner chemnad Country of Res. India
ASSALAMU ALAIKUM, CAN I GIVE MY INTEREST MONEY FROM BANK TO HELP MY BROTHER TO BUILD A HOUSE FOR HIM.CAN I USE ZAKAH MONEY FOR THE SAME PURPOSE.MY BROTHER HAS GOT A SMALL SHOP SELLING COIR PRODUCTS.HIS TOTAL STOCK IN HIS SHOP MAY EXCEED THE ZAKAH NISAB.BUT HIS BUSINESS IS POOR.
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. chemnad
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
If the income your brother derives from his shop and any other sources is not sufficient to pay for his normal expenses on the family (including cost of housing) you may give him your Zakah and interest.

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

Question:
From: Islam on Line
Sent: Tuesday, September 02, 2003
Subject: Using Canadian Saving Bonds for Hajj
Name of Questioner Khokhar Country of Res. Canada
Can I use money from cashing Canada Savings Bonds for performing Hajj. I would appreciate a response on this matter. Please note that this is the only money I have other than my RRSP. What do you suggest I do? Would it be OK to use money from the bonds to cover Hajj expenses.
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Khokhar
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
You know that owning buying and saving bonds is not permissible in the Shari'ah because they are interest -based. whatever you happen to have of such bonds must be sold and you take only the amount of your principal (= the cost you paid when you purchased the bonds) and you must give the rest to any Muslim Charity. This is Riba money that is Haram (forbidden) in the Shari'ah, remember you do not own this money according to Shari'ah . The Prophet, pbuh, said that any flesh that arises out of a Haram deserves the Fire of Hell more than any other place.
Once you give the Haram part to Muslim charities, your principal is InShaAllah pure for you and you can use it for Hajj, Zakah payment and other things.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Question:
From: Islam on Line
Sent: Tuesday, August 26, 2003
Subject: Interest Money

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

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. SIRAJUDDIN
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
earned interest money is not owner by the recipient from the Shari'ah point of view. Interest contracts are invalid completely and they do not produce any effect, i. e., no transfer of fund is acceptable for interest from one person to another. In other word an interest earner does not own this money.
The Principle in Shari'ah is: things must be returned to the way they were before the invalid contract. This means returning interest money to its payer. BUT SINCE THE PAYER IS A BANK WHOSE BUSINESS IS GIVING LOANS ON INTEREST, it is wrong to allow it this privilege that will only add to its ability to make more of its evil interest-based transactions. Hence, we treat this money the same way we treat money that has no owner! Give it to Muslim charity, the poor, Muslim orphanage, etc. You will be InShaAllah rewarded for preserving your own money clean off interest but this is not considered Sadaqah because a Sadaqah has to be from your own money.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Question:

From: Islam on Line
Sent: Tuesday, August 26, 2003
Subject: On Investment Certificates
Name of Questioner Arshad Country of Res. India
Assalamu Alaikum, I would like to know regarding investment of money in Banks like this- Certain Banks take deposit and issue certificates that value to the amount of investment. These certificates are put in monthly draws and the winner of draw gets sometimes higher amounts like 1 million or sometimes small amounts. But the bank does not give interests to the amount deposited. From the Islamic point of view is it allowed to deposit money in such banks intending to win the draws to get higher amount ?.Example : Mashreq Millionaire. Please advise.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. Arshad

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

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

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line

Sent: Tuesday, August 26, 2003

Subject: Buying a Van through Interest?

Name of Questioner mian Country of Res. Canada

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

Notes

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

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Mian
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
lease does not have interest, you are wrong. In lease contracts in Canada, you just pay a down payment (sometimes not) and a monthly rent and at the end of the period you have three choices: return the car and walk out; negotiate a lease renewal for a new period; or buy the car at a given amount. Where is the interest? It is true that the seller will finance this lease through interest but that is the seller's business not yours! Besides, this is the first time I hear that leases costs more than buy, usually they are comparable and competitive, otherwise no body will lease and every body goes for buy!
Do you se a difference between marriage and adultery? in both cases the couple sleeps together!
Buying a car on interest in Haram but you can perhaps make a contract that is not interest based: buying a car on installments, even if the total price is higher and the seller makes his calculation of the basis of interest. That is a sale which is different from buying cash and borrowing money on interest to pay that cash.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Question:
From: Islam on Line
Sent: Monday, August 25, 2003
Subject: Paying Tax with Interest
Name of Questioner mahtaab
Respected Scholars, Assalamu 'alaykum, I would like to know whether I can pay my annual Income Tax with the Interest I get on my saving account.
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Sr. mahtaab
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
I argue that since interest obtained on a saving account or any other deposit accrued to you is not yours from the Shari'ah point of view, you cannot use it for disposing of your legal obligations toward the government or toward any other entity you may have obligation to. You cannot even use it to pay the interest that accrues on an interest-based loan you may have borrowed.
The Shari'ah position is that earned interest is not earned but it is still owned by the payer. But since the payer is a bank whose business is to give loans on interest we must not return it to the

payer as such an action increases the evil of interest and empowers the evil doers. Thus you need to dispose of this interest money by giving it to Muslim charity not as a Sadaqah but for the purpose of keeping your own money clean.
Taxes are civil obligations that are essentially the result of living together in a society/community and needing governmental services. Taxes are thus personal obligation that must be paid out from your own money not from money you do not own.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Question:
From: Islam on Line
Sent: Sunday, August 17, 2003
Subject: Premium Bonds
Name of Questioner Shahzad Country of Res. U K
Dear Brother in Islam. Assalamu Alaikum My question concerns premium bonds. These are bond issued by governments. If one purchases these bonds each month the bond holder is entered into a prize draw. The chances of winning a prize are dependent upon the number of bonds one has purchased. The prize fund is determined by the government and currently equates to about 4.5% of the total amount number of bonds bought, though this fund can vary with the prevailing interest rates. One can sell the bond back to the government at any time for the original value. My questions are i) is it permissible for Muslims to buy premium bonds and ii) can Muslims buy premium bonds in a non Muslim country (I currently live in the United kingdom). Jazakum Allahu Khairan!
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Shahzad
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
On this kind of bonds as you described it the OIC Fiqh Academy issued its Resolution No. 60 (11/6) that states that these bonds are prohibited to issue and to buy because the prize (even if it is given to the winners only) is Riba, also the process of paying the price of the bond for the hope of winning a large prize may involve a sort of gambling. I am not aware of any opinion that permits such bonds if they are issued by non Muslim government! And I don't think such a differentiation matters.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Question:
From: Islam on Line
Sent: Sunday, August 10, 2003
Subject: Taking a Loan
Name of Questioner usman
dear sir. I have taken a loan from bank on interest for helping my friend who was in need of amount for his family includes wife and children and who was jobless at that time. he is still struggling for better times so on his behalf I have to pay the installment of loan .may be later on this amount recovered from my friend. whether I be regarded as guilty for Riba transaction. my intention was to help him only.
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Usman
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
I can't tell about the circumstances of you and your friend. Certainly taking interest-based loans is forbidden, sinful and a great offence to Allah' command that are stated in the Qur'an. Any excuse for such a grave violation, that by the way calls for a war from God and His Messenger as mentioned in the Qur'an, 2: 279, must be extremely strong to stand the specific and thorough securitization of the Most Knowledgeable on the Day of Judgment!
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Question:
From: Islam on Line
Sent: Saturday, August 09, 2003
Subject: car loans
Name of Questioner hope
بسم الله الرحمن الرحيم My question is regarding banks and interest. I know that bank interest for loans and keeping savings accounts is Haram. My question is regarding car loans, and buying a car by installment. For example; I need to buy a car and can afford to pay installments yet can't afford to buy it on one payment. So there is the option of buying the car on installment base yet the car owner will put an interest over it. (or in another meaning will increase the price of the car if paid by installments by say around 10% and reflect it over the monthly installments. I don't mind doing this since my budget can afford and at same time I am in need for a car. So do I have to wait until I collect a lump sum of money to buy a car or can I buy it by installments. And sometimes car dealers use banks to facilitate this service for them... they for example sells the contracts to banks which make the buyer in debt for the bank and not for the car dealer anymore. waiting for your answer Jazakum Allah 7'eiran.
My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br.
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
It doesn't know where you live because certainly the Fatwa differs depending on where you live. You know circumstances affect the fatwa and circumstances differ from one country to another and even from one town to another. So is availability of alternatives and the form of contracts that are available for car customers.
Let me clarify a couple of side points that you mentioned: 1) if you buy on installment and the seller turns around and sells the debt she/he has on you to a bank, the seller's action and behavior does not interfere with your contract with it and it is not of your business what the creditor does with other entities she/he deals with, be they banks or otherwise. The permissibility of a contract is determined on its own conditions between its two parties, it is not determined by what each of them may have of relations with other parties. And 2) buying on installment from a seller is permissible even if the price is higher than the price that is offered if the sale were to be cash. The difference in price for deferred payment is recognizable in the Shari'ah. What is not permissible is buying on cash and getting a loan to finance the purchase, i. e., having a cash sale and a loan contracts. It doesn't matter whether the loan is from the seller or from another party like a bank.
I come now to your basic question: Although there may be very few exceptions as will be explained later, the rule is that buying a car on interest basis is not permissible. 1) buying an expensive car is not a necessity and there are always used cars that can serve as satisfactory transportation and can be purchased for small amounts that are bearable by most car buyers. The only exception may be the need of a highly dependable car for people whose jobs require them to be on wheels for a long time like house repair persons in some countries. 2) there are other alternative to finance cars such as leasing. For instance there are car lease contracts in the USA that are acceptable from a Shari'ah point of view. And 3) very often there are other means of transportation is most cities to the extent that renders a private car only a luxury.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Question:
From: Islam on Line
Sent: Tuesday, July 29, 2003
Subject: Is This Interest Halal or Haram?
Name of Questioner Hanaa Country of Res. Egypt
I have 10,000 pounds in the bank in bonds with 10.5% interest for 3 years. is this 7alal or 7aram? I'm working, but I'm trying to save for my child, for his future.
My Answer:
Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Sr. Hanaa
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
This is plainly Haram in spite of some unfounded Fatwa that is heard in Egypt. A bond is a loan and any return on it is interest. There are in Egypt Islamic alternatives. Please check with the Islamic banks in Egypt.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Question:
From: Islam on Line
Sent: Saturday, July 26, 2003
Subject: Giving out Interest as Charity
Name of Questioner Haniffa
Country of Res. Sri Lanka
Dear Scholar, Assalamu Alaikum, There is no Islamic Banking system available in our country. Can we operate accounts (Current and Saving) in Banks which do operate under the present RIBA(unashamed) system? What should we do to the amounts being credited as interests to our savings accounts - we just leave it as it is or can we give away those amounts as charity (but without expecting any merits)? Please enlighten. Jazakallah
Notes
I always have a feeling that we are also helping a system which Islam has prohibited by dealing with unislamic banks. But here we do not have alternatives.
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Haniffa
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
To the best of my knowledge there is an Islamic bank called "Amanah Islamic Investment Bank" in Sri Lanka in which you can deposit in Mudarabah investment accounts instead of saving accounts in conventional banks.
However, suppose there is no branch of this Islamic bank in your area, it is permissible then to deposit in interest generating accounts in conventional banks provided, as you said, you give the accrued interest to Muslim Charities. You will be rewarded, God Willing, for keeping your own money clean of the wrath of Riba but this is not considered charity in the Islamic sense because charity is giving from money you own and accrued interest is not owned in accordance with the Shari'ah because the Riba contract, although valid in common laws in many non-Muslim and Muslim countries, is not valid from Shari'ah point of view and consequently you do not own this interest.

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

Question:
From: Islam on Line
Sent: Tuesday, July 22, 2003
Subject: Prize Bonds
Name of Questioner Atif Country of Res. Pakistan
Pakistan issues prize bonds on no profit no loss bases but there is prize after every three months to make people save money. the money given away by the govt to selected people(numbers) is lawful in Islam or not. thanks
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Atif
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
Prize bonds are interest based and their prizes are interest. Both are forbidden in Shari'ah because they are increments in a loan, it doesn't matter whether this increment is given in the form of a prize or a predetermined amount. The OIC Fiqh Academy discussed this issue in 1412 H and resolved that prize bonds are forbidden like regular bonds.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Question:
From: Islam on Line
Sent: Tuesday, July 22, 2003
Subject: Buying a Car
Name of Questioner Oussama
Salam alaykum I recently went to a car's dealer who advertised its own financing. I inquired about that aspect and he told me that I don't sign anything with a bank and that he's the one doing financing through the bank...Needless to say that I was lost. He said that even if he's the one offering the financing, the bank is going to take the money directly from my account each month. Is this permissible in Islam?
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

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

Question:
From: Islam on Line
Sent: Saturday, July 19, 2003
Subject: Installment Payment & Prize Bonds
Name of Questioner usman Country of Res. Pakistan
Assalam Alaikum 1)is installment payments on credit cards purchase when u know what will be the credit value in total & in installment before purchase. 2)prize bonds earning in shape of draw without losing the original saving amount is allowed or not. it will be kind of you that answer is given in detail so that I will be able to do the right act.
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. usman
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
1) Installment sale between a seller and a buyer directly is permissible even if the price of the item is higher than its advertised price as cash. However, even between them (without intervention of a third party, a sale contract must not make the price in an option manner, i. e., the price must not be like this "either 100 cash or 120 on 12 monthly payments. In this regard, the Prophet, pbuh, said: the lowest price applies or it is Riba.
When you by using a credit card, there are actually two contracts: a sale contract between the seller and the buyer that is cash sale and buyer gets its money either electronically immediately or by depositing the credit slip in the sellers bank account like a check (of course there is a deduction of a small commission and we will not deal with it to avoid any confusion). And a transfer (Hawalah) contract in which the buyer ask the seller to collect money from the buyer's

agent (the credit card issuer) on the basis a prior arrangement between the buyer and his agent. after these two contracts are executed what is left is the prearranged relation between the credit card issuer and the buyer. this is regulated buy their consensual agreement that gives the buyer a choice of either pay within a given period of time or considers the amount of purchase a loan and pay later on installment or at a future date. Notice that the second choice is a pure Riba (interest) transaction. This is covered by the prohibition of Riba that is very clear in the Qur'an and the Sunnah, being one of the gravest sins.

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

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line [mailto:islamonlinenet@hotmail.com]

Sent: Thursday, July 17, 2003

Subject: Islam online financial 2

Name of Questioner aadil

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

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. aadil

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

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

contract is signed). Dissimilarity is that Murabahah is a sale that passes through a commodity, actual possession and ownership with all legal implications of ownership while interest lending is merely a loan contract that does not have necessarily a commodity. Murabahah cannot be used to reschedule previously existing debts nor for inter deals with already existing debts. There are legal, financial and economic implications of these differences that are more sophisticated and you find them in professional research. You may see my article in the Thunderbird International Management Journal, 1999 and others.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Question:
From: Islam on Line
Sent: Monday, July 14, 2003
Subject: Making a Profit of a Deal based on Interest Money
Name of Questioner Khalid
AsSalaamu Alaikum warahmatullaahi wabarakaatuh. Praise is to Allah alone and blessing and salutations unto His final Messenger (S.A.W.) Dear Sheikh, I have had a troubling of my conscience and InShaAllah you will be able to clarify something for me. I work for a Muslim charitable organization. Over time the organization has built up some interest money with the bank. They are using some of this accrued interest money to clothe some non Muslim school children as a once off project aimed at helping non Muslim kids. Being entrusted with the project, I had to source out the best clothing at the best prices. I remembered that my father knows of businesses that may be able to help. I offered the contract to him of finding the best combination between prices and quality which he did. He got us the cheapest price available. My question is whether it is possible for him to act as the go between on this deal and make a profit out of this? I have not told my father that there is interest money involved. My father is not in desperate need of money but some cash off this deal would help his situation. Jazakallah Khairan for your efforts and May Allah (S) always keep you on the path of Islam.
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Khalid
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
I think it is inappropriate for you to offer your father a contract because that raises a matter of conflict of interest since you are an officer of the organization. Issues of conflict of interest are considered in the Shari'ah because they affect the confidence in your action and decision that you take on behalf of the organization.
If this contract was not managed by you and someone else who manages it, following the proper procedure of assigning contract, giving a commission to a facilitator, your father in this

case may be permissible although many non-profit organization require that immediate relatives of their staff must be disqualified for contracting with the organization.
and once it is established that it is permissible to give a commission to a facilitator, the accounting source of the money, being from interest or from Halal sources doesn't affect its permissibility for the giver as well as for the recipient and the facilitator needs not be informed about the source of the money.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Question:
From: Islam on Line
Sent: Sunday, July 06, 2003
Subject: Giving Interest Money for the Marriage of My Brothers Daughter
Name of Questioner Mohammed Country of Res. India
ASSALAMU ALAIKUM MAY AL MIGHTY ALLAH REWARDS YOU FOR YOUR VALUABLE WORK. I HAVE SOME INTEREST MONEY IN MY NRE ACCOUNT WHICH I AM NOT USING. SO KINDLY ADVISE CAN I GIVE THIS MONEY FOR MY BROTHER'S DAUGHTER MARRIAGE.
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Mohammed
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
Interest money is not owned by you, it cannot be used to fulfill your own obligations or satisfy your desires. you cannot spend it on any of the normal expenses you may have. In principle it is still owned by the bank that credits it to your new account. But we do not give it back to the bank because it is a Riba practitioner who gave it to you according to the law of the land. instead we give it to the poor and needy. Can you use the bank own money for your niece's marriage?. In one word, you cannot use interest money the way you use your own money such as giving gifts, spending it on things you like, etc.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf-

Question:
From: Omer
Sent: Friday, July 04, 2003
Subject: RE: Interest on provident fund
Dear Dr. Monzer Kahf

Wassalam Alaykum wa Rahmatullahi wa Barakatuh.
I am very grateful for your prompt reply for my questions, may Allah reward you for the service your are giving.
To clarify more for my question, I am leaving in Ethiopia where we don't have any Islamic bank and more over one has to have a trade license in order to keep his money in a current account which doesn't have interest other wise we all keep our money in a saving account with inters, yet I never used the interest part on my saving for my personal expenses I usually give it away for charity, as for the provident fund I've found out from the company that it was kept in the bank with interest the problem is that I don't have any personal ID as they put all the employee's provident fund in one account actually I asked them to give me the net contribution made from both my side and the company's side so that the rest of the amount I received I can consider as interest.
Actually I based my question on the Fatwa that I read on a web site which said it doesn't concern the beneficial from the provident fund whether it has interest or not it only concerns the company and what ever amount is given to the employee is his, yet I need your opinion on this issue.
wejezakumulah Khairan
Omer
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Omer
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
The idea is that you do not have to ask and you do not need to know how the company uses the money accumulated in the Provident Fund. If they pay you monthly pension, the pension is normally based on other factors that are mainly your life expectancy and number of years of your contributions and similar factors, the return to Fund is also a considered factor.
If you receive pension, you do not ask about details because they are accounting details that do not relate to you and Your pension is Halal InShaAllah. If you receive a lump sum and you are told, in a letter or by knowing the system of retirement of the company, that it only consists of your contribution, the company's contribution and accumulated interest on these two types of contributions, this interest is not yours and you have to give it up to Muslim charity of directly to the poor and needy. This is more emphasized if the system of the company is such that it specifies the placement of accumulated money in the Fund to your account and to be on interest.
If you are given a lump sum and the company does not tell you that there is an interest ingredient in it or the system does not specify placement on interest in banks, it is then none of your business to investigate, it is a lump sum given at the end of service and that is it. It is InShaAllah Halal.
Since there are no Islamic banks in your country and you need the convenience of depositing your cash in the bank this depositing in saving accounts as you explained is permissible InShaAllah and you have to give away the interest as mentioned above in order to keep your own money clean of the sin of interest. This earned interest in not owned by you from Shari'ah

point of view and you cannot make on it transactions that are only the right of owners including lending it. Give it to the person who needs it not as a loan but donation and ask him that instead of paying you back he should give it to Muslim charity when he gets money. The Shari'ah permits such conditions even in Sadaqah and you know this is not Sadaqah because Sadaqah has to come from things you own but InShaAllah you will be rewarded for keeping your money clean a lot more than Sadaqah because the Prophet, pbuh, said that God loves avoiding what He prohibited even more than doing what he ordered.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Question:
From: Omer
Sent: Thursday, July 03, 2003 6
Subject: Interest on provident fund
Dear Dr. Monzer Assalamu alaykum Wa RahmtuAllah
I had provident fund benefit from my ex-employer in which I made some contribution from my monthly salary and the company also made some, the company kept this money in a conventional bank account with interest now I have resigned and given the provident fund with the bank interest actually I don't know for sure how much is the interest money my question is am I allowed to use the interest money or not.
My second question is I usually give the interest part form my saving account to the poor and needy now I have some with me can I lend this money to a friend who is in immediate need of money but can repay it after some time.
Jazakum Allah Khairan
Omer
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Omer
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
Please identify yourself, where do you live and how do you know it was kept on interest, is it in the system of the Fund and give as much detail as you can except the amount and your personal ID number and the like. you know the Fatwa differs according to your situation.
For the second question, interest money is not yours and you cannot use as if it were yours, it must be given to Muslim charity, Besides if you live in a Muslim country, especially one that has Islamic banks, it is not permissible to put your money in saving accounts with conventional banks.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam

Sincerely,
Dr. Monzer Kahf

Question:
From: Islam on Line
Sent: Monday, June 30, 2003
Subject: Giving Sadaqah out of Earned Interest
Name of Questioner Mohammad
If a Muslim lives in a country where rate of inflation is 3% per year. Is it Halal to earn interest equal to 3% and gives anything extra to Sadaqah. Please reply and thank you very much
My Answer
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Mohammad
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
No, it is not Halal. Interest earned is not a compensation for inflation. In fact, although there are certain linkages between interest and inflation, there is no scientific establishment that there is a causative relation between them. The compensation of inflation is indexation which is also not permitted on bank deposits in the Shari'ah scholarly circles because it hides interest (Riba).
Every body holds cash on hand and many people have bank deposits too. Who compensates you for the loss of purchasing power of the cash on hand and the loan you may have given to your brother? Inflation, especially high inflation is wrong and the governments should tame it, but interest is no solution. a individual remedy may be in putting your money in Islamic banks as investment deposits, they will normally earn a few percentage points depending on the market, this earning is Halal and you may keep.
Earned interest is Riba, it is Haram, you must not allow it to mingle with your own Halal earned money, even with the fact that a conventional bank gives it to you (credited to your account) you do not own it from Shari'ah point of view and you should give it away to Muslim charity not as a Sadaqah but as money that must not be returned to its owner (the interest-based bank) because it will use it to capitalize the evil of interest (Riba).
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Question:
From: Islam on Line
Sent: Tuesday, June 10, 2003
Subject: Financing from Honda at a Fixed Interest Rate
Name of Questioner Guest
Salam alaykum I read the fatwa from Dr Monzer Kahf about financing. I still need a clarification. I recently went to a Honda dealer in Canada. He proposed a financing from Honda (not the

dealer himself) at a fixed interest rate. Can you please clarify if it's permissible to do that in Islam or if it is considered Riba. An example like the one Dr Monzer gave about Murabahah would help a lot to clarify. Jazakoum Allah Khairan

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Guest
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
buying a car from a dealer at a cash price then financing it at interest (fix or variable) is Riba. Buying it from a dealer on installment at a higher price (even if it is equal to the cash price plus the amount of interest the dealer or Honda finance Corp charges and even if the dealer, on her own part after the contract, assigns it to the Honda F. Corp.) is permissible. The difference may not seem very convincing when you take as an individual incidence. But when the law is created (by God, Ta'ala) it has to draw lines between the permissible and the forbidden and points on the two sides of the line may have similarities, But the objective of a law can be seen clearly when you compare other points. Still this does not mean that nearby points on the two sides of the line should be treated equally. If you look closely you will find substantial differences between the legalities of the two transactions.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Question:

From: Islam on Line
Sent: Wednesday, May 14, 2003
Subject: Taking Interest and Giving It as Charity
Name of Questioner Ehsan Country of Res. Pakistan
Assalam-o-Alaikum, I have 2 questions relating to interest: 1) Let’s say if a person has like $10,000 and he just wants to keep it in his bank without investing. Can he take interest on that money and give it as charity? 2) Under some cases paying interest becomes necessary and is unavoidable. For example, a student loan. There is actually no way to study in the United States without some loan unless the child's parents are extremely rich. So it is necessary to pay interest. My question is that if a person has some money and he has it in his savings account, can he take interest on that money and give that same amount back as interest for his student loan? Jazakallah! Ehsan

My Answer:

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

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

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

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

3 -I do not agree with you that student loan is a necessity because of three reasons. a- higher education is not a personal necessity, any one can live without it; b- studying in the US is not a necessity you can study anywhere else, including Pakistan and continental Europe at much lesser cost or at virtually no cost; and c- there are many scholarships, programs, and part time works that can finance studying in America, especially for American Muslims.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line

Sent: Saturday, June 14, 2003

Subject: Investment and Interest

Name of Questioner Nezar Country S A

Question

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

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. Nezar

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

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

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line

Sent: Monday, October 27, 2003

Subject: Investing Money in Halal Business for a Fixed Profit

Name of Questioner Shazuli

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

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. Shazuli

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Investment according to Shari'ah approved contract (such as Mudarabah) in permissible business is permissible. Investment has the potentiality to gain and the risk to loose. these two characteristics of investment go always together because you own your money and you own the merchandize that your agent purchased with your money. If the user (agent) of the money

guarantees the principal there is a violation of one of the two characteristics of ownership, such a guarantee makes the money a loan to the agent rather than Mudarabah investment and a loan is not entitled to earn any return. Such a condition cannot be placed in an Islamic contract because it contradicts its nature and it transforms the contract into a loan whereby any increment becomes interest even if it is variable and its rate is not determined in advance.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Question:
From: Islam on Line
Sent: Wednesday, October 15, 2003
Subject: Meaning of Riba
Name of Questioner YASIN Country of Res. Kenya
Assalamu alaykum! What does Riba mean? Is the interest earned on money placed in a Bank Riba? Is livelihood earned from employment in a Bank lawful? Kindly enlighten me
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. YASIN
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
Riba is forbidden in Islam. It is one of the gravest sins as God threatens those who do not quit Riba dealings with a war from God and His Messenger, please read the Qur'an, 2: 275-279. The Prophet, pbuh, said: "The Wrath of God is on the taker, the giver, the writer and the two witnesses of Riba" This is a correct Hadith reported by Muslim.
There are two kinds of RIBA. the most common one is defined as "any contractual increment in a loan." This means that interest of banks is certainly and clearly Riba.
The second kind of Riba comes within certain sale contracts. It may appear especially in currency exchange contract. This Riba includes any time difference in the delivery of exchanged currencies and any differential in the amount when you change different bills of the same currency (like one hundred dollar bill for 99 bills of the one dollar, the difference of 1 is Riba). The Prohibition of this kind of Riba came in the correct Sayings of the Prophet, pbuh.
Working in a Riba based institution is certainly not one of the purest kinds of jobs because directly or indirectly you will serve the Riba, but strictly speaking the Wrath of God is on those who write it and be witness to it and there is no evidence for expanding this prohibition to those who work in the computer section of as teller who handle money or any other jobs that do not involve the worker in being a writer or witness of a Riba-based contract.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line

Sent: Saturday, August 23, 2003

Subject: Islamic Financial Transactions and Conventional Ones

Name of Questioner Sakinah Country of Res. Malaysia

can you give the element which make Islamic financial transaction differ from conventional transaction beside the indolent of Riba'?

Notes

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

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Sr. Sakinah

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

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

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

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

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

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

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line

Sent: Monday, July 21, 2003

Subject: When the Student Loan Is Necessary for Study

Name of Questioner rania Country of Res. Jorda

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

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Sr. Rania
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
If the contract gives him this grace period without interest and he is confident he can pay it within this period, the loan contract he signed becomes permissible because the interest (not profit) in it is optional not mandatory and he selects the option of not paying interest by paying the amount of the loan within the grace period.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Question:

From: Islam on Line
Sent: Sunday, July 06, 2003
Subject: Student Loan
Name of Questioner Kamal Country of Res. Sudan
As-Salamu `alaykum Student Loan. I am student in Higher Education. As higher education student I have to pay for the course and if I don't have the amount requested I can apply for a Student Loan. By law if you finish you education started working and earned over £10000 you should pay the loan back. However if I didn't find a job or earned less than £10000 , then it's ok I don't have to pay the loan back. I was wondering what the Qur'an say about Loan. Gazak Allah Khair!

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Kamal
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
A student loan is not a necessity because there are always other means to finance education including part time work and education itself is not an immediate personal necessity that can relax the Prohibition. The prohibition of Riba (interest) is extremely strong in the Qur'an and the Sunnah. It is the only sin the Qur'an threatens persons who commit with a war from God

and His Messenger (2: 279) and it is classified in the Hadith as one of the seven major sins that stain a person.
You did not mention anything about the interest on the loan! If interest begins to accrue to this loan from the day of receiving it, it is certainly covered by the prohibition. There are student loans that are subsidized, they do not accrue any interest until 6-18 month after the graduation. This kind of loan may become permissible provided the recipient is sure that she/he can pay it all within the grace period. Some people argue that singing the contract of such a loan is itself prohibited because of the interest clause in it. I differ with them because the presence of a grace period makes the interest clause kind of optional in such a way that give you two options either pay within the grace period without interest or delay and pay interest. Signing such a contract by a person who knows that she/he can pay within the grace period and is keen to do so render the interest clause irrelevant and ineffective.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: INTEREST LOAN
Question:
From: Shaikh
Sent: Tuesday, May 27, 2003
Assalamu Alaikum,
My Question is:
I am Shaikh, an Indian national at present working in Saudi Arabia as an Accountant. Last year I got married. I stayed with my wife for 03 months and came back here. After coming back we both realize that we could not live without each other. Now I am planning to go back to my country and live a life along with my family. As I have 7 members in my family and I would not get much salary even to sustain my family. Also I don't want to live a miserable life there. Now I am planning to take a commercial loan from the Bank with 12% interest on the Loan amount. I spoke to one mufti and I had been informed that it is correct to take a loan because if I am taking the loan for 4 years and 4 years the value of the property will be the same as what I will pay to the bank i.e. principal + loan.
As I am doing a sin by not providing the Hack of my parents and my wife and on the other side I am thinking if I am taking a loan on interest I will committing a another sin. Now I am totally confused what to do? I don't understand please help me out. Regards,
Shaikh
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Shaikh
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

How much is the interest rate and how much the prices of properties may go up or down are immaterial from the point of view of the prohibition of interest.
Interest is prohibited in the Qur'an (2: 279) and the Sunnah (in correct Sayings in al Bukhari and Muslim)with very strong wording that include declaring a war on those who commit this sin of dealing with interest, both giving it and taking it.
Of course every prohibition has exceptions that center around necessities. How much is such a loan necessary for you? And why commercial loan instead of residential loan? Do you intend to change your profession and become a land lord? Houses for residences for your new family and for your extended family (parents and siblings if any) is certainly a kind of necessity if you don't find other means to get a residence or to finance it through certain Islamically acceptable contractual arrangements with Islamic or conventional banks. I think you are the only person who is able to derive a Fatwa for yourself. Ask yourself: do you really need this property for residence? And did you exhaust other permissible means of getting finances? Then if you take you must make extra effort to get lowest possible rate and complete payment in the shortest possible period to get out of interest deals the fastest way.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Question:
From: Fazal
Sent: Sunday, May 25, 2003
Subject: Loan in India
Assalamu Alaikum
I am an Indian working with a leading IT co. in Riyadh, Saudi Arabia for the last 4 years. I wanted to know whether I can go in for Housing Loan being provided by some of the banks in India. I do not have any property in India, neither residential nor commercial. The banks are charging 8% for residential and 12% for commercial loan. Please provide with your advice on this issue. For your clear understanding on the terms & condition for loans, please visit www.icicibank.com & www.hdfcbank.com. Regards,
Fazal
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Fazal
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
You know that interest is prohibited in Islam because it is an increment in a loan. Interest (in Arabic Riba) is one of the worst sins a Muslim may commit as it invokes the Wrath of God (as indicated in a correct Saying of the Prophet, pbuh)and a war declared by God and His Messenger (the Qur'an 2: 279). Loans given in India and elsewhere for house purchase are not an exception.

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

Question:
From: Islam on Line
Sent: Friday, May 23, 2003
Subject: Prohibition of Interest
Name of Questioner Aly Country of Res. U S
Al Salamu 3Alikoum we Ra7hmatu Allah, I need an official Fatwa with references to famous Islamic scholars to be presented to the Superior Court of the State of California, County of San Diego, North County Branch. This Fatwa is that interests on loans are prohibited in Islam. In your reply ,if possible refer to me and case # DN120862 JSB. I am going to use this fatwa to educate the court on the prohibition of interest on loans in Islam, in response to why I resorted to an Islamic loan from a Moslem rather then mortgaging my house. Please furnish me with such Fatwa as soon as possible. I have been trying to contact you for the past week but because of the time differences failed each time. Salamu 3Alikoum, Aly Maged Elsalawy
Notes
Please refer to my name Aly Maged Elsalawy, that this Fatwa will be presented to the Superior Court of the State of California as a general Fatwa and will serve case # DN120862 JSB.
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Aly
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
Any contractual increment in a lending transaction is prohibited in Islam. It is considered one of the worst sins and disobediences to God. The name used in the Arabic language for such increments is "al Riba." The parties to a Riba-based contract are declared war on by the Almighty God and His messenger (the Qur'an, 2: 279). The Prophet, pbuh, said that the wrath of God is on the person who takes Riba, one who gives it and the person who writes its contract. The Prophet also classified dealing with Riba as morally and religiously worse than adulatory.
Bank's interest is plain Riba, no more, no less, because the transaction is a lending transaction and there is an increment. Although the matter is so clear from the definition of Riba, the Fiqh

Academy of the Organization of Islamic Conference (the Highest internationally recognized intellectual body on matters of Islamic jurisprudence) discussed this issue in one of its meetings and resolved that: "banking interest is the same as the Riba that is made prohibited in the Qur'an." (Resolution No. 10 (10/2) dated December 28, 1985).

The prohibition of Riba does not mean that financing in Islam is free; it rather means that financing has to take other forms and other venues. Permissible venues include leasing, if no other conditions that violate other rules of the Islamic law are attached to it, deferred-payment sale or installment sale, and equity financing.

Of course, the Shari'ah (Islamic Law) has a general and basic objective that its rulings are always for the good of people, women and men, in both this life and the Afterlife.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

(See my Website for contacts: www.kahf.net)

Question:

From: Islam on Line

Sent: Tuesday, May 20, 2003

Subject: Interest and Finance

Questioner name: Alicia Country of Res. Australia

Asalamu alykum, I have heard many times that interest and finance are big sins, is this true? and if so why?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Sr. Alicia

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

You know sister, Islam is a total way of life. In the Qur'an [5: 3] God said: " This day I have perfected your religion for you, completed My favor upon you and have chosen for you Islam as religion." The three Arabic words used in this verse: Akmaltu [perfected], Atmamtu [completed] and din [religion] point all to Islam as a complete way of life at all levels personal, community, social and what else.

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

On the other hand, the prohibition of Riba does not mean prohibition of finance. Financing activities are essential part of life that is needed for all kind of businesses. Even in a very simple economy of a small semi nomadic agriculture-based city state that was a time of the Prophet,

pbuh, financing was needed. It was also needed when the Islamic state was expanded to cover an are that is more than double the size of the United States today, from Morocco and Spain in the West to Central India in the East and from Georgia and Chechnya on the North to Yemen and Central Africa in the South. From the time of the Prophet, pbuh, and throughout several century of prosperous trade, financing in these lands operated without interest. The main idea of Islamic financing is that, unless when it is charitable through interestless loans, it is always based on physical exchange of goods and services. That is you finance trade, production, and consumers purchases but you do not finance cash that the borrower can use any way he likes even to gamble in Las Vegas.

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

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Question:

From: Islam on Line

Sent: Saturday, April 26, 2003

Subject: Transferring an Interest-Based Contract to Another Person

Name of Questioner Fathma

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

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Sr. Fathma

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

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

Further, it is unfortunate that your husband made the transaction before looking into its Shari'ah permissibility; he did not follow Umar bin al Khattab advice "whoever does not know the rules of Shari'ah must not sit in our market [to sell and buy]"
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Question:
From: Islam on Line
Sent: Tuesday, April 22, 2003
Subject: Using Interest Money to Pay off Interest-based Loans
Name of Questioner Aamir Country of Res. US
Salaam U Alaikum. 1) I am perfectly aware of the forbiddance of Interest in Islam. Therefore according to a lot of Fatawa I earn interest from my savings, checking, CDs, money market accounts to give to the poor and needy Muslims, and NOT for my personal use. My question was: can I also use this money to pay off interest based loans ?? i.e. student loans, mortgage loans, and car loans. These are the loans that I had to take due to need. Can I pay these interest charging loans off with Interest (dirty) money ? Or will this be wrong ? 2) My wife had been job searching for 2 years, and she even got an MBA. Both the bad economy and a Muslim name did not help her situation. However she finally got a job at a bank as a personal banker. According to a lot of Fatawa it is ok to work in a bank. But then according to a lot of them it is wrong. I have seen many Muslim brothers and sisters in banks. My wife has to maintain, advise, and even persuade customers on Interest accounts, CDs, money market accounts, credit cards, loans and etc. Is it wrong ? Jazak-Allah Khair.
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Aamir
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
1) You cannot use earned (according to Shari'ah it is never earned) interest to pay you interest obligations to others because in this way you are treating it as yours; it is not yours.
2)are you sure of the two Fatawa you issued to yourself regarding "I earn interest from my savings, checking, CDs, money market accounts to give to the poor" and "student loans, mortgage loans, and car loans. These are the loans that I had to take due to need." In fact. I don't agree with you on both. To my knowledge you must not "earn interest . . . to give to poor." Rather you must avoid putting money in interest earning accounts as much as possible and when you have to do so you give earned interest to the poor! Also. there are no sufficient reasons to justify student loans or car loans. House mortgage for residence is justified under conditions one of them to try to minimize both period and amount of interest paid instead of putting money in CDs, saving accounts and money market accounts.

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

Question:
From: Islam on Line
Sent: Tuesday, April 15, 2003
Subject: Understanding of the Concept of Riba
Name of Questioner Obaid Country of Res. Pakistan
I would like to have understanding of concept of Riba, furthermore, ALL the banks offering CAR leasing are making rental agreements, so how to identify the element of Riba in an contract.
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Obaid
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
Riba is a contractual increment in a loan (there is another kind of Riba that is called Riba of exchange, in modern times it only applies to currency and gold and silver, it is not related to your question). It doesn't matter if this increment a percentage, a given amount, an amount to be determined later according to certain parameters etc. the same applies to changing the due date of an already existing debt (what is usually called rescheduling) because of the identical characteristics of a loan and a debt that is been rescheduled.
Sale contracts can be cash or for deferred payment, as in installment. If a sale is contracted for installment payment at a higher price than what it would be had the contract was for cash payment, it is permissible because it is not a loan but a sale. in other words, Shari'ah recognizes the value differential between cash and deferred-payment sales. The reason is the actuality of the transaction and people value there merchandise differently according to due date for payment of the price. One may say this is similar to Riba (especially in financing things like a car or a house). In fact, there are similarities, but if you look at it from a legal point of view there are differences too. That is what the Qur'an did not deny the similarity when the unbelievers objected saying" Innama al bay'u mithlu al Riba" [sale is just like Riba]. Instead God answered " wa Ahalla Allahu al bay' wa Harrama al Riba" [But God makes sale lawful and prohibits Riba." To put it in our words, as if God says but there are differences between them too to the extend that, in spite of some similarity, warrants prohibiting one and permitting the other. I like to look at it this way: a prohibition is a prevention (don't do), therefore its virtue becomes clear in what it prevents rather than in what is common between it and other transactions. (Notice:

liquor has certain similarities to pure water or orange juice, and the virtue of the prohibition appears only in the non-similar effects). The prohibition prevents transactions of debts for debts, accumulation of debts by rescheduling and piling them up, creation of huge money and so called capital markets that are only financial transactions which obscure the real transactions and the real market and impose negative effects on it, etc.

Let us come to the specificities of your questions, remember there must be a line somewhere between what is permissible and what is not, and points around the line, though on different sides, look similar! A car rent/purchase contract gives return to the bank, but this return is a rent not interest because the bank owns the car (or at least the part of it that is not sold to the customer). This return is pre-fixed because the rent agreement allows prefixing the rent. With each rental payment, the customer pays an additional amount to buy a part of the car. Consequently, the amount of rent declines from month to month because the part of the car that is owned by the bank decreases and the customer can thus pay more and more from one month to the other towards the purchase of the car. There is nothing of Riba in this kind of agreement although it is similar to it, like the similarity between liquor and water!

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Use of interest money

From: Islam on line

Sent: April 08, 2003

Name of Questioner Ronaq Country Mauritius

Question

We have put money in bank since a long time and we have much interest on this money now in bank. Can we use this interest money for the Mosque or Madrasah or another work? If no, what can we do with it?

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 Ronaq

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

You are not in the non-Muslim hemisphere, you are in a country with substantial Muslim minority that cannot be treated like Muslim individuals who live in the West.

As an Islamic organization you should have not put money in the bank to earn interest. You should have used this money, I am sure collected from donations, to benefit the Muslim community in the area of your Society, as the donors put their trust in you. Now that it happened, it must not be repeated and the interest must be used for the general services to Muslims in areas other than the main function of the Society. This is in fact the Fatwa given by the OIC Fiqh Academy to the Islamic Development Bank earlier in its life, that such interest

money must not be added to the normal bank's money and be used for the general services of the Muslim community.
You can use it to help the poor and needy, establish an orphanage, a battered women shelter, a house for the elderly, or any similar use, but do not mix it with the society's own funds and do not leave it to the interest-based bank either.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: **Can interest money be given to family?**
From: Islam on line
Sent: April 01, 2003
Name of Questioner A. S. Country
Question
Assalamu Alaikum Wa Rahmatu Allah wa Barakatuh! I'd like to ask the following: Can a female (married) give the interest she receives from her stocks/Bank Accounts to family as a help with their finances (housing, bills etc). Family means mother, unmarried sisters, sick brother, and adopted brother. Can the same married female pay her Zakah of Mal to the adopted brother's education and the sick brother's handicapped schooling. The father has passed away, and it is the unmarried sisters who are running the family.
Notes: Your immediate reply to the above will be highly appreciated. Best Regards
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. A. S.
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
Let us first establish whether you are financially responsible for their economic welfare. If you are rich and your mother and minor (including handicapped adults who are unable to earn) brothers/sisters are poor and they don't have a male bread winner closer in relation than you (like a father of your deceased father), you and your unmarried working (or rich) sisters are required according to Shari'ah to satisfy their financial needs to your standard of living or at least to the extent you can financially afford. In such a case you cannot give them either the interest you happen to acquire (which according to Shari'ah is not earned nor owned by you) or you Zakah. The reason is because that amounts to giving these funds to yourself as they reduce your responsibility. This financial responsibility is shared between you and other working (or rich) sisters in accordance with the financial ability of each. If what a closer relative is providing is not sufficient, you are required to supplement it from your own income and wealth.
Notice that I am assuming you are rich, that is you are the owner of bank and stock accounts independent of your husband because in Shari'ah husband and wife are financially independent from each other unless they elect to have joint accounts, then these joint accounts are considered as owned separately on the basis of 50/50. If you husband is the

owner, or if we are dealing with the interest on his 50% of joint accounts and the Zakah on his own money, all that can be given to the poor members of your family including mother and minor siblings, even adult siblings if their income (and wealth) is not sufficient for their expenses.

If we establish that you are not financially responsible because either they have their own wealth or they are taken care of by a grandfather you cannot give them the interest or your Zakah because they are not poor any more!

This means that you should not give the interest to your mother and minor siblings, and you should not give them your Zakah too. Adult unmarried sisters who are poor (either not working for some reason or their income is not sufficient) may be given from Your Zakah and also from the interest, Although I wouldn't advise to do so if you can afford it, especially the interest, because it is not pure money; also because a possible likelihood that you may be required to support them too.

The case of an adopted sibling: You know that adoption is prohibited in Islam as mentioned in the Qur'an (33: 4 and 5) and any adoption made under any law in a Muslim or non-Muslim country is invalid from Shari'ah point of view. On the other hand fostering a child and providing her/him with family care and environment, especially for an orphan, is highly praised and recommended in both the Qur'an and the Sunnah. The implication of the Prohibition of adoption is that it does not produce any family relation at all according to Shari'ah. This means that you have to treat an adopted sibling exactly as if he/she were a totally stranger in all matters of Hijab (covering body and hair except face and hands) financial responsibility, inheritance, marriage, etc. Consequently you are not responsible to provide an adopted sibling with his financial needs and you can give him the interest and your Zakah if he is poor.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Interest earned in 401K account

From: Islam on line

Sent: April 01, 2003

Name of Questioner Omar Country USA

Question

Assalamu Alaikum Brother, My question is concerning 401K retirement account, I wasn't sure until recently I heard that 401K or retirement account uses interest or Riba, I know that 401K fidelity uses dividends is that still not allowed according to Islam. Also is saving money in a savings account. I know it accumulates dividends or you have to put a certain amount on your taxes every year if you have saved in a savings account. Now are Muslims allowed to save money in a savings account and also what kind of 401k account can one save money to or what is one's options for saving money for retirement. Can one use a savings account or is one supposed to cash money and save them at home. Please, give some helpful information. May Subhana Allah keep us successful in faith of being good Muslim. Thank you, Omar

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Omar
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
Saving accounts in conventional banks generate interest, nothing else. And 401K funds are usually invested in mutual funds, such as Fidelity's. Mutual funds invest in stocks and bonds. Bonds are always interest based. Stocks may be of companies whose main business is permissible such as technology and oil stocks or forbidden in Shari'ah such as banks and financial sector's stocks. Also companies whose main business is permissible may highly depend on interest-based borrowing or interest income or may not, if they heavily depend on interest, one way or the other, they are also prohibited. The problem is that when you own a stock you are a partner in that company, even a sleeping one. And a partner is responsible for whatever decisions the management make.
To sum it all up, there is a great deal of interest in the American investment market, and obviously in the saving accounts. Interest is clearly, very strongly and absolutely prohibited in the Shari'ah (the Qur'an 2: 278-9). If you can avoid it would be doing better, if you cannot, as in the case of 401K, you have to be religiously aware and play smart in selecting the funds that have the least interest in them and each year give away to Islamic charitable organizations the amount you estimate is coming from interest sources in these funds. I certainly do not advice to keep money under your carpet at home, and you do the same with the interest if you have to use a saving account.
By the way, there is a study supervised by a group of Shari'ah scholars that resulted in selecting about 600 stocks in the American market of companies that have least involvement with interest. On the basis of this study the Dow Jones company created the "Dow Jones Islamic market index" you can find this list on the internet under Dow Jones company. And there are several mutual funds established on the basis of these stocks that you may try to invest in for your 401K and other investments.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Use of interest money
From: Islam on line
Sent: March 25, 2003
Name of Questioner basheer Country India
Question
It is about banking interest (Riba). Shall I pay the interest to poor as help. Can I do the same in a better way if it occurs on our life?
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. basheer
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
Interest obtained from conventional banks is not money you own because it came to your hands by invalid contract. Therefore you should rid yourself of it as soon as you can by giving it to the poor and needy, better through Islamic charitable Organizations. It is not "clean or pure" money to give to the local mosque for instance. You cannot make Waqf out of it because Waqf, according to Shari'ah, can only be created by one. own money or assets. This is not considered Sadaqah for the same reason but you will be rewarded for you intention and action of keeping you money untainted by, or pure off interest.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Are tips interest?
From: Islam on line
Sent: March 12, 2003
Name of Questioner Hamad Country UK
Question
Assalamu Alaikum. The following is a dilemma/question someone has asked me to request your opinion on the matter. A Brother in Islam who by profession is a taxi driver was asked by a Non Muslim if he accepted tips from paying customers. The brother replied he did, the Non Muslim then enquired wasn't this actually accepting 'Interest' or not. Wassalam

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. Hamad
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
It is absurd to equate tip with interest. Interest is a stipulated increment in a loan while tip is a gift by a satisfied customer although it is often paid reluctantly. Tip is not forbidden.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Sending mother for Hajj while under interest-based student loan
From: Islam on line
Sent: March 09, 2003

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. Janah
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
If the Student loan carries interest you must pay it and cease taking new interest-based loans before spending money on Hajj. The only exception is for certain kinds of student loans that give a grace period for payment without interest usually up to 18 month after graduation and the student borrower is certain (not only expects) to be able to pay it within the grace period without letting it begins generating any interest regardless of whether its rate is low or not. Under this exception the interest clause in the loan contract becomes optional (you have the option to pay it within the grace period and you take this option, or delay and pay interest).
Consequently, if the loan is interest-based you must begin with its payment regardless of its maturity date and if there is any left over from your nest egg of savings you can use for Hajj for your mother or yourself. Interest-based student loans are as prohibited as any other interest-based loans regardless of the rate of interest.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Does what you buy affect the prohibition of interest?
From: Islam on line
Sent: March 07, 2003
Name of Questioner RuQayyah Country US
Question
Assalamu Alaikum Is there any difference in interest (Riba) from the bank and buying a home or car?
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Sr. RuQayyah
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
Interest practiced by banks and other persons is Riba. Riba is prohibited in the Qur'an and the Sunnah with most strong statements that include announcing a war from God and His Messenger on those who do not quit Riba (Verse 2: 279) and placing the wrath of God on the parties of a Riba contract, its writer and its two witnesses (an authentic Saying of the Prophet Muhammad, pbuh, reported by Muslim. This prohibition certainly applies to all Muslims, in all countries, and for all their transactions regardless of the objective of the loan or the religion of the other party to the contract.

Riba is defined in Shari'ah as any stipulated increment in a loan, even if its amount or rate is not determined at the time of the contract.
However, our religion is woven on making things easier and simpler and on removing and preventing hardships. Consequently, there are exceptions to any prohibition. These exceptions are based on the rule of necessity and removing hardship which is mentioned twelve times in the Qur'an (e.g., 5: 6 and 22: 78) and nay times in the Sayings of the prophet, pbuh.
In the Second International Fiqh Conference held in Detroit in the Fall of 1999, the issue of house financing was discussed. and here is a summary of its resolution: for considerations of savings, building home equity, tax reduction, neighborhood decency and safety, availability of quality schooling for children and other similar considerations and if there are no Islamic financial institutions that provide house financing in accordance with Shari'ah nor Shari'ah compatible contracts with conventional institutions, Muslims who need housing may resort to conventional interest-based mortgages to finance buying their residences.
This exception does not apply to financing cars for more than one reason, there are alternative transportation, as you do, there are not pressing needs to finance a car by either live without it or buy a used car at a small price, and there are other options to obtain a car like leasing which is permissible and one of the basic Islamically acceptable alternative of interest-based financing (Islamic financing is not just giving loans without charge, because no body is going to give her/his money like that. It is using alternative contracts that are not interest-based such as leasing, equity participation and deferred-payment sale at a higher price.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Inflation, interest and profit/loss deposits in Pakistan
From: Islam on line
Sent: March 06, 2003
Name of Questioner Qureshi Country of Residence
Question
Assalamu Alaikum: RIBA: Al-Azhar Fatawa say modern fixed bank interest is not Riba aj-jahliya. Here in Pakistan the devaluation is about 18%p.a banks pay only 12% which they call profit. We officially have no Riba bank accounts are profit/loss accounts but in reality its interest as offered by any other bank. I don't have a job right now and I am unable to enter a business and I need constant income my savings are eroding as I am living on my savings for the past 13 months. Please suggest. Is this PROFIT Riba? Can I take this profit for a certain period of time till I'm able to earn some money through a job or a business?
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Qureshi
Assalamu Alaykum wa Rahmatullahi wa Barakatuh

I don't want to dwell on the new Fatwa of Azhar, it is political and instigated by the Shaikh of al Azhar who expressed the same Fatwa before and was banned from the OIC Fiqh Academy in 1995 because of it. This Fatwa has no base in Shari'ah on two grounds:
1-the contract of bank deposits is a loan contract, it is not investment. Shari'ah defines any increment in a loan as Riba and Riba al Jahiliyyah as prohibited in the Qur'an itself.
2- the conventional banks' activities is mainly to give loans to businesses on the basis of interest, hence depositing with a conventional bank is tantamount to giving it money to give interest-based loans and the source of the banks income is from interest
You case is very typical my dear brother. What conventional banks in Pakistan give on deposits is interest even if they call it profit. Pakistan has several private Islamic banks you can deposit in them what they give to depositors is a share of profit and they give to businesses on the basis of Shari'ah-compatible financing contracts. You can deposit in these banks or make a business with a friend or relative.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
assalam
Sincerely,
Dr. Monzer Kahf

Subject: Going for Hajj while under interest-based student loan
From: Islam on line
Sent: March 06, 2003
Name of Questioner Country of Residence
Question
Assalamu Alaikum ba3da salaam i would like to thank u for a great work you guys have been doing.. I am proud to say that Islam online is one of the best Islam websites on the net.. I would like to ask a question regarding Hajj, as far as I know I might not be right that, I cannot perform Hajj if I am in any kind of debts.. I am a student who goes to university in UK and i take the university loan which is approximately about £5000, per year. this is to help me get through my study and help me with the daily help and life, there is interest in this while taking this loan, now it has been my dreams to do Hajj in my life before I die, and as we all know that performing Hajj is one of the pillars of Islam to those who are able to. my question is would I be able to use the money I get from the university/government loan to perform hajj and at the same time I am in debt which I do not have to pay now only when I finish university and also when I start a job which I will be earning over £10,000 per year.. Also to remind u that there is interest on this loan as well please let me know as soon as you can .. Shukran wajazakumullahu khairal jazaa.
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br.
Assalamu Alaykum wa Rahmatullahi wa Barakatuh

If you have no money, you are not required to make Hajj because the condition of requirement is having sufficient funds to cover all its cost.
With regard to debts, there are two points:
1- interest-based loans are forbidden to give and take whether from governments, universities, or any other entities regardless of the rate of interest. This loan that you called education loan is forbidden according to Shari'ah. If you have money and you have an interest-based debt, you must get rid of the interest-based debt before you go for Hajj. It is even worse to take interest-based loan to pay for the cost of Hajj.
2- non-interest debts do not prevent from going to Hajj if they are not due soon enough that one needs the same money (that is to pay for the cost of Hajj) for payment of such debts. Money that is needed to pay debts is not considered when one estimates one's financial requirement to pay for the cost of Hajj, i.e., if you have money you need to pay for due debts or debts that will be due shortly having such money does not fulfill the condition of capability to spend on the Hajj trip. But if one goes for Hajj in spite of that, the Hajj is acceptable InShaAllah even with the sin of delaying payment on due debts.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Saving certificates with prizes
From: Islam on line
Sent: March 04, 2003
Name of Questioner Shehla Country UAE
Question
Assalamu Alaikum! In U.A.E there is a bank called "Mashreq". They have a scheme in which the people can buy 'savings certificates' on whom no interest is given but there is a draw for such holders. So people usually buy this to enter the draw. My question is: Islamically is this permissible? If you haven't understood the real nature of this kindly refer to the following site www.mashreqbank.com, this scheme is popularly known as "Mashreq Millionaire". Kindly answer my question. Thanks and Regards
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. Shehla
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
saving certificates with a condition to enter a draw of prizes is Riba. it is certainly forbidden. The OIC Fiqh Academy issued a resolution in 1412 H on different kinds of bonds/ certificates that include Riba and made a reference to this kind as one of them.
The reason is clear. Any increment in a loan is Riba even if it is determined by a draw as long as it is one of the conditions of issuance for which people buy these certificates.
Wa Allahu A'lam

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

Subject: Interest loan to start a business
From: Islam on line
Sent: March 04, 2003
Name of Questioner mohamed Country USA
Question
Assalamu Alaikum I am a Muslim man living in the united states I am trying to start a business here but I can't afford to pay cash money my question is that ok in Islam if that I take a loan from a Bank with certain amount of interest or no. and does the percentage of interest matter or no. wa jazakom Allah kull khayr
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. mohamed
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
Interest is forbidden. It is the same as the Riba that is prohibited in the Qur'an with the strongest ever gravity. Allah Ta'ala, in the Qur'an 2: 279, threatens those who deal with Riba by declaring a war on them from God and His Messenger. It does not matter whether the rate of interest is high or low and it does not matter whether the loan is to start a business or to do any other thing.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Using interest money to pay taxes
From: Islam on line
Sent: March 03, 2003
Name of Questioner faizalpk Country of Res. India
Question
I have a bank account in a secular bank in Kerala and there is Rs 5000 as interest, at the same time I have to pay Rs5000 as income tax for my income for one year. If I can receive interest from the bank and pay the sum as Income tax?
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. faizalpk

Assalamu Alaykum wa Rahmatullahi wa Barakatuh
Earned interest is not your money and it is forbidden to keep it with you or mingle it with your money. if in fact belongs to the payer because you got it through a forbidden invalid contract (the bank deposit contract).
If it is not your money, you cannot then use it to dispose of your responsibilities including taxes to local and central governments. Taxes, regardless of whether you believe that they are just/right or not, are personal responsibilities that are a result of laws in the country you live in. (If you live in Texas you don't pay State income tax because Texas has no income tax, and if you live in New York, you pay federal income tax, State income tax and City income tax too).
Interest must, in principle, be returned to the person who paid it. But since the payer is a bank whose business is to give and get interest, and payment is done according to land law returning it to the bank helps it to make more of this forbidden transaction and makes it look at you as a fool and irrational person, you do not return it to the bank but YOU MUST GIVE IT TO MUSLIM CHARITIES. You will get the reward of keeping your money clean but it is certainly not considered Sadaqah nor can it be counted as part of the due Zakah.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Interest on saving bond given as a gift
From: Islam on line
Sent: February 24, 2003
Name of Questioner p Country USA
Question
Assalamu Alaikum, this question refers to the interest that might be earned from United States savings bonds. These are money bonds that can be purchased for one price, and as the years go by it gains interest. My question is this: my mother has sent me a US savings bond that someone had given to me as a gift 20 years ago (my mother was holding onto it- i did not know about it). Since I did not know about the bond.. And therefore was not intending to gain interest from it.. And it was a gift...can I keep the interest? I think my case might be different than the person who saves money with the intention of getting the interest. Please advice me what to do. i could really use any money i can get, but i do not want to do anything Haram. Thank you. Assalamu Alaikum
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. p
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
Your mother sent you a bond saying this is a gift for you from some body you just go to a bank and cash it. Do not allow time to laps after you received it, because time here means accumulation of interest. You have nothing to do with what happened in the past and you are

not required to dig and search how it reached its cash value of the day you received it. It is simply a gift you received today and cashed it. You get its value on the day you received it Halal InShaAllah.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Are treasury bills interest-based?
From: Islam on line
Sent: February 24, 2003
Name: Vali Country: Canada
Question
Here Government of Canada issues Treasury Bill. Sell(Auction) in open market in less than face value for 30 days 60 days etc. On the day of maturity it is given to 100% (face value) to the purchaser. Suppose you buy for 30 days at $99.75 and at the end of 30 days you get $100.00. Is it allowed by Islam? Is it come under the Riba?
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Vali
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
No, this is exactly the prohibited Riba. You give a loan to the government of 99.75 and take after 30 day 100, what is the difference other than pure interest or Riba. Riba is prohibited in the Qur'an and Sunnah with the strongest terms ever. Verse 2: 279 threatens a war from God and his Messenger to those who keep dealing in Riba, a threat that is not provoked for any other sin including adultery.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Is there any bank interest that is Halal?
From: Islam on line
Sent: February 24, 2003
Name of Questioner Naveed Country Pakistan
Question
What kind of BANK interest is considered HARAM in Islam. I have heard a lot on this issue, but would like to know some details. My old parents are week and feeble and in Pakistan where businesses are very volatile and demanding, they have a few bank deposits which earn them minor monthly interests to run their daily routine. They can not work. Is this permissible?

Notes: not a forced interest. I see all Islamic Banks charging interest when you buy some thing from them in the name of markup etc. Please advise. Thanks. Yours
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Naveed
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
Omar bin al Khattab, may God be please with him, advised that whoever want to sit and deal in our market must first learn our Fiqh (law). Please brother call things their exact names. Islamic banks do not charge interest and mark up is not interest. If you think that Islamic financing means that people are going to give you their money with nothing to them except your prayers (Du'a), you are certainly wrong! Islamic financing is the provision of money through Shari'ah compatible contracts that give the financier return otherwise she will not give up her money. That is not interest, even if it is calculated on the basis of the prevailing interest rate (as a result of Islamic banks being a small portion of the market that compete with conventional banks). Interest on deposits in conventional banks is the same Riba that is prohibited in the Qur'an, it doesn't matter whether it is in Pakistan, Kuwait or the USA, and it doesn't matter whether the taker or giver can or cannot work. In Pakistan there are many Islamic banks that take deposits on Mudarabah basis and distribute profit, not interest, why don't your parents invest in these banks?
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Going for Hajj while under interest-based Student loan
From: Islam on line
Sent: February 24, 2003
Name of Questioner Rahima Country U K
Question
Assalamu Alaikum, I recently graduated and would like to perform Hajj next year. The problem is, having studied for a Law degree over 4 years I have accumulated Student debts. This is a specialized form of debt where the interest rate is kept to a bear minimum and poor students have no other alternative but to take out this loan in order to pay for their education. I pray to Allah that I have the strength and capability to clear this debt. As such my question is can I still perform Hajj with this student debt which I am paying off gradually?
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. Rahima
Assalamu Alaykum wa Rahmatullahi wa Barakatuh

A interest-based student loan is forbidden in Shari'ah, no matter how small the interest rate is. There is no necessity for it whatsoever, even if you do not make higher education study. Bill Gate doesn't have a U. degree!

You do not qualify for capability of Hajj as long as you have an interest-rearing debt on you. You must pay it first and pay it the soonest possible, even by making personal non interest loans from family and friends. Non-interest debts that are not required for immediate payment doe not prevent becoming required to perform Hajj if you spear the cost of the trip.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: What is Riba? Does it relate to inflation?

From: Islam on line

Sent: February 24, 2003

Name of Questioner Ouaich Country Belgium

Question

Assalamu Alaikum wa Rahmatullah wa Barakatuh. Bismillah Arrahman Arrahim. As far as I understand, Riba or usury is forbidden, except in the cases you mentioned several items when talking about the specific Fatwa of the European Council. But what does usury mean really? If tomorrow I put some money on an Islamic bank account, what should I get when I need it in 12 months. Is it allowed to take into account the fact that money value changes with time (to be linked with the purchasing power), would a compensation in cash be considered as Riba and though forbidden? Jazakoumoullah Khairan.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. Ouaich

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

I can understand the confusion one may collect from reading Fiqh books and many of the contemporary writings on the subject. Here is an attempt to clear all the dust in a brief way.

In the Arabic language Riba is an increment, any increment. In the Qur'an, Sayings of the Prophet as well as in Fiqh, Riba is obviously used in accordance with the Arabic language to mean an increment.

When it comes to economic and financial transactions, the use of the term Riba in the Qur'an has always been attached with the article "al". This means that the reference is to something that is already known to the persons addressed with the Qur'anic statements or verses. The definition of "al Riba", as used in the Qur'an is: a stipulated (conditioned) time-related increment in a debt contract. This is equal to what we know as "interest" or "bank interest." The Fuqaha usually call it the "Qur'anic [prohibited] Riba" they say "Riba al Qur'an" You notice that this applies to any loan (a loan creates a debt) between any two parties and to the change of due date of an already existing debt.

There is no difference, from the point of view of the prohibition, between large and small increments, percentage or lump sum, pre-determined increment or an increment that will be determined later, consumers' loans or producers' loans, whether the payer is the rich to the poor, the poor to the rich, Muslim to non-Muslim, non-Muslim to Muslim, governments to individuals or vice versa. The objective of the loan does not affect the prohibition too; and the prohibition remains as it is even if there is no condition in the contract but it has become a custom, so that the parties know it and expect it.

We still need to distinguish between Riba and profit (investment generates profits) because the latter is not prohibited. This distinction is not only by name as names do not change reality. In lending you give a known quantity of some item (money or corn) and the debtor guarantees to return to you equal quantity of the same item on the due date; any increment is Riba. In investment, through agents or partner, you delegate the authority to take decision on your property (say the same amount of money) while you remain the owner, to an agent or a partner; the agent or partner takes daily decision on your behalf and you own your property after the decisions the same as you owned it before them. If the decision maker is an agent you pay her the contracted work compensation (salary) regardless of the results of her action. And if the decision maker is a partner you pay him a percentage of any increments that arise as a result of her decisions. The latter kind of partnership is called Mudarabah and this is the way Islamic Banks deal with their investment depositors. That shows you why the distribution of Islamic banks to investment deposits is permissible while the interest paid on deposits by conventional banks is forbidden.

In the Sayings and in Fiqh, there is another kind of Riba (increment) that is also prohibited. This is increments in certain forms of sale contracts. When you sell currencies (notice at the time of the prophet, pbuh, gold and silver were the currencies), gold, silver, and certain items (wheat, barley, raising and date as mentioned in the Hadith) that are the closest to what we call in economics today "cash crops" delivery of the item and the price must be immediate, i.e., at the time of the contract and if the sale is within the same item, e.g., gold for gold, or date for date, quantity must always be the same. Explanation of this prohibition needs another sitting! This is called in Fiqh Riba of sales "Riba al buyu'" the basic application of it in our days is in currency exchange, where foreword is prohibited.

Finally, you reference to the purchasing power. Interest is not a compensation of loss in purchasing power. This is a known historical, statistical and scientific fact. Such compensation is sought in indexation of debts and other future commitments such as wages and salaries. Interest is essentially a payment for the lost opportunity or for the use of your money by others. This is prohibited.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: **Are the additions to Provident Fund account interest?**

From: Islam on line

Sent: February 24, 2003

Name of Questioner Tariq Country of Res. Pakistan

Question

Dear Scholar, Assalamu Alaikum! I am a government servant. Some amount of money is deducted from our salary and is put in provident fund every month, and 15% interest is also given on this amount. Is this Halal from Islamic point of view, or is it Riba.

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Tariq
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
Interest is certainly prohibited. But I don't think you explained the transaction of the Providence Fund correctly, to my knowledge it does not give you any interest. Please check you sources and get me the exact, especially in written instructions, of how the Providence Fund in Pakistan operates and how it deals with the enrolled employees, exactly and I will give you detailed answer. I need this information and I hold you responsible toward God to provide it to me.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: What is interest?

From: Islam on line
Sent: February 03, 2003
Name of Questioner aziz Country Malaysia

Question

Assalamu Alaikum, dear Dr Monzer Kahf... I want to ask you about usury in Islam and how to understand it. I find that this topic is difficult to me to understand its. Is there an easy way for me to understand usury very well? And I'm very glad if you give me some advise about it and reference (book) for this topic? Thanks

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. aziz
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
(Riba) as defined in Shari'ah is simple. Let us take the story from it beginning: The word Riba means increment or increase in Arabic language. The word and its derivatives are used in the Qur'an in this linguistic meaning several times. But when the Qur'an used the word in the context of prohibition it is used with the identifying article "al," in other word the Qur'an prohibit "al Riba." It is exactly as you use the English words book or table or the book and the table. Al Riba means the increment that you know and you deal with not any increment (any

increment can relate to any thing: to land to an animal to any thing that may increase. Do you know that the Arabic word for education "Tarbiyah" is one of the derivatives of the same root because education put an increment to a person. The same is raising a child is in Arabic "Rabba al Tift" because when you raise a child you make her grow, there is an increment!).

The prohibition of al Riba in the Qur'an is a reference to a specific identified transaction the Arabs used to have that is increment in a debt. a debt may exist for any reason: in a loan one becomes a debtor of the amount of money lent, as a result of a deferred sale one becomes a debtor of the amount deferred, in rent one becomes a debtor of the rental, if you are a partner in a private company and another partner buys you out for a given amount to be paid later, the purchasing partner becomes a debtor, and in the distribution of the estate of a deceased one heir may buy out another for a deferred amount, the buying heir becomes a debtor too. In this context al Riba equals the Latin-origin English word usury (the original meaning of usury is any increment; later in time they added the words exorbitant, excessive and above what the law allowed). Hence, in the context of a loan /debt Riba can be defined as any increment above the principal. The Qur'an specifically defined it as anything above the principal [2: 179]. When we talk about Riba with reference to finance this is the kind we always have in mind.

There are several Sayings about the prohibition of Riba, about 50 authentic Sayings. Some of these Sayings added another kind of increment that has become known as "the Riba [prohibited] in the Hadith." This is an increment in exchange contracts such as barter and sale. The Prophet, pbuh, prohibits certain kinds of exchange transaction that include certain increment that he called Riba too. So we have in addition to the prohibition of Riba in loans/debts another Riba that is in exchange. There are two kind of Riba in exchange: one that involves time that makes it very close to usury. This is when you buy a currency for another with a time span between the delivery of one and the other. The difference between the cash price and the deferred price is in fact the kind of Riba on debts/loans included in the price of the currency. This is prohibited. Obviously the currencies at the Prophet's time were gold and silver. This kind of Riba in exchange is also extended to food crops that are close to cash as they were in the society of the Prophet, pbuh, namely wheat, barley, raisin and date. Fuqaha added later other kinds by analogy. The point is that these other items are like cash in the society. The second kind of Riba in exchange does not involve any time span. This is when you exchange quantities of the same item obviously the exchange would be redundant/irrational if there is no difference in quality. Good quality date for bad quality date cannot be exchanged unless quantity is equal. There is no denial of the differential value between them because the Prophet, pbuh, told the person: "sell the bad quality for money and buy with money the good quality." but no direct barter unless quantities are equal. Why is this prohibited? my explanation is: to avoid the problem of valuation, because when you sell and buy for money, the market determines the difference in value between different qualities of the same item but when you barter only the two transactors determines this difference, this may not be fair, there may be exploitation because of any reason.

References: Best references are the Arabic commentaries of the Qur'an look at the verses that mention al Riba, the Arabic sources of Hadith and Fiqh, chapters of sale and Riba. Secondary sources, contemporary writings; there are many books no one alone gives you the whole story, especially if you want it in a concise form.

Wa Allahu A'lam

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

Subject: Using interest on savings to offset interest on mortgage
From: Islam on line
Sent: February 02, 2003
Name of Questioner muhammed Country UK
Question
Could one take a mortgage whereby any interest charged could be offset from interest that the bank gives on a savings account i.e. there is only one account for savings and mortgage and the account holder is not concerned with interest gained or taken from the account but allows them to cancel each other out.
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. Muhammed
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
I cannot understand how this can economically be feasible, you pay interest at 7% and get interest on your savings at 0.8%,! Is that what you ask me about? give me an exact incidence not a hypothetical unreal one! After all, making such transaction is irrational and a person who does it must be punishable at least for his irrationality if not for double indulging in prohibited acts!
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Is buying with deferred payment not Riba?
From: Islam on line
Sent: January 30, 2003
Name of Questioner Hakeem Country USA
Question
Assalamu Alaykum Dear Scholar, I want you to clarify for me the concept of Riba in detail, my question arose when I heard that a friend of mine bought a car from a dealer by financing directly with the company, he said to me it's not Haram if there is no third party involved such as a bank, he is going to pay monthly some amount, I don't know for sure if it has any interest on the monthly payment, he kind of concluded it for me as follows delaying to pay extra is not Riba. I need your help, I'm planning to do the same if this is the case Thanks.
My Answer:
Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Hakeem
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
Riba is a contractual increment in a loan (there is another kind of Riba that is called Riba of exchange, in modern times it only applies to currency and gold and silver, it is not related to your question). It doesn't matter if this increment a percentage, a given amount, an amount to be determined later according to certain parameters etc. the same applies to changing the due date of an already existing debt (what is usually called rescheduling) because of the identical characteristics of a loan and a debt that is been rescheduled.
Sale contracts can be cash or for deferred payment, as in installment. If a sale is contracted for installment payment at a higher price than what it would be had the contract was for cash payment, it is permissible because it is not a loan but a sale. in other words, Shari'ah recognizes the value differential between cash and deferred-payment sales. The reason is the actuality of the transaction and people value there merchandise differently according to due date for payment of the price. One may say this is similar to Riba (especially in financing things like a car or a house). In fact, there are similarities, but if you look at it from a legal point of view there are differences too. That is what the Qur'an did not deny the similarity when the unbelievers objected saying" Innama al bay'u mithlu al Riba" [sale is just like Riba]. Instead God answered " wa Ahalla Allahu al bay' wa Harrama al Riba" [But God makes sale lawful and prohibits Riba." To put it in our words, as if God says but there are differences between them too to an extent that in spite of some similarity warrants prohibiting one and permitting the other. I like to look at it this way: a prohibition is a prevention (don't do), therefore its virtue becomes clear in what it prevents rather than in what is common between it and other transactions. (Notice: liquor has certain similarities to pure water or orange juice, and the virtue of the prohibition appears only in the non-similar effects). The prohibition prevents transactions of debts for debts, accumulation of debts by rescheduling and piling them up, creation of huge money and so called capital markets that are only financial transactions which obscure the real transactions and the real market and impose negative effects on it, etc.
Let us come to the specificities of your questions, remember there must be a line somewhere between what is permissible and what is not, and points around the line, though on different sides, look similar! If the contract is between the seller and the buyer of the car on installment and the total of the installments is more than the otherwise would be cash price, the contract is permissible. if the contract between them to sell cash for say 20,000 and then finance it by adding interest of 5000 and make the payment of the debt with interest on 50 equal installments of 500 each. This is a sale followed by an interest-based loan contract with the seller. It is like making it with a third party, a bank. It is certainly the prohibited Riba.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Interest condition if a contract is broken

From: Islam on line
Sent: January 23, 2003
Name of Questioner Tommy Country

Question

Assalamu Alaikum, Dear Scholars, I signed a contract with a government body that funds me for my on-the-job training in another country. The contract says that in return of the fund they spend on me, I am required to work for two years in the country that is funding me, and I do not need to return any cents from that fund. However, in any case and in anytime, if I break the contract, I have to return the fund that they have spent on me and plus an interest of 10%. InShaAllah, I have no intention of breaking the contract when I signed it and that is the reason why I signed it as I see it is Halal. However, I need to hear from you on this case. If I were considered doing something Haram, how can I purify myself from it since the funding last until August 2003 and the bond that I will serve last until year 2005? And if I break the contract now, it means that I have to pay additional 10%, which I consider it as Riba and thus it is Haram. Jazaka Allah Khairan Wassalam Alaikum

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. Tommy

Assalamu Alaykum wa Rahmatullahi wa Barakatuh
You are right brother, the interest condition is not basic to the contract and you may sign it as long as you intend to avoid invoking it and you know you can do that. You did what is correct and you have to implement your commitment or service as per the contract.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: use of interest money

From: Islam on line
Sent: January 20, 2003
Name of Questioner TAJ Country Trinidad

Question

Assalamu Alaikum I live in a country which is not ISLAMIC. To whom can we give our INTREST money; can we give it to poor and needy Muslims or do we only have to give it to NON MUSLIMS? Who at this time would be bad mouthing Muslim at any given chance.
Notes: One MUFTI told me I can use it to repair fence and yard but what I really need to know is that my interest money can help someone in need

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. TAJ
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
The principle is that wherever you live you must arrange all your transaction according to the Islamic law. Hence, you do not enter in a contract where you earn or pay interest. If it happens inadvertently you Must return the interest to the person who gave it to you because it was given by means of an invalid contract, certainly we are talking from Shari'ah point of view although it may enforceable by law not only in the Western countries but unfortunately in all Muslim countries today, including inside the city of Mekkah, in conventional banks that have offices beside the Haram!
If the person who paid it to you was a professional money lender or a bank, you must not give it to the payer because that increases its/his/her ability to deal more in Riba and makes mockery out of you and your religion that forces you to return it to the payer. In such a case you still must not allow the interest money to mingle with your own pure money and you have to give it to Muslim Charities or poor. There are several Muslim charities in your country and in all other countries that have Muslim communities. It is not prohibited to give it to non-Muslim poor, but in today's world there are many many Muslims who are in much more dire needs than all others, you better give to those who need it more. But remember it is not yours and you cannot consider it a Sadaqah nor Zakah. You will, God Willing, be rewarded by God for your keenness to keep your own money pure and clean.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: What necessities relax the prohibition of Riba?
From: Islam on line
Sent: January 19, 2003
Name of Questioner ali Country Tanzania
Question
Is it Halal to borrow money FOR BUSINESS from BANKS?
Notes
I hear scholars saying: For emergency almost everything is Halal. If you are in a place where no food and you are about to die and you got Haram food (pork) then Halal to eat...Then please let me know what is the scale of Emergency (financial position) for Riba to be Halal?....
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. ali
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
Necessities that invoke relaxation of a prohibition are cases that if no immediate remedy is done a great harm is almost certain to happen to any of the five fundamental thing for which

the whole set of Shari'ah rulings is given. Like the example you just mentioned, a person is thirsty to the extent that if a liquid is not swallowed certain damage shall happen to the person's body. similarly, a person who sets her finance according to the rules of Shari'ah, and does not undertake Riba-based debts nor make other contracts that contradict the Shari'ah rulings, happens to fall under a debt, say for taxes, and her property is threatened to be confiscated or foreclosed in such a way that brings unbearable harm to the wealth of this person, and she does not find any way to get money without interest; to save her property she may get an interest-based loan provided such a loan does not make her sink more !
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: What are the Ribawi goods?
From: Islam on line
Sent: January 19, 2003
Name of Questioner Renat Country Russia
Question
Would you be so kind to tell what are Ribawi goods? What is their economic and legal nature? And what is the difference in Madhabs and scholars' position on Ribawi goods? 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 Br. Renat
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
It is important to notice that this whole issue of Ribawi goods does not apply to the Riba of debts. Debts may result from a loan contract or they may result from any other contract and may require rescheduling. Both cases are prohibited by the Text of the Qur'an and by many Sayings.
Ribawi Goods deal with the other kind of Riba that is not mentioned in the Qur'an; it is only mentioned in the Sunnah and it is called Riba al Buyu' (Riba in sale contracts). This kind of Riba applies in sale contracts in either of two cases: when exchange is done within the same item, with different qualities, or within categories of items with different delivery dates.
Ribawi Goods are those six items that came in an authentic Saying of the Prophet, pbuh. They are: gold, silver, wheat barley, raisin and date. Some version of the Saying adds salt. Gold and silver make one category and the other four items make another category. Selling within the item must be under two conditions: delivery at the time of the contract and equal quantities, selling within the category has one condition: delivery must be at the time of the contract; quantities may differ. There are several views of the schools of jurists on expanding the rulings to other items as follows:
1- No disagreement that any currency is treated like gold and silver and what apply to them applies to any currency.

2- Some consider that only the four or five items are subject to the rule of Riba of sale contracts.
3- Majority argue that they can be expanded by analogy. Some schools argue that the basis of such analogy is the characteristics of being a food and non perishable, others argue that the basis is being a food and non-trivial, and others argue that it is only food items.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Is the return of the Pakistani Financial Saving scheme Riba?
From: Islam on line
Sent: January 18, 2003
Name of Questioner ARSHAD Country Pakistan
Question
In Pakistan there is a financial Saving Scheme sponsored by the government. I have deposited One million rupees and get a monthly income of 12,000 rupees in this scheme. Zakah is also deducted at the source at the end of the scheme. Is it Okay or is it Riba?
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
ear Br. ARSHAD
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
Unfortunately, this Saving Scheme, sponsored by the Government of Pakistan as it is, is Riba-based. Riba is increment over the principal of a loan. the characteristics of a loan is that its principal is payable back by the debtor on the due date. if the principal is guaranteed, any increment over the principal is Riba as mentioned clearly in the Qur'an (2:279). Whatever names people give to the loan and to the interest (Riba) paid over and above the principal do not change the Shari'ah ruling. Also the Ruling is not affected by who gives the loan and who takes it, governments or individuals or legal entities.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: A loan to start a business
From: Islam on line
Sent: January 18, 2003
Name of Questioner Hadi Country Canada
Question

Assalamu Alaikum Wa Rahmatullah Wa Barakatuh, Dear Scholar, I lost my job and couldn't find another one, even after several months. I have, praise to Allah Subhanah, good skills that allow me to run my own business. But I have no money to start. Is it lawful (Halal) to get loan from a bank with interest to start my own business, out of my current necessity? Somebody told me that if I get this kind of loans, I have to purify my business from interest. But how can I purify it, knowing I will not "take" any interest....I will, actually, "pay" interest to the bank? Jazakom Allah Subhanah.

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. Hadi
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
Interest, being an in a loan in prohibited in the Qur'an and the Sunnah under the name of Riba. it is one of the worst sins a Muslim may ever makes. Besides a war declared from God and His Messenger as God tells us in the Qur'an (2: 279), the Prophet, pbuh, in an authentic Saying, said that Riba practicing is thirty six kinds the least of them is as bad as some man making adultery with his own mother.
I think your circumstances call for you to dig more in your heart and find some means to get some funds from relatives and friends or from investors to create your business.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Going for Hajj while under credit card's interest

From: Islam on line
Sent: January 10, 2003
Name of Questioner mohamed Country Sri Lanka

Question

I have kept Niyyath to perform Hajj this year, but I am worried about a certain issue, that is I have used my credit card to the full limit actually totally not thinking of the seriousness of it, now I am unable to settle the whole thing in full & monthly I pay a portion, but as the whole amount is not being paid the bank is charging a small interest component to my account. I am making arrangements to settle the card in full & getting rid of it as soon as possible, but I might not be able to do this before I perform Hajj, I do not want to delay my Hajj as I am not sure whether I will live till next year to perform Hajj, on the other hand I have left instructions with my family that incase something was to happen to me, the first thing they have settle is my credit card after realizing some asset. Will my Hajj be accepted? Please give me your Fatwa on this?

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. mohamed
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
Avoiding what is prohibited is more important than doing what is obligated. God loves that what he prohibited be avoided. Riba is a worst of sins one may make not including denial of the existence and mercy of God. It is a sin for Which God declared a war from Him and His Messenger (the Qur'an 2: 279).
delay Hajj and settle your interest-based debts. make clear and sincere determination that you don't deal with interest any more. It doesn't matter small or big amount (although it is normally big because rate of interest on credit cards debts is much higher than on other loans). and write in your last will that if you couldn't make the Hajj in the years to come your family must send someone at your cost before they distribute the estate.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Going for Hajj while under interest-bearing debts
From: Islam on line
Sent: January 10, 2003
Name of Questioner Ruzain Country Malaysia
Question
Assalamu Alaykum dear scholars. I read your reply to a question by a father who enquired whether he should perform Hajj or help his son to get married. With me , I am disturbed by the fact that I have a lot of debts to settle i.e., from credit cards to housing loan and others but at the same time wanting to perform the Hajj come the next season. I am in dilemma between settling debts and performing Hajj (as I longed to do this after my Umrah experience). I read that if one dies and there are unsettled debts, the soul will linger and not go up to heavens. Please help to give some advice.
Note
Please also provide help on how to curb spending desires - any Quranic recitations which may help is greatly appreciated.
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. Ruzaini
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
If you have interest-based debts, settling them has priority over going for Hajj or Umrah. You seem to have made Umrah, did you make while you have debts that accumulate interest. Interest (Riba) is one of the worst sins God prohibited in the Qur'an. It is mentioned (2: 279) with a War declared from God and His Messenger on those who continue dealing in Riba. You

must avoid what God prohibited before you spend the money on Hajj or Umrah. A non-interest debt does not prevent you from making Hajj.
If you want to curb your expenses, cut your credit card in two halves and throw it away, and don't buy anything on credit at all. This makes you live within your limit. Recitation from the Qur'an does not help you if you insist on not helping yourself. If you fear God and you really long to go to His Jannah, you must obey Him and avoid Riba, interest on loans and credit cards in Riba, no doubt about it at all.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

FATAWA INTEREST RIBA LOANS 2002

Subject: Do you have to pay all debts to banks?
From: Islam on line
Sent: December 28, 2002
Name of Questioner uk Country
Question
Hi, I want to know do I have to pay back the money which I owe to the bank. I had a student account and I took out an interest free loan of 1250 pounds and also I am now over drawn by 7000 pounds. With the same bank I owe them 2000 pounds for a credit card bill. I want to know if I don't pay the money back to the bank will this be seen as a debt unpaid on the Day of Judgment because the bank says it will take me to court which will lead to me being black listed if I don't pay. If I have to pay this money back do I pay the interest on it? Please explain with references thanks.
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. uk
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
It is forbidden in the Shari'ah to "Eat the property of people in vain." This is mentioned in the Qur'an several times. it is also mentioned in the Sunnah several times too. There is no differentiation between Muslims and non-Muslims as they all are covered by the word people [in Arabic al Naas]. Beside this is a form of Nahb [maraud] that is specifically prohibited by the Prophet, pbuh. A man came and announced that he became Muslim. He asked the prophet that whether it was permissible to keep some property he got from the unbelievers in a way of Nahb (raided their land and got property) The Prophet did not allow him to stay in Madinah and ordered him to return that property and said that Nahb is not permitted in our religion. It is certainly sinful to take this money, all of it : credit card, loan and overdraft and any similar

taking) with the intention of not returning it. It is also sinful not to return it, and it remains your debt that will be questioned on the Day of Judgment. It is sinful to escape paying it by default, fleeing the country or any other method. Black listing by banks is a form of penalty but it does not relieves you from the penalty on the Day of Judgment.

If you took money from others, regardless of whether legal entities like banks or natural persons like another human being and regardless of the religion of the person you take money from, with the intention not to pay it back is forbidden no doubt about it. Remember that the Prophet, pbuh, at the time of his migration from Makkah left his cousin Ali, although that would endanger his life, to pay back the money deposits some of the unbeliever Makkans had deposited with the Prophet, pbuh.

But taking it with the intention to pay back and it happened later that you r circumstances changed and you became unable to pay it is permissible to declare bankruptcy as long as it is honest and truthful, and then the court decides to sell your properties and distribute it to creditors.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: **What is Riba?**

From: Islam on line

Sent: December 23, 2002

Name of Question Halilah Country Malaysia

Question

Assalamu Alaikum My question, i know has been asked many times. But I hope InShaAllah you will still bare with me. I am still unsure about the rulings on Riba'. According to one Shaikh.. He claims that Riba in the respect of a loan is allowed, if it out of necessity. Would you then agree that 'necessity' can be rationalized? For example.. Wouldn't a car loan be necessary, for work, if it were to provide money to live?

Note

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. Halilah

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Riba is forbidden in a clear and very strong manner both in the Qur'an and the Sunnah and any increment or material privilege in a loan contract is certainly Riba, no doubt about that, regardless of the personality of the giver or taker of the loan, be it a bank, an institution, a government or a natural person; and regardless of the purpose of the loan, be it for consumption, to buy consumer durables like a car or a refrigerator, for production or for no specific reason.

Necessities are referred to in the Qur'an several times as circumstances for relaxing any prohibitions. Obviously necessities have to be real, true and related to the prohibition itself.
With regard to the prohibition of Riba, four things are prohibited, for three of them it is hard to imagine that a necessity may occur, except in a case of coercion by use of excessive force. These three things are taking interest, writing its contract and being a witness to the contract. Giving interest may fall under circumstances of necessities, the simplest example of it is the case of hunger and no food can be obtained except on interest-based loan basis.
The case of a needed car for work, there may be a necessity for it that may justify borrowing on interest. But to establish a necessity one need to pass a few tests first: The job that needs a car to reach its location must be the only one available; income from that job must also be essentially needed for survival; the car must be the only possible transportation to work; there must be no other means to finance the purchase of the car except a Riba-based loan; the value of the car must be minimum only to the extent that provides needed transportation to work; the amount of the loan must be the minimum needed only after exhausting all other potential sources and savings, etc. Above all in applying these conditions one must realize that the critique and examination of the truthfulness of these circumstances will come from the most knowledgeable who cannot be cheated or deceived, that is God.
Fulfillment of these conditions of necessities is very unlikely in all Muslim countries including Malaysia and in most Muslim communities including the Muslim community in the USA. The least of it is that there are very often other means of transportation, other sources to finance the purchase especially family and friends and there are other forms of contracting finance that are permissible in Shari'ah such as leasing. In my opinion, it is very difficult to establish a case of necessity for buying a car, although such a possibility theoretically exists
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Charging interest in self-help micro-credit non-profit organizations
From: Islam on line
Sent: December 21, 2002
Name of Questioner qudsia Country of Res. India
Question
A friend of mine got a job in a non-governmental voluntary organization where most of the functionaries are Muslims. This organization works in partnership with the government for the uplift of the poor and disadvantaged women mainly belonging to minority communities which comprise of Hindus, Muslims and Christians. One program is formation of self-help groups of women where thrift is taught to women. Once sizable amount is saved the women are encouraged credit activities through internal borrowings by the group members. The groups are free to charge interest. However, the groups do not charge interest for women in distress, like for women who borrow for medical expenses, funerals, and the like. They charge very nominal interest for trade and business activities. While the general pattern is like this the organization where my friend works has advised women not to charge interest. They have asked them to

charge service charges on actual expenditure basis. for example, the leader of the group has to go to the bank, maintain accounts and other incidental expenses have to be borne by the group. Therefore these are calculated and charged as service charges. There is no penalty etc. The groups may also borrow from the banks for which they have to pay bank interest. But it is left to them to borrow or not to borrow. Now my friend who has taken training in this activity (he is also a Muslim) saying that as he has to teach credit activities to the groups who might borrow money from the banks on interest he does not want to be a party to it and wants to leave the job. Everyone including his mother has tried to convince him that he should not leave the job as he is neither charging nor paying interest. Of course he may be collecting the loan amount including interest from the group and remitting to the bank. The organization is also getting credit from the government for lending to the groups but they do not charge interest to the groups only the actual transaction costs. However the groups have to pay interest to the government through the organization. They (the organization) just collect the loan + interest amount and remit it in the Government account. My friend is not convinced and wants to leave the job. Please advise.

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. qudsia

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

It is permissible to charge the cost of transaction to the borrower. Cost of transaction includes cost of accounting, collecting, carrying money to and from the bank, follow up on the loans, etc. What is definitely excluded from transaction cost is the cost of the money, interest, even if this interest paid to the bank or the government, you may not include it in the cost charged to members of the group. If your friend works as the person who contracts the bank and government for getting interest-based loans, even if the rate of interest is very small, this kind of transaction is forbidden in the Shari'ah and it is sinful to carry it even if it were on behalf of the group or the organization. Equally forbidden to contract any group member a loan with interest. carrying money to and from bank or government is not forbidden even with your knowledge that interest is included in payment being made because you are not making a Riba transaction you only handle cash for all its purposes.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: What is Riba and why it is prohibited?

From: Islam on line

Sent: December 09, 2002

Name of Questioner NAJI Country Malaysia

Question

Assalamu Alaikum. I don't have clear understanding of Riba. I would like to know what is actually the definition, application in the money market and why it is Haram? 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 Br. NAJI
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
Brother you need to make some reading homework on the issue and there are several websites that have writings on this issue including mine at www.kahf.net .
I will only give you a concise and direct answer. As a definition Riba is defined as a conditioned increment in a loan contract. What matters is the substance of the contract not whatever name it may be given. The substance of loan is that the debtor guarantees it and the only risk the lender takes is the risk of default. Also if an increment is not conditioned in the contract but it is known to every body that is will certainly be given, i.e., it becomes a custom or a law of the land, it is considered as if it were conditioned. Applications: you name it, treasury bonds, corporate bonds, commercial bills discounting, sale of future-maturity debts for lesser than face value, etc.
Taking Riba, giving it, writing its contract and being a witness to it are all prohibited. This means that a Muslim must not be a partner to a firm whose main line of business is to take and give Riba such as a conventional bank.
Finally, please notice that not any increment in a contract is Riba. There are commissions and profits and both are permissible. If I ask you to buy a commodity and promise you to buy it from you at a higher price that is not Riba whether my payment to you is going to be cash or installments.
Note: there is another kind of Riba called Riba of sale that is irrelevant to our subject and has a different objective. It is mentioned in a correct Saying of the Prophet, pbuh. Riba of sale is two folds. (1) a weight differential when you trade quantities of the same commodity as in barter even if the quality is different; and (2) a time span between the delivery of exchanged items when you trade currency/currency or main cash agricultural products for each other, but not same kind.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Is sharing cash discount interest?
From: Islam on line
Sent: November 25, 2002
Name of Questioner S Country India

Question

Dear Shaikh Salam Alaikum A friend of mine has a manufacturing industry, He has to buy raw materials on credit terms, He can avail about 10% discount on cash payment or upfront

payment. He asked me to invest money for purchases of raw materials and agreed to split the discount money equally between us, i.e., 5% each. If the purchase is worth 100k and he gets discount of 10k, both of us takes 5k per transaction. Can you kindly shed some light on this, because here the risk factor is negligible as the materials are insured, and I do not have any share in the manufacturing profits. Please advise.

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. S
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

If you give him the cash and get any increment (this 5k in your example), then he pays you back the cash you give, this becomes pure lending for interest. But there is a Murabahah contract you may use that is within the limits of Shari'ah. You can make an agreement between the two of you in which you buy materials and he promises you to buy them from you at a higher than your cost. then for each shipment, the order will be made in your name (i.e., you buy the materials) for the 100k - 10k discount, upon arrival and taking delivery you sell them to him in a second contract at 95k. This way you get your expected 5k and he gets the material for the 95. The catch here is that there must be two sale contracts, one after the other and you must take legal delivery of the materials before the second contract is signed. Of course you can delegate him to take delivery on your behalf, by a power of attorney that authorizes him to take delivery in your name and on your behalf.

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

SUBJECT: Is a money market account Riba based? Can we use earned interest to pay for taxes?

From: Islam on line
Date: November 25, 2002
Name of Questioner Moustafa Country USA

Question

I deal with a credit union bank. This bank has loans activities as well as investments activities e.g. Money Market Investment. At the end of the fiscal year, I receive the financial statement that shows the percent of each activity. I always isolate the percent of loan activities that the bank issues (the percent of the loan earning to the total bank earnings) and consider this the Riba part of the interest. I also use this part to pay the Tax in the USA. How allowable is this act?. Thanks. To clarify on the Money Market, the money can be loaned to big corporations. Is this still considered Riba even if all in all are calculated and risk weighted. Is not it an investing process not really a loan process?

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. Moustafa
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
I was going to begin with what you just said at the end. Money market earning is pure interest (= pure Riba). Riba is defined as any increment in a loan. The substance of a lending relationship is that you give the money to be paid back after certain period of time. the meaning of the phrase 'to be paid back' is that this money is guaranteed for repayment, very often it is supported by a lien or mortgage on certain properties or other guarantees. When the loan is interest-based the payment of the interest is also covered by the guarantee. The risk in the money market that you mentioned is a risk of inability to pay a debt back it is a credit risk not a business risk. In business risk you share in the ownership of a business or an inventory of goods and you share in its value when sold, you may win or lose depending on the outcome of the business or the sale price and cost of inventory.
This means that actually all the income distributed by a credit union is only from interest sources. Interest is prohibited in the Shari'ah and Muslims are required to invest only in permissible businesses. If it happened that a Muslim, for any reason, earned an interest income, the in-principle position of Shari'ah is that such money is not yours and you must return it to the payer because an interest-based contract (that made you earn interest) is null and invalid, it does not produce any of its objectives. This money is still owned by the person who paid it to you and you must give it back. IF THIS MONEY IS NOT YOURS, YOU CANNOT USE IT TO DISPOSE OF YOUR FINANCIAL RESPONSIBILITY INCLUDING TAXES. You must not spend this "earned" (using the word in its common jargon because you did not earn it according to Shari'ah) interest for payment of taxes, alimony even to non-Muslim divorcee, fees to government, or even paying interest on a loan you contracted whether sinfully or excusably.
I said that the in-principle position of Shari'ah is to give it back to the payer. We must note that the exception of this principle is the case when the payer runs and interest-based lending business such as conventional credit unions and banks. Giving the interest back to this kind of payer will only increase its capacity to make more interest-based transactions and mockery of you and your action. Therefore the collective Fatwa of the second international conference on the Fiqh of Islamic banks that came after careful study of this issue was that such payer does not deserve this interest back and because you do not own it must be treated like properties under your hand that is owned by no one. Such property must be given for the general causes of helping Muslims under stress such as those who are struggling against foreign occupation forces as is the case of Palestine or the poor and needy.
The conclusion is that you must invest you money in permissible investments and projects and until you do that, and whenever it may happen that you earn any interest from an interest based institution, you must give it to Muslim charities. This applies to the past as well as the future, you have to look into past interest and give equal amount to charity. The Prophet, pbuh, said: 'and every flesh raised on Haram deserves more to be in the Fire of Hell (than in any other place). This is a blessed month in which repentance (repentance must always be accompanies by correcting past wrong) and good deed are rewarded many folds. InShaAllah God shall give many fold of Halal income to compensate you for the little Haram you are going to give up.
Wa Allahu A'lam

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

Subject: Money market interest, is it prohibited?
From: Islam on line
Sent: November 25, 2002
Name of Questioner Moustafa Country USA

Question

I deal with a credit union bank. This bank has loans activities as well as investments activities e.g. Money Market Investment. At the end of the fiscal year, I receive the financial statement that shows the percent of each activity. I always isolate the percent of loan activities that the bank issues (the percent of the loan earning to the total bank earnings) and consider this the Riba part of the interest. I also use this part to pay the Tax in the USA. How allowable is this act?. Thanks. To clarify on the Money Market, the money can be loaned to big corporations. Is this still considered Riba even if all in all are calculated and risk weighted. Is not it an investing process not really a loan process?

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. Moustafa
Assalamu Alaykum wa Rahmatullahi wa Barakatuh

I was going to begin with what you just said at the end. Money market earning is pure interest(=pure Riba). Riba is defined as any increment in a loan. The substance of a lending relationship is that you give the money to be paid back after certain period of time. the meaning of the phrase 'to be paid back' is that this money is guaranteed for repayment, very often it is supported by a lien or mortgage on certain properties or other guarantees. When the loan is interest-based the payment of the interest is also covered by the guarantee. The risk in the money market that you mentioned is a risk of inability to pay a debt back, it is a credit risk not a business risk. In business risk you share in the ownership of a business or an inventory of goods and you share in its value when sold, you may win or lose depending on the outcome of the business or the sale price and cost of inventory.

This means that actually all the income distributed by a credit union is only from interest sources. Interest is prohibited in the Shari'ah and Muslim are required to invest only in permissible businesses. If it happened that a Muslim, for any reason, earned an interest income, the in-principle position of Shari'ah is that such money is not yours and you must return it to the payer because an interest-based contract (that made you earn interest) is null and invalid, it does not produce any of its objectives. this money is still owned by the person who paid it to you and you must give it back. IF THIS MONEY IS NOT YOURS, YOU CANNOT USE IT TO DISPOSE OF YOUR FINANCIAL RESPONSIBILITY INCLUDING TAXES. You must not spend this "earned" (using the word in its common jargon because you did not earn it according to

Shari'ah) interest for payment of taxes, alimony even to non-Muslim divorcee, fees to government, or even paying interest on a loan you contracted whether sinfully or excusably.
I said that the in-principle position of Shari'ah is to give it back to the payer. We must note that the exception of this principle is the case when the payer runs and interest-based lending business such as conventional credit unions and banks. Giving the interest back to this kind of payer will only increase its capacity to make more interest-based transactions and mockery of you and your action. Therefore the collective Fatwa of the second international conference on the Fiqh of Islamic banks that came after careful study of this issue was that such payer does not deserve this interest back and because you do not own it must be treated like properties under your hand that is owned by no one. Such property must be given for the general causes of helping Muslims under stress such as those who are struggling against foreign occupation forces as is the case of Palestine or the poor and needy.
The conclusion is that you must invest you money in permissible investments and projects and until you do that, and whenever it may happen that you earn any interest from an interest based institution, you must give it to Muslim charities. This applies to the past as well as the future, you have to look into past interest and give equal amount to charity. The Prophet, pbuh, said: 'and every flesh raised on Haram deserves more to be in the Fire of Hell (than in any other place). This is a blessed month in which repentance (repentance must always be accompanies by correcting past wrong) and good deed are rewarded many folds. InShaAllah God shall give many fold of Halal income to compensate you for the little Haram you are going to give up.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: loans to buy goods and personal loans
From: Islam on line
Sent: November 24, 2002
Name of Questioner Sa'aduddin Country Philip.
Question
In Islamic Shari’ah Law or Islamic Jurisprudence Opinion, is there any differentiation between the CAR LOAN OR ALIKE & PERSONAL LOAN (cash) from bank that should be considered as USURY? Allah bless you more.... Thanking you very much. Wassalam
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
ear Br. Sa'aduddin
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
No, any loan with interest is forbidden regardless of its purpose.
Of course, any prohibition is relaxed under necessity’s circumstances that are known in the Islamic jurisprudence.
Wa Allahu A'lam

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

Subject: giving interest and student loans
From: Islam on line
Sent: November 24, 2002
Name of Questioner Asaduzzaman Country Canada
Question
Assalamu Alaikum Brothers and sisters, I have these following questions. Please take as much time as you need. You don't have to be quick. Jazak Allah 1. I heard that taking interest is Haram, but is it also Haram to give interest. Please use Hadiths, and Quranic verses and give references from them. 2. Brother/Sister, I am 20 years old. I am continuing my education in a college, which is in Ontario, Canada. In Ontario, there is a financial help system called OSAP for students to continue their studies further in college/university. Now, after taking this loan, you have to pay it back when you aren't studying or when you are working, but with interest. Now, I am taking OSAP. So, when I will pay back their money, I also have to pay interest. I can't take any part time / full time job beside my studies, then it will be impossible for me to study, because it will be very big load for me, also if I take job, I will have responsibility for something. Also, I am not quite healthy either. My parents can't also help me financially for my studies too. So, do you think it is ok for me to take OSAP? Please use Hadiths, and Quranic verses and give references from them. 3. This question is related to the previous one. If I take OSAP, can I spend money from OSAP on the path of Allah? Like giving donations to poor people, charity, mosque, and community this and that? Also, is it allowed to give presents to others with this money? Can I spend for myself like buying my necessities? Can I buy for my-self anything Islamic like the book of Quran, Bukhary, Islamic cap, cassettes etc.? Please use hadiths, and Quranic verses and give references from them. 4. Is it allowed to take pictures of one-self and others? Pictures of what creations of Allah are allowed to take, and what are not allowed to take? Please use hadiths, and Quranic verses and give references from them. 5. If someone wants to be Muslim what they have to recite? Would there have to be a witness? Does the person have to be neat and clean instead of dirty like not taking water after urinating? Please use hadiths, and Quranic verses and give references from them. 6. Can you explain how we will know that from which day we have to fast? Please use hadiths, and Quranic verses and give references from them.
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. Asaduzzaman
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
I will answer questions 1-3, your questions 4-6 are not financial, please resend them again so Islam online can send them to a specialist.
I want first to comment on your request of evidence from the Qur'an and Sunnah on every question you ask. This asking is incorrect and inappropriate. It is incorrect because both the

Qur'an and the Sunnah deal with principles and issues that existed at the time of revelation, when the Prophet, pbuh, was alive. Muslims are required to set all aspects of their living and behavior in accordance with these principles and good examples in application that are given by the Prophet, pbuh. This does not mean that for every incidence there is a Verse or a Hadith, it means that there must be Muslim scholars who understand the Qur'an and Hadith and derive from them rulings relevant to our practices and surroundings. For instance, there is certainly nothing in the Qur'an and Hadith that mentions any answer to your question on what you called OSAP, but the principles there do apply to the case of OSAP as they apply to other innumerable potential cases. It is inappropriate because when you ask a scholar you must have some confidence in her/his scholarship, otherwise do not ask her/him! It is her/his duty and certainly your write to have explanation of the basis of the opinion given to you. Such basis may be from the Qur'an, the Sunnah, or from human thinking on the basis of the Qur'an and the Sunnah.

Question 1 - the Qur'an prohibits Riba in the strongest terms that go as far as declaring war on those who deal in Riba (2: 278-279). It defines Riba as any thing above the principal of the loan, (also 2: 279). the verse orders that we must quit Riba. It does not restrict the quitting to taking or giving. this means that both taking and giving are meant to be eliminated. The Prophet, pbuh, clearly mentioned it. He said: "May the wrath of God be on the taker of Riba, its giver and its writer" this is reported by al Bukhari and Muslim. Muslim added "and it two witnesses"

Question 2 - there are no exceptional cases in this prohibition that allows you to say that OSAP may not be included. Any increment in a loan is forbidden to give and to take. It is by implication also forbidden to sign its contract. You notice that writing it is forbidden even though the writer may be an absolute stranger to the contract. Think of it at large, you don't have to take your college study in 2 or 4 years, take double that time and work part time to furnish your needs from your income, if your health does' help much go at a slower pace. There are many opportunities for scholarship and financial aids other than loans or what you called OSAP. You have several alternatives that you did not explore and you jump to an easy conclusion.

Question 3 - don't you see it kind of illogical to disobey God by taking an interest-based loan, something that He the Almighty prohibits, and then from that try to please him by giving charity?! This is human logic and rationality you don't need a Verse of a Hadith for it. Yet, the Prophet, pbuh, said "God is pure/God (the word Tayyeb in Arabic means both) and He doesn't accept except what is pure/good." Further the Prophet also said that "any flesh that is raised on forbidden (things) deserves the Hell-Fire more than any place else." Both Sayings are correct.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: **Can Zakah be given to settle an interest-based loan?**

From: Islam on line

Sent: October 10, 2002

Question

As-Salamu`alykum:
This question is refered from the live fatwa. Can you please answer it coz we need it for permanent fatwa bank.
I am the chairman of a zakaat committee, so I need some guidelines on how to operate and manage my committee I have the following questions:- 1) We receive zakah on terms of cash, can we give the bearer fakiir or maskiin assistance on terms of food instead of hard cash. 2) Can we pay house rent direct to the landlord on behalf of masakiin and fakiir instead of giving them cash for the same purpose. 3)Can we pay school fees to the school management directly instead of giving cash money to the needy for the same purpose. 4) Can we use the money of zakah to open an account with the hospitals for the purpose of assisting fakiir and masakin while they need medical assistance. 5)Is it halaal to assist a needy on basis of his/her behavior (e.g. fasiq, drunkard, prostitute, adulterer, witchdoctor, munajjim). 6) Can we assist to settle a loan of a debtor which he took from a bank on basis of interest. 7) Can we give cash to the fakiir and maskin on monthly basis,instead of giving them lumpsum for the whole year. 8) Do we have authority to to make thorough investigation before assisting the needy

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br.
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
Your work in the committee of Zakah is InShaAllah very rewarding. To be instrumental in helping others, especially the poor and needy is one of the greatest things to be done.
1- You can pay Zakah the way it is better to the poor. If you receive cash and find that it is better to the poor (person and family) to give food instead, you may buy the food and give it.
2- The same way you may give the usufruct of a house or apartment, especially if the rental contract is in the name of the committee or the Islamic center. If the contract is in the name of the recipient (the poor) I prefer that you pay her/him and have her give it to the landlord because the principle of Tamlik (making the recipient own the given amount) is important in Zakah, especially in the Hanafi school. It is in fact a very important principle that preserves the sanctity and purity of Zakah and prevents a lot of potential abuse.
3- For the service of teaching (school tuition) for the Poor's children, the same principle of rent applies, may be in an easier way because you can always tell the management of Islamic school that your committee is contracting it to provide the service of teaching to the child. However, I question the legitimacy of spending Zakah on tuition for a poor child to Islamic schools if you are in the USA, Canada or similar countries. My reason is that in Zakah payment we have to weigh priorities and in the USA and Canada (if you are in these countries) the availability of public schools and their usually superior teaching qualities along with existence of other opportunities of providing Islamic teaching to children make spending Zakah on tuition of low priority especially with the tremendous needs of people struggling to survive and/defend themselves against occupation and aggression in many parts of the Muslim world, remember we live in a world village!
4- You can use the money from Zakah to pay for the service of hospitalization and price of medicines for the Zakah recipient (poor and needy). If you open an account with a hospital for

that purpose keep either zero balance or a very minimum because you are not supposed to freeze the money of Zakah in any such account.
5- When you have to be selective, it is better to chose for your Zakah the most pious persons. But when you have abundant Zakah resources you spend on all including non-Muslims. The Prophet, pbuh, advised: "and let none but a God lover/fearer (Taqiyy) eat your food."
6- You cannot settle a debt of the Zakah payer on a given poor from the amount given as Zakah by that payer. You can directly pay a debt on the poor from Zakah to the creditor without paying it to the poor or you can pay the money to the poor and she then gives it to the creditor. This is mentioned in the Qur'an (9: 60) as item number 6 of Zakah recipients. It is preceded with the preposition for (fi) instead of to (li). For does not require Tamlik. It does not make a difference whether the loan in interest-based or not.
7- You can make monthly, weekly or even daily stipends to the poor and needy, it is sometimes better. you give large lump sum only when you are giving capital or capital goods to remove the recipient from the Zakah list and make her/him a producer and self sufficient and rarely on other occasions. This is one of the merits of the institutional distribution of Zakah through a government agency or an NGO like your committee.
8- Yes, you can and you have to make sufficient investigation to see to it that your Zakah goes in the correct destination. This does not mean that you are not rewarded if mistake happens (remember the saying that a person gave his Sadaqah to a rich, a thief, a prostitute, etc.). There is even an argument in the Fiqh books whether you have to get the poor to swear under oath that s(he) is really in need for help.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: To whom can interest money be given?

From: Islam on line
Sent: October 07, 2002
Name of Questioner Fathi Country
Question
I want to send some money to our brothers and sisters in Palestine. I am sending a mixture of Sadaqah, Zakah and interest money. The main groups in the UK I know use some of our donation towards administrative expenses. Now I have been told that if it is Sadaqah or Lillaah money used in admin, it is acceptable. Zakah from what I think should be distributed 100% to the poor, and I don't know about bank interest. Now if I give it to the organization stating exactly what the money is and with the right intentions, would it be OK for me, or would I be also responsible if not all the Zakah is given to the poor. Please also tell me the facts about interest; who it can be given to and whether it has the 100% status as Zakah does? Jazaakumullaahu Khairan.
My Answer:
Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Fathi
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
1- Part of the Zakah money can be used for administrative expenses of the organization that takes charge of collection and distribution. It is better for this part not to exceed one eighth only because eight categories are mentioned in the Qur'an (9:60) and this is one of them. Most Muslim charitable organizations in Europe and North America are fully aware of this point and they normally use donations for their administration and distribute all Zakah to poor and needy.
2- Interest money, obtained from interest-based institutions, must be given away to the poor and needy. This is a money that is still owned by the payer, but since the payer gave it by will and is itself an institutions that uses its money in making interest-based activities we do not return it to the payer in order to avoid helping it to do more interest-based activities, so we reduce, even a little bit, the evil of interest in the world. You better tell the Muslim charity that it is interest money, although it is also permissible to pay from it the cost of making it reach the poor and needy (administrative cost)> interest money can be given to the eight categories of Zakah recipients, it can also be used for general services to Muslims, like paving a road in your village. it is a bit wider than Zakah.
3- In all cased of Zakah, interest, and Sadaqah you don't have to tell either the recipient or the Muslim charity about what it is, but if you do it is OK as long as it does not humiliate the person who takes it.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: **Student loan before reverting to Islam**
From: Islam on line
Sent: September 30, 2002
Name of Questioner saadiqah Country

Question
Assalamu Alaikum ~ Questions about the permissibility of taking student loans with interest have been asked many times. This assumes that the student loan has not already been taken. In my case, I reverted to Islam well into my college career, after I had already borrowed thousands in Riba-based loans. I once got into a disagreement with another sister who, in the same predicament, only had intentions to pay the principle amount and then default. I disagreed because while we are not supposed to deal with Riba at all, we are also supposed to fulfill all contracts. The fact that we accepted a Riba-based student loan in our Jahili existence does not justify defaulting now that we are Muslims...a Muslim keeps his/her word. I figure by common sense to pay what I promised to pay, asking Allah to understand my intention in participating in Riba for the sake of honoring my word, and from then on not to knowingly and deliberately

deal with Riba anymore. So my question to you regards which principle prevails in this case - fulfilling our contracts or refusing payment of Riba and defaulting our contracts? Thank

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. saadiqah
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
You certainly have to fulfill your contract even though you are paying interest. However, you have to pay it as soon as you can and if you can negotiate a consensual elimination or reduction of the Riba you are paying you must go for that.
Defaulting without being really unable to pay is moral dishonesty and it is forbidden in Shari'ah. Please keep in mind that repentance requires sincere pledge not to go back to such sin in the future.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: **Car loan from employer at lower interest rates**
From: Islam on line
Sent: September 27, 2002
Name of Questioner Yaqub Country Nigeria

Question

My office provides Car Loan for member of staff payable in five years. The loan is to enable the staff purchase a car. The problem with this loan is that anybody that takes the loan will pay the principal and pay 4% interest on the loan. Considering the stern warning of Allah against interest, is it allowed to take this type of loan? 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 Br. Yaqub
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
No, this is a clear case of interest-based loan that is forbidden in the Qur'an and Sunnah as it is very well known.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: **Buying a computer on installments**

From: Islam on line
Sent: September 30, 2002
Name of Questioner amged Country Andorra

Question

Salam Alaykum. Is it permitted to by a computer by installment on a fixed interest over certain amount

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. amged
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
paying and/or taking interest is certainly forbidden in our Shari'ah. This is clearly mentioned, with the strongest wording, in the Qur'an and in the Sunnah.
Buying on installment is permissible at the same price as cash purchase and/or at a higher price, even if the seller calculates the installment price by adding interest to the cash price. If the contract does not specify a price and an increment for installment in the contractual text, it is permissible (even if the word interest is used as a method of calculating the installments, but not as a clause of the sale agreement).
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: A loan for a luxury car

From: Islam on line
Sent: September 30, 2002
Name of Questioner Othman Country

Question

I had made a loan with interest for luxury product (a nice car) and I want to know if there is any possibility to be forgiven. Salam Alaikum

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. Othman
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
In my understanding of the Shari'ah what you did was wrong! you need to do three thing: 1) try to get rid of the loan as soon as possible and/or substitute it with Islamically permissible financing, 2) make sincere repentance and pry to God for forgiveness, He promised in the Qur'an that He forgives all sins (39: 53), and 3) increase your good deeds as God mentioned that good deeds wipe away bad actions (11:114). Good actions include prayer, fasting, charity, kindness to parents, etc. and remember one of the conditions of repentance is to avoid such

sins in the future and to rid yourself of its present effects as soon as you can without breaking any contract you have signed.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Student loans taken before reverting to Islam
From: Islam on line
Sent: September 27, 2002
Name of Questioner Rafiah Country US
Question
I owe thousands of dollars in student loans. At the time I got them I felt pressured so that I could stay in school. I had just taken my Shahadah and although I knew that interest was Haram I did not understand the seriousness of it. What should I do about these loans now that my faith is strong enough to never want to touch interest again?
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. Rafiah
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
You have to fulfill your contract with the lenders, keep asking for forgiveness and have pure repentance in your heart, in application of the Verse, 11:114, " Verily good deeds take away (the stain of) bad deeds". At the same time try to pay back as soon as you can and negotiate alleviating the debt by removing accrued interest, most lenders accept.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Loans to a business with non-Muslim Mother
Subject: Earning interest for another person!
From: Islam on line
Sent: September 25, 2002
Name of Questioner Country
Question
Dear Sir, I am wondering about what Islam says on me, where a friend of mine put his money on my account with interest. I don’t make any benefit of this money. The use of that for my friend that he won’t pay the taxes on his earns. He said that the Riba money will be spent on good work. I hope you answer me in English. Thank u very much.
My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br.
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
I hope there is no sin on you at all. May God forgive us all. also please advise this brother of yours that he should minimize the use of interest-based accounts as much as he can and certainly any accrued interest must be given to Islamic charities as a way of keeping his own money clean of the dirt of Riba, he is not rewarded for Sadaqah because Sadaqah must be given from one's own money and accrued interest is not his according to the Shari'ah.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Interest earned by non-Muslim wife

From: Islam on line
Sent: September 25, 2002
Name of Questioner Mohammad Country
Question
Assalamu Alaikum: Can my wife who is Christian place money from her income and money I give her in an interest bearing account like a bank cd? Can she then use that interest to give her family? Will that in anyway impact me as a Muslim as far as Riba is concerned if I don't take any of her interest money? Jazakum Allah Khairan
Your Brother
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Mohammad
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
Although Riba is not forbidden for her, it is forbidden for you and your family. you are required by Shari'ah to spend on your wife, regardless of her religion, and children and you don't want them, knowingly, to eat from forbidden sources. The Prophet, pbuh, said: "And any flesh raised on Haram the Hell Fire is more worthy of it (that any other place)" Taking the interest and spending it on her non-Muslim relatives or on Islamic charity or anything outside your responsibility is not a matter of concern to you as a Muslim.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: **How can Muslims avoid Riba?**

From: Islam on line

Sent: September 25, 2002

Name of Questioner S A Country Canada

Question

Dear Shaikh Salam Alaikum. One of most boiling questions we have in mind of a Muslim is about Riba/interest. While always the Muslim scholars have only interpreted the word Riba and said it's Haram. In current world context what alternatives do we have for Muslims living in Non Muslim countries and the west, they cannot keep money @ home for safety reasons also it is illegal to do so by many governments. We have to pay taxes to govt., then we have to pay from the capital we have to non Muslims. If we have to buy a house a car or any of the essential necessities we have to take a loan, and are forced to pay interest. Even in Muslim countries the authorities and most of the people bank with non Islamic banks, for reasons known to us. There is a fatwa from Nizamia, Hyderabad India that gives the rules of exception, please advise how can Muslims avoid Riba in their daily lives, and survive in Non Muslim countries. Also please advise if Zakah can be given to close relatives and own brothers and sisters who are not their dependents. Jazak ALLAH khair. S.A. Khan

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. S A

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

Avoiding interest is a must for all Muslims regardless of where they live. It is also a must that they should create institutions and facilities that help them do so. Alternatives to Riba are available in forms of contracts of installment sale, lease and equity financing.

those who live in non-Muslim countries, and have no facilities that are compatible with Shari'ah and do their best to establish such facilities, are permitted, under the rules of necessities only, to use interest based financing for housing and other necessary needs such as protecting their business from foreclosure. buying a car and education financing do not fall normally under these rules and therefore they are not permitted on Riba basis.

Zakah can be paid to all relatives for whom you are not responsible financially such as brothers, marries sisters. It cannot be paid to unmarried sisters nor to parents.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: **Can banks operate without interest?**

From: Islam on line

Sent: September 08, 2002

Name of Questioner Nassor Country Tanzania

Question

1. I know that Riba is a sin. But how should banks operates if they don't take interests? 2. I was planning to start my business but the only way of acquiring capital at the moment is by taking a bank loan. I decided not to the loan for I know that Riba is against the Shari'ah. Does it mean that it is very difficult for we poor Muslims to start our own business or is there another way of getting business loan according to Shari'ah ? Thanks.

My Answer:

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

As you rightly said Riba is a great sin. God in the Qur'an (2: 279) declares a war from God and His Messenger on those who do not quit and abstain from dealing in Riba. Bank interest is Riba.

Banks can run without Riba. They take money from depositors on profit sharing basis and they give financing on either profit sharing, leasing or deferred sale basis. This is the Islamic way of running banks and there are more than two hundred banks in the world today that operate according to these principles.

I know it is difficult for Muslims who live in countries that do not have Islamic banks to get financing in accordance with the Shari'ah. Such Muslim communities are required by our religion that they should establish financing institutions that operate according to Shari'ah, Islamic banks, Islamic finance cooperatives, etc. It is a religious obligation on all such Muslim people. And until then we still must abstain from Riba unless in case of necessity for housing or to save a business, but the rule of necessities do not allow a relaxation of a prohibition for the purposes of promoting a business of to start one.

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

Subject: Interest loans to salvage business or to expand it

From: Islam on line
Sent: September 06, 2002
Name of Questioner Bilal Country

Question

This question is regarding dealing with interest based business finance and whether it is allowed for a Muslim business person to involve in such finance if a) they reach a situation where if they do not get such finance the business could either go under or seriously lose its viability b) There is a need to expand the business to realize real business opportunities especially when there is no alternative available either due to its lack of existence or accessibility for your business. Surely, if all Muslim entrepreneurs stop taking interest-based business loans (especially either due to lack of accessibility or absence of Islamic finance or even non-viability of Islamic finance package) they are going to struggle to grow business albeit

very slowly through organic means or become prey to severe competitive environment of the today's business world. I do understand that we Muslim business people should support or even set-up Islamic finance initiatives but this is a strategic issue and the real question for now is what should we do in the meantime? We cannot just simply leave non-Muslims to eat-up business opportunities (including in the Muslim world) and subsequently use the profits to suppress us!! 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 Br. Bilal
Assalamu Alaykum wa Rahmatullahi wa Barakatu

You dilemma is very serious. it is as serious as being a religious obligation on all the Muslim community (Fard Kifayah) that exists as minorities in countries which do not have Islamic financing institutions. The meaning of Fard Kifayah is that it is a personal individual obligation on each and every Muslim who can help in this effort and such persons are considered sinful until what is needed is done and the only way to relieve them from the sin is if some of them actually take action to fulfill this requirement.

Establishing Islamic financial institutions for Muslims in the western countries is a Fard Kifayah. Until sufficient number of them is established, using conventional financing for protecting one's property is permissible such as being threatened of bankruptcy and an interest-based loan would set it up straight. However, promoting one's business is speculative by definition and consequently it is not a necessity that warrants relaxing a prohibition. Yet establishing Islamic financing institutions for such an objective is a Fard Kifayah

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

Subject: Interest and return on savings and investment

From: Islam on line
Sent: August 21, 2002
Name of Questioner muhammad Country India

Question

DEAR MONSER KAHF ASSALAMU ALAIKUM I want to know about RIBA I am reading the glorious QURAN and the interest mentioned there is on lending of capital and charging interest as banks do. But I want to know about the returns on savings and investment where the return is not fixed it varies from time to time on the profit that the companies make. Can we call this at interest for example the company which I work gives the policy holders bonus which is projected at 5% but not guaranteed can v call this interest because I have heard that anything which has the element of profit and loss is not interest. And further your opinion on the insurance policy that pays guaranteed returns and also about bank interest in non Islamic countries where the economy runs on interest (banking).

My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. muhammad
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
Interest in any increment stipulated in a lending contract or transaction. It may be prefixed or determined at the end of contract. Investment is a loose term that is used for lending and for equity. Equity differs from lending in that equity exposes the owner to losses and profits. Equity is permissible as long as the trade you are investing in is permissible. Lending according to Shari'ah does not generate any income, it is an act of charity and goodness rewarded by God only and thanks, but no increment, from the borrower. Names do not affect the Shari'ah ruling and what matter is the nature or exxence of the relationship, that what determines whether it is equity or lending. If you call Riba interest or commission or profit, it does not become permissible as long as the nature of the transaction is an increment, conditioned or customary, in a lending transaction.
Insurance run by commertial companies is disputed and insurance offered by cooperative (mutual) companies and the premiums are paid on contributary basis is permissible provided it is void of interest.
Wa Allahu A'lam
Wa Alhamdu li Allahi Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Do you pay Zakah on interest mixed with own money?
From: Islam on line
Sent: August 20, 2002
Name of Questioner Abdul Country India
Question
ASSALAMU ALAIKUM MAY AL MIGHTY ALLAH REWARD YOU FOR YOUR VALUABLE WORK FOR ISALM. MY NRE ACCOUNT MONEY IS MIXED WITH INTEREST BUT I AM NOT USING THE INTEREST. INORDER TO AVOID MIX UP THE INTEREST WITH ACTUAL MONEY I AM KEEPING SEPERATE ACCOUNT BY WRITING. SO WHEN I PAY ZAKAT AT THE YEAR END SHOULD I PAY ZAKAT FOR WHOLE AMOUNT INCLUDING INTEREST MONEY OR FOR ACUTAL MONEY ONLY. KINDLY ADVISE.
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Abdul
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
Interest is prohibited and interest-based contract are void from Shari'ah point of view. This means it is not earned in accordance with Shari'ah. Zakah is only imposed on items you own,

therefore, there is no Zakah on interest accrued to your account. All the amount of interest must be given away for Islamic charity, including helpingpoor and needy, riot striken Muslims, and Muslims fighting against forein occupation of their land.Wa Allahu A'lam
Wa Alhamdu li Allahi Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Buying furniture on interest, is repentance sufficient?
From: Islam on line
Sent: August 20, 2002
Name of Questioner emad Country Jordan
Question
Assalamu Alaikum, I took a loan from a bank to buy some furniture. I feel so bad because I did not realize by then that I am contributing to a "Riba". I still have about 3 years to pay off the remaining amount and I promised my self not to borrow any money any more from banks. What shall I do? Is "Tobah" enough and what shall I do with the remaining dues I owe the bank. Secondly, I was living in a non Muslim country and used to use credit cards. I had to leave that country before paying off the rest of money which I still owe them. Financially wise I cannot afford paying the rest of the money which I still owe. So what shall I do? Jazakom Allah Kol 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. emad
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
Repentence and seeking God's forgiveness (Istighfar) must be accompanied by exceted effort to minimize both the amount and the period of any existing interest relationshionship or cancelling the contract if you legally can.
The credit card debts you owe for money and goods and services you received is the wright of some other people. It doesn' matter whether they are Muslim or not, companies or natural persons, foreign or domestic, their rights must be paid to them. You can't just accumulate debts on a credit dard and flee the foreign country you lived in. this is a kind of theft. If you can't afford payment in lump sum, you probably can reconsile with the credit card companies for installment payments and for dropping the interest. There is also bankrupcy procedures for debtors who can't pay their debts that may be pursued if the conditions of banrupcy apply to you.
Wa Allahu A'lam
Wa Alhamdu li Allahi Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Interest loan to buy a business
From: Islam on line
Sent: August 20, 2002
Name of Questioner Abdul Country US
Question
Assalamu Alaykum brother, I have a dilemma I am facing in my life. I am about to complete my Bachelors but have not found anything in my field. All I can do is get a job requiring no experience where I can probably make up to 30 K a year. But I always wanted to help the Muslim Ummah financially and with this kind of money, it is hard even to support yourself. I have a brother in law who is extremely smart and business minded and he has been successful in getting a job in his field and working for a grocery business owner. He has offered to go on a joint venture with me to buy an established business. We are looking at profit margins that make us more in one month than what I could make in a year at any odd job. I think it is promising but I am troubled that we would have to take out a loan from the bank and pay interest. It would take us about 10-15 years saving the money to start a business but would take us only one year to come up with a down payment. I am wondering since I am living in USA and my soul intention is helping the poor, would it be permissible to take out the loan as long as we only use the loan to start our business and only use cash we save from our business for further expansion. 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 Br. Abdul
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
Interest is no doubt forbidden in the Islamic law. It is forbidden for all purposes and under all good wills. It is one of the wirst sins a Muslim may kame.
The collective Fatwa goes along with the concept of exception for a necessity to protect one's family and wealth, it is not for promotion and expansion of wealth and income.
I don't see that expansion of wealth and income may be covered by the Fatwa on the exceptional cases.
Wa Allahu A'lam
Wa Alhamdu li Allahi Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: buying a car on interest
From: Islam on line
Sent: August 17, 2002
Name of Questioner abdul Country India
Question
Assalamu Alaikum, We know that giving and acceptation of interest is prohibited in Islam. But if there is any exception for it, that is, we will get vehicles for loan having interest. We want to

pay an excess amount which becomes 10 or 15 percent more than the original cost of the vehicle. If we have not able to pay the loans in time, the interest of that occurrence will increase. If it is allowed to take the vehicle by paying these type interest.

y Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. abdul
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
You said interest is forbidden. It is forbidden an an increment on a loan and also as a penalty for deauld in payment of installments too. This kind of contract to buy vehicles is forbidden.
Wa Allahu A'lam
Wa Alhamdu li Allahi Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Interest—based student loans

From: Islam on line
Sent: August 17, 2002
Name of Questioner Amina Country

Question

Bismillah Salaamu Alaikum, I am a college student and was able to get full scholarship, nor do I have enough money to pay out right. Are there any rulings on students in the west taking out federal loans?

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Sr. Amina
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
College education is not a necessity, important and useful as it is! Look how many people live without it! Federal loans in the USA give you the option to pay within 18 month after graduation without interest. If you can be sure of yourself that you can do that, you then can take the loan because it amounts to signing a contract that gives you an option to be or not to be indulged with interest. This contract to me is permissible to sign for a Muslim with non Muslim provided you are sure you will and can avoid interest payment.
Wa Allahu A'lam
Wa Alhamdu li Allahi Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Commission on fixed deposits

From: Islam on line

Sent: August 17, 2002

Name of Questioner Country

Question

Assalamu Alaikum, I have a question regarding financial matters. I wanted to inquire about 'fixed deposits' because they earn interest as well e.g. from HSBC. I've heard that special Muslims banks offer something called 'commission' which seems like interest!! And things like 'mutual funds' like stocks and shares with brokers conducting the selling and buying and then earning a profit etc... What is the recommendation on them? How do we handle finances in today's world?

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.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

How to handle finance in today's world is too big of a question. Our handling must be always within the limits of Shari'ah. I recognize that this may not be easy at times, but we need to expend efforts to make our financial environemnt compatible with Shari'ah (the Islamic Law).

Any contract that includes giving a sum of money, that is guaranteed to be returned, and earning an encrement money on it, whether predetermined or not, or fixed or variable, is jprohibited in Islam this is called Riba regardless of the name some people like to give to it, interest, commiission, profit or what not.

Investment in Mutual funds is like investment in stocks. There are stocks that are permissible to buy, own, hold and sell. These are stocks of companies that deal in permissible business and do not undertake any Shari'ah prohibited contracts and/or activities. And there are prohibited stocks too. These are stocks of companies that produce prohibited products and/or undertake prohibited activites. Examples of the latter: interst-based bank, alcoholic breweries, tobbaco companies, companies involved in child.women. minorities abuses, companies that produce mass destruction weapons, etc.

Wa Allahu A'lam

Wa Alhamdu li Allahi Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Why is interest prohibited?

From: Islam on line

Sent: August 17, 2002

Name of Questioner Agha Country Pakistan

Question

My question is: in what way is interest provided by banks Haram. A banker said that the money deposited in a PLS saving account is used in business by the bank and if it gets profit, it is given to all members whose money was used. Please elaborate with Islamic points of view

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. Agha

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

Interest is an increment in a loan. This is exactly the definition of Riba that is prohibited in the Qur'an. When you give a loan, its recipient may make good use of it or otherwise, she/he may make profit or losses while your increment is secured by virtue of the interest contract. An interest-based loan contract gives a certain amount to the lender while the benefit to the borrower is not known in both whether it is positive or negative and in its amount too.

PLS accounts are different. They are accounts with the banks on the basis of sharing in the activities of the bank. In other words, an owner of a PLS account makes the bank an agent to invest the money put in the account and share with this agent the result of this investment. There is an implicit condition here that the bank must use this money only in permissible businesses, If the bank invest in prohibited matter, certainly the income accrued to such prohibited contracts is also prohibited too although the PLS account is correct, permissible and valid. Assuming the bank usue the funds in permissible contracts such as Murabahah, Mudarabah and leasing, the profit distributed to owners of PLS accounts is permissible. Notice though that such distribution cannot be determined in advance because it depends on the amount of profit the bank makes. Further, the principal of such account cannot be guaranteed too because guaranteeing it contradicts the principle of sharing the profit and losses.

Wa Allahu A'lam

Wa Alhamdu li Allahi Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Using interest to pay interest

From: Islam on line

Sent: August 17, 2002

Name of Questioner Mohammad Country UK

Question

Assalamu Alaikum. My family has a mortgage on our house as we have no other means of purchasing it in the UK. We pay interest to the bank on this loan. I had an idea to put my money in a savings account; and then to use the interest gained on the savings to pay towards the interest charged on the mortgage. The end result would still mean we pay more interest to the bank than we receive from them, but it would ease the burden. Would it be permissible to this? Jazakallah.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Mohammad
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
No, this is not permissible. Interest accrued to your saving account in a conventional bank is not yours because interest is forbidden in Shari'ah and the interest clause, in the saving account contract that generates it, is invalid. This interest you have to give away to Muslim charity because you must not return it to the bank (that amounts to helping it do more interest contracts). The interest your family contracted is a legal obligation on them they have to fulfill, if they made the housing contract out of need to do it it may not be sinfull, God Willing.
The easier solution, and you save more on interest, is to use your money and earning to pay parts of the principal on the house of your parents, even if it were a loan to your parent, that they will pay it back to you after they finish payment on the house. This way you would be helping them reduce the amount of interest they will end up paying and reduce the time frame too.
Wa Allahu A'lam
Wa Alhamdu li Allahi Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: What to do with interest money?
From: Islam on line
Sent: August 14, 2002
Name of Questioner Country
Question
Assalamu Alaikum I recently opened a bank account and specifically asked for a non-interest account. However, from my bank statements, I seem to be receiving interest. I was wondering whether it is Halal to keep the interest, or if it is not, is it Halal to give this interest to charity. Please reply. 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 Br.
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
It is not permissible in Shari'ah to keep the interest nor to allow it to mingle with your own money. Accrued interest is not yours and you must give it to charity, it does not matter whether you tell them it is interest or not.
(an interest generating contract is void in Shari'ah and accordingly interest does not accrue. This means that it is still owned by the bank who credit it to your account. Hence, it must be returned to the bank. But because the bank is an interest based dealer, giving it back to the bank will only increase its ability to continue this prohibited activity. Therefore you must

deprive the bank such a privilege and you cannot take it because it is not yours. The solution is charity because it becomes Halal for the poor and needy).
Wa Allahu A'lam
Wa Alhamdu li Allahi Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Buying a car on interest
From: Islam on line
Sent: June 19, 2002
Name of Questioner gerhard Country. Finland
Question
salaam Alaikum, is buying a car by the method of installment (monthly payment with interest) HARAAM or not
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. Gerhard
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
buying a car on installments is different from buying it on interest. Take an example: a car that is worth cash 20,000. you may agree on buying it for24,000 asa price payable at 500 a month for 28 months. This is installment sale. It has no interest (even though the difference of 4000 may have been calculated on the basis of "if it were interest how much would it be?" This is permissible.
Buying on interest is you buy it for 20,000 and borrow from the band or any third party, pay cash and pay to the lender 500 a month for 48 month. This is prohibited. It is Riba as mentioned in the Qur'an.
There are similarity , OK; but there are difference, isn't there a difference between marriage and co-living?
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Interest of conventional banks and profit of Islamic banks
From: Islam on line
Sent: June 19, 2002
Name of Questioner yosra Country Egypt
Question
Assalamu Alaykum, my father died when I was 5, my mother got a great depression after that , so 3 years ago she transferred our money from Islamic to non Islamic bank I was told (no blame for sick people), I am going to be 21 soon & I will take the money but to transfer money she

kept for me for so long this will hurt her so much I know that there is no obedience to anyone for disobeying Allah (she has psychological sickness) can I calculate the difference between interest of two banks and give it to charity or what can I do to obey Allah also without hurting her?

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. yosra
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
Giving the difference to charity is not a solution because all interest is prohibited and must not be left to mingle with your Halal money.
If you can't transfer the money to an Islamic bank without informing your mother, even if you have to give her words that have two meanings and you dicided to keep it in an interest-based bank, you must give away for charity all the interest not only the difference.
Besides, interest earned during the period, when your mother was your guardian must be given away to Muslim Charity and Muslim public causes, such as supporting the fair and just stuggle of the palestinian people against occupation and aggression. This past interest must not be left with your own Halal money.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Is it permissible to get interest from banks, they are not poor?

From: Islam on line
Sent: June 19, 2002
Name of Questioner Brahim Country Morocco

Question

Assalamu Alaykum wa Rahmatu Allah: I would like to ask you (Jaz'akum Allah khayran) about banking transactions and the system of interest. I'm placing some money in a deposit account, because I think that it is the safest way of keeping money and getting some returns on it, at least to compensate for the decline in monetary value and I also said to convince myself (after all banks are not poor). Does this kind of practice look convincing according to Islam? Please give me a firm answer. 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 Br. Brahim
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
The firm answer is: NO. bank deposits generate interest, interest is the same Riba that is prohibited in the Qur'an with a threat of a war declared from God and His Messenger on those who do not quit even the remnant of Riba.

Banks are not poor, and one of the most famous Riba dealers at the time of revelation just before the prohibition of Riba was al Abbas the uncle of the Prophet, pbuh. Al Abbas was a merchant and he used to borrow money for his business on Riba basis and he used to lend to other merchants too. In fact, in a little booklet on this issue the late Shaikh Muhammad Abu Zahra (died 1974) explained that the prohibition of Riba was really an introduction of a different system in financing businesses and trade.

Interest is a prohibited income. In fact, it is not an income because the interest generating deposit contract is considered invalid from the Shari'ah point of view. Unfortunately there are no Islamic banks in Morocco and if you don't have to deal with interest based banks you better not. Certainly there is no necessity for such deposits even the protection of the loss of value of money as a result of inflation.because there are other means for such protection, mainly investment in real assets, etc.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Are Prize bonds permissible?

From: Islam on line

Sent: June 18, 2002

Name of Questioner Muhammad Country Pakistan

Question

Assalamu Alaikum in Pakistan issues prize bonds on no profit no loss bases but there is prize after every three months to make people save money. The money given away by the govt. to selected people(numbers) is lawful in Islam or not. Thanks.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. Muhammad

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

Giving prizes to randumly selected individuals from among a group of good doers with no cost to any and all individuals in the group is permissible. What does this means? If the government decided to encourage certain action or behavior, such as saving, by announcing that it will select winners from among the savers, through a fair and non prejudiced process, such as a randum selction computer program, and does not charge any cost to any saver for these prizes, This is permissible.

However, if prizes are given to every saver or to a large proportion of them with prior announcement, so that every saver knew she/he is going to have a chance, if not this quarter then in the next, under such circumstances prizes amount to interest distribution and becomes Riba based on the customary known increment at the time of lending (buying the bond) even if the amount is not known in advance nor in which quarter you are going to get it. In this case it is forbidden.

Wa Allahu A'lam

Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Car loan to benefit from company's refund
From: Islam on line
Sent: June 15, 2002
Name of Questioner Country
Question
I work in a company for 15 years and I always have the option of getting a loan from the bank that the company deals with but I know it is HARAM and, therefore, have never taken a loan, Alhamdo Lelah. Now, I reached, Alhamdo Lelah, a position which requires me to represent the company and will be repaid, on monthly basis, for my car expenses during the month, against proper documentation. This means that the company will pay me X percentage of the monthly cost and price of a new car. But to pay me this X percentage of the price of the car on monthly basis, the company will ask the bank to give me a loan to be paid back to the bank (plus the interest) over 40 months by me. I, then, have to show to the company, every month, the bank statement showing the actual monthly amount deducted (loan+interest) and they will give me the X percentage. In summary, I get a loan Y, that will be paid over 40 months, the bank calculates the monthly payment and starts to deduct from my account, every month, the loan plus interest, I show the company the deducted amount and they re-pay X% of that. Shall I go ahead and get the loan as it is the only allowed way to get the X% contribution of the company to the car price?
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br.
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
No, you can't enter into a Riba-based contract to buy a car for the purpose you mentioned, get a partial payemnt in compensation for use for your company.
The rule of your company is oacward! You can't make a case with me with such a rule. I am sure there must be other ways because it seems, smell and feel incorrect. What if you already owned your car and no payment is due? How about the company prodie you with a car for company's use? Hwo about a milage rate that all companies in the world have? And hwo about a given amount for transportation. Negotiate with the company and now that you said you are in a position, change this oacward rule! Modernize it a little!
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Student loans with an interest rate that equals inflation rate
From: Islam on line

Sent: June 10, 2002
Name of Questioner Nabeil country U K

Question

Assalamu 'Alaikum, and may Allah reward you greatly for this blessed service. This question consists of two parts. Nearly 3 years ago I took out a student loan. The only interest on this loan is that corresponding to the rate of inflation (i.e. the natural increase/decrease in the value of currency). (i) Was this loan Halal/Haram? (ii) Should I repay this loan as soon as possible? Why I ask this 2nd question is because the Student Loan Company is lenient in how it wants repayments to be made. They take a small amount from your wages (if they are over £10,000 pa) every so often. One can of course repay all the loan at any time. However, if you die or reach the age of 65 before your repayments have been completed then the loan if "forgiven"!

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. Nabeil
Assalamu Alaykum wa Rahmatullahi wa Barakatuh

Interest is forbidden whether it is determined in the contract or later and regardlesso of inflation. However, ther is a minority of Ulama, though this goes against the resolution of the Islamic Fiqh Academy of the OIC (Organization of Islamic Conference) in Jeddah, who argue that indexation is permissible. The link with inflation makes it indexation.

Accordingly my answert is that such a loan contract is prohibited, but there are people who say it is not, I wouldn't do it and wouldn't like you to do it. I argue that at many times most banks wish to have their interest linked to inflation because it happns that interest rates may go below inflation rates.

For the second question I suggest that you pay it as soon as you can because it is interest-based and especially that you are not planning on dying soon, are you?

Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Is interest really prohibited, the benefits of interest!

From: Islam on line
Sent: June 10, 2002
Name of Questioner osama Country Pakistan

Question

I am confused about the interest thing in Islam. I think it was something was the people at that time its not applicable now is that right. I can prove it to you something with the help of economics. If you guys e mail me back then I'll tell you how interest is fair with the person who is lending money.

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. osama
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
You certainly cannot prove it! Try if you want! And remember that I am an economist and I got my Ph.D more that quarter of a century ago! Interest is prohibited because it is an exchange of waiting time for an amount of money. Something definite for something expected that may or may not happen. This is the injustice in interest-based lending.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Interest and Riba?
From: Islam on line
Sent: June 10, 2002
Name of Questioner Mehtab Country Pakistan

Question

Assalamu Alaikum Dear Sir, (1) If installment price of a commodity is more than its cash price, can one purchase that item on installment basis as the installment price contains an element of interest. (2) Is there a difference between interest and Riba? What is the definition of Riba? How can we avoid it as the entire banking system is based on Riba?

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Mehtab
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
Let me begin with your third question: what is the definition of Riba? As mentioned in the Qur'an, Riba is any contractual increment, in kind or in money, determined or will be determined later, above the principal of a loan. The Verse 2: 279 puts as Zulm or injustice (Riba) any thing above the principal. There is another kind of Riba that is mentioned in some Sayings of the Prophet, pbuh, and some Ulama explain that it is a kind of putting a barrier or a fence to make the Riba that is mentioned in the Qur'an more inaccessible. This is called Riba al Buyu' i.e., Riba in sale contracts. Essentially it is the prohibition of trading currency for currency (gold, silver and other currencies) without effecting the delivery of both subjects immediately at the time of contract and/or trading different quantities of same item (wheat, barley, date, raisin, gold and silver).
Question 1: If Riba is an increment in a loan, a deferred/installement sale contract is not Riba based if the price is higher that what it would be had the contract was cash. There is no lending here as you notice. You may say it is similar because it amounts to the same thing. Look closely and you notice differences: 1) a sleer is an owner and owner are free to contract their sale at any price and dates of payment as they can agree with buyers. 2) in such a sale, default in any periodical payment does not generate interest for the delayed period, it does in an interest-based loan. 3) a sller is reposible for hidden deffect/impurity of the sold merchandize, a lender

has nothing to do with merchadize. 4) sale creditcan only be given to a maximum amount of the value of the merchandize, it does not pile nor accummulate in the economy to huge monetary assets since discounting debts is also Riba (though it looks in reverse, but look at it from the angle of the giver of cash who waits until maturity to get larger sum). Therefore in a Riba-free economy debts-based assets are reduced to a maximum of the value of commodity transactions, no more. 5) prohibition of Riba is the only way to prevent spillover of lending for commodity financing to lending for lavish spending and for piling up debts assets.

Now, it becomes apparent that installment sale cannot be made Haram because of the similarity of having to pay higher sum anyway because this sum is a price and the increment in a loan is not a price. Some economists called it a price of waiting or of preference for cash, but can you imagine waiting or preference for cash as other than a thin air?! Do you have a bunch of them to sell, and how about selling waiting at a gas station? Ar at a bus stop? Or for a friend to come?

Question 2: you notice from the definition that every interest is Riba but there are other kinds of Riba that goes beyond interest, those mentioned in the Hadith.

Question 4: Pakistan is previleged with many Islamic banks and you certainly can avoid Riba in Pakistan. The problem is for those Muslims who do not have Islamic banks or similar financial institutions that provide financing through contracts that are compatible with the Shari'ah. It is certainly difficult. And when there are pressing needs or necessities, and there are no other ways to avoid a prohibited contract, the Shari'ah certainly looks at such necessities and relax as much of a prohibited matter as needed to remove the hardship provided Muslims make excerted efforts and strive to establish the proper rules, as described in the Qur'an and the Sunnah.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Use of interest money

From: Islam on line

Sent: June 02, 2002

Name of Questioner Reshma Country

Question

Assalamu Alaikum A mufti and an Imam when asked by my husband about the interest gained on money deposited in bank, both said that this interest could be used to pay telephone bills, to pave the toilet, erect walls, buy telephone cards. So far, Allah forgives me if ever I am mistaken, I have never touched the interests on my money in bank what I do remember. My husband is telling me to take out the interest and give it to him to pay telephone bills but I refused. I think nowadays telephone is of great importance and using the interest thereon will it not be considered a major sin. I told my husband unless I ask you I won't give him the interest. Can you please advise if I can give him the interest for use in the ways mentioned on top or do I give the interest to charity. Jazak Allak. May Allah bless you and your efforts.

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. Reshma
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
Interest you got from banks or any other source is not yours, period. Interest is prohibited in Shari'ah and Muslims are not supposed to earn interest because a contract that earn them interest is lot valid from Shari'ah point of view.
In principle, we must not take, to begin with. We in fact must do that if we collect interest from a natural person. But banks make their business to earn interest and give depositors par t of what they earn, is it wise to return it to them knowing that such an action only gives them more power to make more interest-based contracts and they make fool of us in the meanwhile.
This is the reason of the Fatwa that we must give it to charity, without expecting a reward as a Sadaqah. The only reward we surely expect from God, as the most generous Being is that for keeping our own money pure and clean. This means we must not use it to pay any of our obligations, not taxes, not phone bills, not any other obligation even if we believe it is unjust, as long as it is due on us by laws.
Your heart is correct and whoever gave a different opinion on this issue may have not been aware of the collective Fatwa of the First Fiqh Conference on Islamic Banking held in Kuwait 1984.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Use of interest money
From: Islam on line
Sent: June 02, 2002
Name of Questioner Reshma country
Question
Assalamualaikum A mufti and an Imam when asked by my husband about the interest gained on money deposited in bank, both said that this interest could be used to pay telephone bills, pave the toilet, erect walls, buy telephone cards. So far, Allah forgives me if ever I am mistaken, I have never touched the interests on my money in bank what I do remember. My husband is telling me to take out the interest and give it to him to pay telephone bills but I refused. I think nowadays telephone is of great importance and using the interest thereon will it not be considered a major sin. I told my husband unless I ask you I won't give him the interest. Can you please advise if I can give him the interest for use in the ways mentioned on top or do I give the interest in charity. Jazak Allak. May Allah bless you in your efforts.
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. Reshma
Assalamu Alaykum wa Rahmatullahi wa Barakatuh

Interest you got from banks or any other source is not yours, period. Interest is prohibited in Shari'ah and Muslims are not supposed to earn interest because a contract that earn them interest is lot valid from Shari'ah point of view.

In principle, we must not take, to begin with. We in fact must do that if we collect interest from a natural person. But banks make their business to earn interest and give depositors par t of what they earn, is it wise to return it to them knowing that such an action only gives them more power to make more interest-based contracts and they make fool of us in the meanwhile.

This is the reason of the Fatwa that we must give it to charity, without expecting a reward as a Sadaqah. The only reward we surely expect from God, as the most generous Being is that for keeping our own money pure and clean. This means we must not use it to pay any of our obligations, not taxes, not phone bills, not any other obligation even if we believe it is unjust, as long as it is due on us by laws.

Your heart is correct and whoever gave a different opinion on this issue may have not been aware of the collective Fatwa of the First Fiqh Conference on Islamic Banking held in Kuwait 1984.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: is bank interest Riba?

From: Islam on line

Sent: May 29, 2002

Name of Questioner Haroon Country Pakistan

Question

The interest given by banks on the deposited amount, is it Riba & unlawful in Islam?

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. Haroon

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

Interest given on deposits by conventional banks is the same Riba that is prohibited in the Qur'an. Verse No. 279 mentions that any increment above the principal is a forbidden Riba as it is unjust. Islamic banks give profits to their depositors because they take the money on investment basis as agents of the account owners on the basis of Mudarabah contract in which the fund owner becomes a sleeping partner of the bank in investing these funds in accordance with the Shari'ah.

Interest earned from conventional banks must be given to Muslim charities and not allowed to mingle with one's own money.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Financing study in France

From: Islam on line

Sent: May 24, 2002

Name of Questioner Bashar Country France

Question

Assalamu Alaykum, I live in France and have a question related to financing my graduate studies. I plan to do an MBA next year and have been accepted to a very good French business school. I have tried to search for Islamic banks that can offer me interest free loans but was not able to find any in France! So I tried to contact a French bank and received a very interesting offer for loan for my studies (very low interest rate in comparison with what is offered here in France). On the other hand, my wife and I received a wedding gift (an amount of money). The same bank also offers a type of investment that offers a guaranteed return which equal to the same amount as the interest it will charge me for my study loan. My question is: if I put the money in this investment and at the same time take the loan, this way I will keep a final balance of zero, as the bank will give me the same amount of interest as it will charge me (the amount of the loan is equal to the amount of our investment). Also both transactions are with the same bank, so the bank will be paying itself the interest and this way I will not be paying back anything but the original amount I need. In the final sum, I will gain nothing and lose nothing. Is such an arrangement Halal, in light that no alternative I know of are available? Please comment on my request and if it is not permissible, could you please suggest an alternative - jazzak allah kola khayer. Alsalam alaykom wa rahmat allah.

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. Bashar

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

Financing education with interest-based loans is not permitted in Shari'ah, you may be surprised if I tell you studying for MBA is not a necessity! It is not, even if you disagree!

It seems to me that the obvious alternative is to use the gift instead of the loan, why do you need a loan and you have an amount equal to the amount of loan? It only gives you the disadvantage of earning Riba (because a guaranteed fixed return on investment is nothing but Riba) and having to finance your food and other living expenses by a Riba-based loan, is that what you really want to do?.

If there is no difference between the amount of deposit and the amount of loan and between the interest paid and interest earned, why not simply deposit the gift in the bank in a checking account and consider it the loan facility and start withdrawing from it what you need to pay for our expenses, fine and clear?

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Buying a new car on interest for going to internship training in a hospital

From: Ramadan

Sent: May 24, 2002

Question

My wife is going to do her internship for year in a hospital that is 1 hour away from home daily. We do not have any cash to buy a used car. I am looking for a reliable car. The only way I can afford it is to buy a new car. Interest is the issue here.

No one at this time will offer 0% finance. But here is what I found:

The least expensive car I can find is a Dodge Neon $11827. If I pay with 7.5% interest, it will be $241.59 for 60 months. If I want the least APR which is 1.9%, they will add back to the price $2500 rebate that is only allowable on the 7.5%. The monthly payment will be $258 per month.

What is the Islamic view of that? Am I considered with the people who has no choice and allowed to finance. I never financed before. My wife is doing her PHD degree.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. Mohammed

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

The question begins with is going to that internship as necessary as having a house for a family for which it is difficult to find other means of housing or house financing? I don't think so. If you want to study to improve your situation and also that of the community then find Halal means to do that, this is an improvement, especially that wives are not the ones required to spend on the family!

The second question, I think you kind of too much narrowed an otherwise wide range of choices. There are every day ads for zero percent financing and there are many dealers who love to lease you without additional cost and there are many dependable $ 6000 cars in our country.

By the way tell me who you are and where we met!

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Using interest to pay interest

From: Islam on line

Sent: May 23, 2002

Subject: RE: question

Name of Questioner ABDUL Country India

Question

Assalamu Alaikum may al-might Allah reward you for your nice guidance to questioners. My brother in-law has taken loan from bank and he has to pay interest on his bank loan. In the

meantime I have interest money in my nre account which i am not using. So can I pay my interest money for my brother in-law's bank interest.

My Answer:

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

No, interest you earned is not yours according to Shari'ah and you have no right to give it to anybody. It belongs to the payer (the bank) but since the bank is a dealer in Riba we will not return it to it, instead we have to give it away to Muslim charity for food such as those who need it most in Gujarat and other areas. You cannot dispose of it as if it were your own money, because it is not yours.

Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Buying a mosque with interest

From: Islam on line
Sent: May 23, 2002
Name of Questioner Shahid Country USA

Question

Dear brother, Assalamu Alaikum. We live in usa and bought a place for mosque foe one million Dollar with 400000.00 in advance and 600000.00 in installments. We also make agreement each month we will pay him 7% interest on remaining balance until we finished the payments. Is this ok? If not can we pray slat there or not. shahid
Thank you for your help and cooperation.

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. Shahid
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

You certainly made a grave mistake in this kind of contract, especially for a mosque. Unbelievers in Makkah when they wanted to rebuild the Ka'bah, it was before the time of the revelation and the prophet, pbuh, was still a young man, did not use any Riba related money in its expenses.

The interest in the contract you made is the Riba itself that is prohibited in the Qur'an, you, and other Muslims around you who collaborated on this contract have made a big sin and you need to make a lot of Istighfar and Tawbah (repentance). You still are required to either pay the amount as soon as you can even with loans from the community and friends. However, the mosque is OK for prayers, in other words those who made the contract on interest basis get the sin and those who pray in the mosque get the reward of their prayers InShaAllah.

Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: **Is bank interest Riba?**
From: Islam on line
Sent: May 23, 2002
Name of Questioner Ahmed Country. Egypt
Question
Assalamu Alaykum, My question is regarding "RIBA" and bank interest "fawayed". I heard these following opinions and would like to know the Islam opinion regarding them. Mainly they are trying to prove that Bank interest are not the "RIBA" mentioned in Holly Koran. 1. The bank interest is a compensation for the inflation rates, e.g. Egypt interest rate is more than 10 % for Egyptian pounds while it's some 2 ~ 3 % for USD because the inflation in Egyptian pound is much higher than the American Dollar. Another evident comes from Canada where the interest rate is almost 0 % because of the economy stability there. Also if we save our financial assets in the form of Gold for example instead of bank notes, we will not be subject inflation as much as in bank notes case. 2. If the bank interest is not fixed or mentioned in advance, in this case - is it REBA? e.g. For saving account type, you're able to withdraw your money at any time and still get some interest every 3 months, the client does not know what percentage of interest s/he will receive at the end of each 3 months "The bank does _not_ say it's 2 % for example". 3. In Ayah in Holly Koran, Allah says in describing "REBA" that it's times of times "Ad3afan moda3afah", for the interest rate this is not the case, it is usually less than 10 %, is that interest the REBA meant in Holly Koran? Please comment on that, wa jazakum ALLAH khayran for helping us in showing the right/Halal way. - Ahmed
Notes: I have already reviewed the Fatwa bank, unfortunately it does not cover my questions.
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Ahmed
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
The three points you raise are ages old and can be answered in the existing literature on the issue, a fatwa reply, short the way it should be, does not give full justice to the answer. Please consult contemporary books on the prohibition of Riba. In brief:
1- Riba is not a compensation of inflation, and none of them is a cause of the other. They exist independently and for different reasons. This is the fact that is supported by statistical data both in the past and today. Add to it: interest is very often higher than inflation and sometimes less, it is not to a measure of inflation; inflation is only known after the event (ex post as they say) interest is known ex ante; when gold was the currency lending was also done for interest; changes in interest are very often done as a policy tool in order to introduce desired effects in the economy as done in Japan Canada and recently the USA. Finally, in all banking laws, interest

is defined as an increment in a loan, since a deposit is also defined as a loan on the bank, and this is exactly the definition of Riba in the Qur'an (see verse 2: 279).
2- The verse 3:130 you mentioned about multiplied many folds is descriptive of the Riba not of a kind of Riba that is prohibited. Such a thing occurred in the Qur'an to point out how bad it is, there is a similar verse that says: do not force your female slave for prostitution if they like to be pure. This doesn't mean you can force if they do not want to be pure, if rather means see how bad it is forcing them, your are forcing them even at a time they like to be pure. The verse 2:279 mentions clearly that any increment above the principal is injustice.
3- An increment doesn't have to be fixed in advance to be prohibited as the Qur'an mentions "you get your principal only." Therefore, variability is not a condition in Riba, what matters is being a contractual increment in a loan. By the way the example you gave is not variability because bank interest is usually fixed as an increment per day per hundred. The example of variability is some government bonds that promises an increment but says that the rate of the increment shall be determined by the authority at the end of the year to match the rate of, say, growth of the economy or profitability of public projects or average rate of profit in certain businesses. This is also Riba as defined in the Qur'an.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: What to do with interest money
From: Islam on line
Sent: May 11, 2002
Name of Questioner Ayman Country Egypt
Question
I have a bank account that gives me a regular interest of 8% annually, I would like to get rid of this interest. What are the proper ways to spend it?
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. Ayman
Assalamu Alaykum wa Rahmatullahi wa Barakatuh
interest money must be given away for Muslim charity and other general Muslim objectives such as helping Muslims who are struggling against occupation in Palestine and other Muslim lands under foreign occupation.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: A loan to buy a car
From: Islam on line

Sent: May 11, 2002
Name of Questioner Zaher Country USA

Question

Assalamu Alaikum Wa Rahmatullah Wa Barakatuh. I have moved to the United States recently to continue my study here. I need to get a car to be able to fulfill my daily life. I don't have enough money to pay cash for the car (nobody here in the States pay cash for the car because it is almost impossible to secure the cash flaw). Does the Islam allow us to FINANCE (get money from a bank with interest to BUY the car, and pay it off within 3 years or more), or LEASE (get money from a bank with interest to RENT the car, and also pay it off within 3 years or more). I appreciate your great help, Gazakum Allah Kull 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. Zaher
Assalamu Alaykum wa Rahmatullahi wa Barakatuh

Since you are new in this country, mistakes regarding how thing are done here are forgiven.... Many people, Muslim and non-Muslim alike pay cash for their new and used cars here, and there is a market for used cars that is not expensive, and also the car lease contract is not like you described it (take money from the bank for interest and rent a car, it is renting a car for 3-5 years and pay its rent that consist usually of a payment at the time of the contract and a periodical monthly for the period of the contract and at the end of the lease you have an option to buy it at a given amount, you may or may not exercise this option).

If the car is needed to go around, it is not necessary. The same if there are usable public transportation as if you live in New York or Philadelphia. If the car is a necessity to reach your job, or if you work as a home repair electrician or plumber who goes from a house to another for repairs, a dependable car may be a necessity if there are no other way to buy such a car without interest. <u>BUT the lease contract does not include interest and it is available, so there is no need to for a forbidden thing.</u>

Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Interest loans to fight poverty
From: Islam on line
Sent: May 05, 2002
Name of Questioner Mohammed Country. Bangladesh

Question

Dear Sir, Assalamu Alaikum. I want to know the view of Islam about taking loan from bank .It is to be noted here that for taking loan we've to pay interest to the bank. But without taking loan it is not possible to take large projects like industrial, housing etc. These commercial projects also play a great role in poverty elevation in a country. But the state offers loan with interest .What we can do ? 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 Br. Mohammed
Assalamu Alaykum wa Rahmatullahi wa Barakatu.
Interest-based loans are forbidden from banks, governments and individuals. This is mentioned in the Qur'an as the worst of sins that call for a war be declared on those who deal with interest from Gad and His Messenger (Verse 2:279). Poverty alleviation can better be done through Islamic financing not through the prohibited interest. The prophet, when asked about taking liquor as a medicine, answered that God did not put a cure in What He Prohibited. The cure for poverty is not in what is prohibited my dear brother.
Besides, Bangladesh has several Islamic banks that can finance big projects and some of them have successful program of micro financing addressed to the poor families.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Alternative to interest in micro-credit financing
From: Br. Rao
Sent: April 27, 2002
Assalamo Alaikum
Dear Monzer Kahf
First let me introduce my self
Am MSc Economics from International Islamic University, Islamabad. I have been working with Islamic Relief (UK) All the mailing am doing is Unofficial, should not be quoted anywhere Am a part of Neelum Valley Integrated Development Program, and
running the Sustainable Livelihoods component. My component aims at improving the economic status of the firing hit valley of Kashmir.
Now we are planning to start a Micro-credit for that area our methodology is to form "Community Organizations" or COs comprising of 20-50 households. We do all the work with these COs. All COs collect their savings, and deposit in bank account, in the name of the org. IF we do "Mudarabah" with CO, for 50% ratio (of profit or loss. Now our CO "Murabahah" say for Agricultural inputs.
Question 1
What is status of the CO here? Can we do a business with CO. Is the CO an entity, Islamically to deal with?
Question No 2
Which mode of financing is appropriate for us to deal? We have to work in Agriculture, Micro Enterprise Development, Livestock and Small Infrastructure schems. I have taken a lot from your time. May Allah pay you much more. Rao
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. Rao Javaid Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
1- The COs are legal entities from the Shari'ah point of view. This is emphasized if they are registered as legal entities with proper authorities. We have several example in Shari'ah of this kind of entities, even if they are not treated as such by the law of the land (though this does not apply to the COs because they can easily be registered as legal entities). For instance, the cooperative fund of an Islamic insurance company is considered an entity with accounts of its own.
2- Remember that agriculture in most Muslim countries is highly weather affected. This means that we need to use a contract that does not overtax the peasant at the good times, and gives her/him some relief at bad weather times. It seems that Mudarabah at 50% is overtaxing or overcharging. You may like to consider a weather cycle, by making the Mudarabah for several years and at lower rate of profit. Salam can help if the country does not suffer from high inflation. Salam is a cash purchase of crop that will be delivered at the harvest. The price differential is the compensation of the creditor. Murabahah is OK for inputs although if the crop fails every one will default. It is important to keep cost low, especially cost of the CO because at high cost you really are not able to make the small ones become owners of their productive assets, especially livestock. Please don't do a cost of capital at any thing close to 15% maximum even if you have to support the program by donations for the administrative cost.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: **Interest loan for a car**
From: Islam on line
Sent: April 27, 2002
Name of Questioner DINA Country
Question
I took a loan to continue on what I saved from money to buy a car. When i took this loan from the bank I was not aware that loans are only legal and allowed for essential purposes. Do you see that I am guilty in this case and what to do noting that if I sell the car will lose a lot from what I paid? N. B: I am doing my best to settle this loan by paying most of my salary every month and any bonus i take. I hope you could tell me if am guilty or not? And if yes, what to do? 2) Please advice me if wearing socks while praying is essential or can pray without covering our feet??
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. DINA
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

It is forbidden to take or give an interest based loan unless there is a kind of necessity, such as needing a car for going to work or school in an area of poor public transportation system, even then a modest car might do it. At this time the Shari'ah does not call on you to sell the car at a loss, rather keep what you are doing in trying to rid yourself of the interest based loan as soon as you can. Also PLEASE REMEMBER that your feeling is a blessing from Allah Ta'ala that you recognize a mistake you've done in taking a Riba loan. This is InShaAllah a sigh of forgiveness from God. The Prophet, pbuh, said: if you don't make mistakes and ask God for forgiveness, God would have taken you away and put in your place other peoples who make mistakes and ask for forgiveness and He will forgive them. Keep making Istighfar and Charities, as the Qur'an says: good actions wipe out the bad ones.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Interest loan to start a business

From: Islam on line

Sent: April 27, 2002

Name of Questioner X Y Country Australia

Question

I am a father of four under the age of ten living in a Western non-Muslim society. Just recently, I lost my job. My employment chances in this country, given my qualifications and my age, and the negative atmosphere towards Muslims are very slim. My best chance for earning my livelihood for myself and my young family is to utilize my skills and qualifications in a business venture. Unfortunately, that would require finance through the conventional Banks, as the only Islamic finance institution in this country does not provide business finance and is struggling to provide finance for residential properties (waiting period 16 months with a minimum of 20% deposit). It is not about accumulating wealth. It is about putting food on the table for my family and paying for my children's Islamic education and other essential needs. The other alternative would be to go on welfare from the Government. Is it permissible for me, in my situation, to receive loans from Banks in order to finance my business for my livelihood? Your Brother,

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. X

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

You can't even guarantee that if you take an interest loan you will be able to have a profitable business that makes you put food on the table, do you? Interest lending (getting a loan and giving one) is forbidden in Shari'ah. This means it is not available to Muslims, then what? dig more in your research and I am sure you will find some other way to finance a new business. BTW, why should an interest-based bank give you a loan for a new business, is it on the basis of offering certain property as collateral? If so would selling that property help, even if it were your own residence, it will be sold on you if the business fails!

Certainly there are cases of necessities that override the prohibition of interest, but creating a new business is not one of them in my opinion and I think you will find almost no Shari'ah scholar who would not agree with me on this because you really don't know the future while you know this act is prohibited.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Foreign currency Credit cards transaction fee, is it Riba?
From: Islam on line
Sent: April 18, 2002
Name of Questioner AbdulHameed Country UK
Question
Assalamu Alaikum. When you buy a product from another country; this obviously involves a different currency. Credit cards allow you to buy in another currency and charge you a "foreign exchange transaction fee" in addition to the corresponding monetary amount in your own currency, is this transaction fee considered Riba?
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. AbdulHameed
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
This fee is not Riba. To my knowledge, credit cards companies don't charge fee but charge the highest exchange rate on the day of the transaction settlement, which is also permissible.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Interest and extra repayment of loan
From: Islam on line
Sent: April 18, 2002
Name of Questioner country
Question
I would like to discuss a matter with you, one of my friend asked money from me and offered to pay me something more than what I will give him, by himself. As i had no intention of asking him more, so I am in doubt whether I can take what he pays or just the amount I have given him
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. mohammed
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
The is a difference in Shari'ah between interest and good manners at the time of repayment of a loan. The Prophet, pbuh, praises "Husn al Qada'" that means good at the repayment and in an instance of repaying a debt on him, pbuh, to Jabir bin Abdullah, the Prophet pbuh, instructed Bilal to pay him the amount of debt and "give him more." This is certainly permissible and rewarded.
Interest must be pre-conditioned in the contract, or as a result of customary practices "al 'Urf." If your friend told you about the extra at the time of getting the loan, I am afraid he may have thought of it as interest, but if he volunteers an extra at the time of repayment, it is Halal InShaAllah,
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Riba and inflation
From: Islam on line
Sent: April 18, 2002
Name of Questioner asad Country Pakistan
Question
Assalamu Alaikum my question is about interest (Riba). Suppose I give loan of some amount to some one, who returns the same amount of money in two years or more, now the amount I gave him has now depreciated in value, so in effect I am actually getting less money as compared to the money I gave him. Had I used that money in my business I would have got some profit. Does Islamic Shari'ah recognize this or this is a western way of thinking. Your answer will be greatly appreciated. regards asad
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. asad
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
Inflation may happen in all systems, they are exclusive to the paper currency money. It happened at the time of Omar in Madinah with gold and silver as currencies. When inflation happens, all owners of assets that have money denomination, including creditors, are hurt. Unfortunately salaried persons are usually more hurt than others, so many debtors are also hurt from other sides. Inflation may be a result of imprudent government policies, or of certain economic and natural reasons.
Interest is never the compensation of inflation and there is no positive or causative relation between interest and inflation. Indexation of debts to the rate of inflation is suggested as a remedy for the effects of inflation on creditors, but economic experience of many countries indicated more harm that benefit. And if any one is to compensate creditors, it must be the one who caused inflation not the debtors who are usually also hurt by it. In other word, it is

extremely difficult to reach justice through any sweeping or general measures, you need a solution for each case, each debt and each person affected by inflation. This issue has been on the table of the OIC Fiqh Academy for years, and it is don reach any solution other than dealing with each case alone.

At time of inflation, people are advised to give loans in more stable things Gold, platinum, Rials, Dollars. The problem is that to avoid Riba the loan must actually be in those things. It cannot be the value of these things and then the lender gives local currency. Any conditional increment above the amount of a loan is Riba, forbidden, even if the condition is such that you give me an extra the amount of which is left variable to be determined according to a formula or a rate in the future.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Interest in business

From: Islam on line

Sent: Tuesday, April 16, 2002

Name of Questioner jaffer Country India

Question

could you please let me know the calculation of zakah in the modern context to include properties on rentals/leases, stocks and shares, business incomes, mutual funds, etc - in short an ideal zakah calculator 2) Please clarify the situation with regard to bank interest in the normal course of the business - whether it is allowed in the context of payment to bank/individuals. 3) Whether life insurance is allowed in Islam? 4) Insurance in the context of business - retail outlets in stocks/cash/vehicles/buildings, etc

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. jaffer

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Brother are you asking me to write you four books through questions in a fatwa?

1- please read "the calculation of Zakah in North America" you will find it on two Websites www.isna.net and www.kahf.net

2- bank interest is forbidden in all its forms, in business and in relation with customers.

3- life and other insurances are controversial. cooperative insurance in which premiums are paid on donation basis are agreeably permitted. commercial-based insurance is permissible according to the late Shaikh Zarka and others (a minority) and not permissible according to the majority of Shari'ah scholars.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Proper concept of Riba: Is Riba different from interest?

From: Islam on line

Sent: April 16, 2002

Name of Questioner rizwan Country Pakistan

Question

my question to you is related to Riba. Some people claim that Islam has prohibited Riba not interest. they differentiate it buy saying that interest is charged on normal market and inflation rate, on the other hand what Islam has prohibited is exploitation which is higher interest or (usury). Please guide me through the proper concept of Islam regarding Riba

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. rizwan

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

What is prohibited is any increment in the amount of a loan, or any addition to it in kind or in other commodity or currency. Verse 279 0f Surah 2 clearly mention that any thing above the principal is Riba, regardless of its name and regardless of any justification given, inflation, market or otherwise. Interest, as known in banks' transactions is the same Riba that is prohibited in the Qur'an. The OIC Fiqh Academy in Jeddah and the Research Academy of al Azhar both resolved to this exactly. The idea that you were told that exploitation is what is prohibited is correct but it is misplaced. The Qur'an considers unjust every/any amount above the principal. In other words, any amount, whether to market or not, is exploitative. Remember, the market of money lenders in rural areas in India and Pakistan may be 70%, it is the market! There a known rule in Shari'ah that defines it clearly: any benefit derived from a loan is Riba. Certainly this rule is derived from Verse 2: 279.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: What do we do with interest money?

From: Islam on line

Date: April 14, 2002

Name of Questioner mohammed Country Canada

Question

Thank you for answering my previous 2 questions. I have a daily question by many Muslims; I will list some facts then the question (1)we receive money from the banks as an interest on our accounts(2)we pay taxes on most item we buy (3)we pay property tax on our homes(4)most of us pay interest on money we borrow from the banks to by home to live in. I read the fatwa concerning taking mortgage from bank to buy house to live in he confirm that this Haram but he said that some times but not at all time etc I REFERE TO HIS FATWA VG3A9 . NOW MY QUESTION IS (10what to do with the money we receive from the bank as interest to our

account [2] can we use this money to pay the property tax on our houses and/or to use it to pay the interest on our mortgage [I told you that I took a mortgage from the bank the same year I immigrate to Canada, at that time I did not know that this Haram. Dr. Monzer Kahf asked me to more ISTIGHFAR thank you and 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. mohammed

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

The ruling of Shari'ah is that money you receive as interest is not yours. you did not earn it and you got it by means of a forbidden contract, a forbidden contract does not cause ownership. INTEREST EARNED IS NOT YOURS. IT IS HARAM TO TAKE. What to do with it? If it were not from banks the ruling is to return it to the payer. But since it is from banks, you would be helping it make more Haram contracts and looking at you with mockery. YOU CANNOT TAKE AND CANNOT RETURN IT TO THE BANK! THEN WHAT? you have to give it to Muslim charity, help the Palestinians who are suffering from lack of food and water. This is not Zakah or Sadaqah because both must be from what you own, and you never owned this interest you got. You will be rewarded InShaAllah for keeping you own money and assets and stomach clean from the sin of Riba. You cannot use this money to pay your obligations, whether contractual or by virtue of being a resident of certain country.

Obligations of taxes, and interest on contracts you made for mortgage and others, whether sinful or excused, are your and you have to pay them from your money not from money that you don't own. By the way such obligations must be done even though interest is Haram, because you have to fulfill your contractual obligation unless you can compromise it with creditor or the government becomes Islamic and cancel it by law.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: An already existing loan for a car

From: Islam on line

Date: April 14, 2002

Name of Questioner DINA Country

Question

I took a loan to continue on what I saved from money to buy a car. When I took this loan from the bank I was not aware that loans are only legal and allowed for essential purposes. Do u see that I am guilty in this case and what to do noting that if I sale the car will lose a lot from what I paid? N.B: I am doing my best to settle this loan by paying most of my salary every month and any bonus I take. I Hope you could tell me if am guilty or not? And if yes, what to do? 2) Please advice me if wearing a socket while praying is essential or can pray without covering our feet?

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. DINA
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
Omar, the second successor of the Prophet, as a head of the Islamic state said once: who ever enters the market to sell or buy must first learn the Fiqh of Halal and Haram. You did that before knowing and that is a thing that requires repentance (Tawbah) and seeking forgiveness (Istighfar) from God.
There is no doubt that Riba is forbidden, Interest on loans is exactly the Riba the Qur'an prohibited and it is one of the worst sins according to the Islamic standards and criteria. Any prohibition is relaxed in case of necessities. If the car you purchased is needed for your basic transportation to work, that you need for living, to school if you are a student and to go to doctor and shopping, etc. and if you had at the time of purchase no other means, like help from family and friends, and if it was not reasonable to buy a cheaper car at that time and you could not make a lease contract or get an installment sale arrangement, with all these ifs, it becomes permissible to get an interest based loan for the car.
I personally believe that the many ifs make the case of a care week; it is not like the case of a residence for a big family that normally does not find rental residences.
Best that you can do now is not to sell the car because there is no reason that you should carry losses, but continue paying as much as you can until you are done with the interest-based loan, and try not to do such a thing again and make Tawbah and Istighfar.
Finally, according to the Hanafi School, you don't have to cover your feet (up to ankles) in prayer and the same outside prayer.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Interest loan to buy a car
From: Islam on line
Date: March 31, 2002
Name of Questioner saneej Country India
Question
Assalamu Alaikum, I'm a final year medical student studying in Kerala, India. I wish to buy a motor vehicle for my private use. As I've no ready cash, I'm forced to take a loan from a finance group, which offers a way to give money in 36 months installments; Is there anything wrong in doing that?
Notes: For taking a loan to buy a motor vehicle.
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. saneej
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Taking a loan with interest is forbidden in Shari'ah, and a car is not a necessity for a medical student or a physician in India, not a necessity that imposes relaxation of the prohibition of Riba. Riba is one of the gravest sins according to the Religion of Islam.

You have an alternative if you really want to buy the car before you make enough savings to pay for it from your own. either borrow from friends and family or make arrangement with the seller to sell it for the total amount he want on installments, i. e., make an installment sale contract at a higher price that includes the price of the car and the interest the seller wants. One may think this is only going around interest and giving it a different name. This is incorrect. In sale the parties are free to determine the price and the date of payment, and the difference becomes clear for the society as a whole. when you this financing only through a commodity (or assets) sale contract you are in fact excluding any financing for personal use, or for rescheduling; besides a loan contract has a different legal nature than a sale contract.

Finally you may take a lease to purchase as another alternative. Lease to purchase is permissible in Shari'ah.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Paying income tax from interest

From: Islam on line

Date: March 27, 2002

Name of Questioner Nazir Country India

Question

A Muslim living in a Islamic country is paying one income tax i.e., Zakah. But a Muslim living in a non Muslim country like India, Sri Lanka should pay two income taxes i.e., Zakah and income tax imposed by non Muslim Government. Is not contrary to the economic equality Islam proposes? Is there any compensation/concession Islam suggests to the one living in non Muslim country in this regard? Please advise.

Notes: Is it allowed to pay income tax imposed by non Muslim government from the interest earned from bank deposits?

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. Nazir

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

My Dear Brother, you made a second question disguised under “note” but any both questions are in my area and I will answer them with pleasure. I shall need to make an introduction or background to each of them.

1- Zakah is not a tax and if I want to be accurate and specific it is not on income either. Zakah is the third pillar of Islam, a worship you give to any or all of the deserving categories enumerated in Verse 9:60. It is a payment but not a tax. It aims at satisfying the needs of the poor and deprived and spreading social/ economic justice between people of the same area,

locality or country. Taxes are payment to governments by virtue of its being the socio political authority that administer the society/country. Since Zakah has specific objectives and recipients to the extent that it cannot be spent outside these categories, taxes are needed in any society, Muslim or non-Muslim alike. Therefore all Muslim countries and all non-Muslim countries have their own taxes, on income and/or assets and properties. They all need to spend on government employees, judges and police, roads and bridges, etc.

Zakah is not on income but on savings. Because it is a religious obligation, it is lean and moderate and merciful, it does not burden the payee. It is to be assessed and paid on savings rather than total income. You may like to look at my website www.kahf.net and look at the Calculation of Zakah in North America for an example of how to calculate deductions from income when you want estimate your Zakah. In brief: you deduct all actual expenses, taxes, gifts, costs of travels and Hajj, giving for charity, to reach what is actually left over. Or simply suppose all you have is in the bank and you start from zero balance, look at the end of a lunar your from the beginning of your employment year, if you have a Nisab (# US$ 1000) you pay Zakah at 2.5% of the balance. If less than the Nisab you don't owe anything.

2- Interest you get from anybody is not yours at all. According to Shari'ah this interest money is still owned by whoever paid it to you. What you do with it? give it back to the payer, whether Muslim or non-Muslim, and whether in a Muslim country or anywhere else.BUT if the payer is a bank or a professional interest-based money lender, you do not return the amount of interest to the bank or money lender because doing so amounts to helping it/ him making more lending for interest besides making fool of you. A Muslim must not allow herself/himself to be cheated or made fool of. Hence, interest taken from banks or money lenders must be given away to Muslim charity because it is not yours. You cannot use interest to pay taxes, never mind the country, because taxes are your duty that you must pay from your money.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Giving interest money to nephew for education

From: Islam on line

Date: March 25, 2002

Name of Questioner Abdul Country India

Question

Assalamu Alaikum. I am getting interest money to my nri account but I am not using it. So kindly let me know can I give the interest money to my nephew for his education. May al-mighty Allah reward you for you valuable advise for my question.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. Abdul

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

If your nephew is poor, yes you can give the interest money and you don't have to tell him that.

But if you can help your nephew from your own money I prefer it, because you don't like your nephew to live on interest money, that he is so close to you.
If he is not poor, you cannot give him interest money. You rather have to spend it of the general welfare of Muslims, especially in India where there are many Muslims who can use it.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Transition from non-Islamic to Islamic banking facilities
From: Islam on line
Date: March 19, 2002
Name of Questioner Country
Question
I have a problem with Riba in the bank. We are getting a lot of facilities in the bank. over draft and loans but I want to escape all this to clear my self after that, what is going to happen for Islamic bank they cant give me a loan or over draft it will take long time to get all the facilities so shall I stay with the same bank where i am now or I should I clear my self and then I will get same facility in Islamic bank? I am very sorry I took long to explain. Thank you Jazaka Allahu Khairan. I will be happy if you could answer me as soon as u can plz and give me an idea on what to do? I am scared of this Aya saying: fa' thanuu biharbin mina allahi warasulihi. Shukran wasalamu aleikum warahmatullahi wabarakatuh...that my question it shouldn't put on the browse area
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. Questioner,
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
All interest-based transactions with banks are forbidden in the Shari'ah. Sorry I can't help you in giving you a course of action because it is only you who can select your own course of action. But I can you what is the Rule of Shari'ah in this regards. Overdraft facilities and conventional banks' lending, if they are interest-based as it is normally the case, are forbidden in the Shari'ah. The bank's interest is the same thing as the Riba that is clearly mentioned in the Qur'an and Allah Ta'ala give note of war declaration form Him and His Messenger to those who deal in Riba (interest) and the Prophet, pbuh, says that the wrath is on the payer of Riba, its recipient and its writer, and in another Saying the Prophet describes Riba as the worst sin, he said: Riba has thirty six kinds, the least of them is as (bad as) a man making adultery with his own mother." These Sayings are correct and authentic. The Ulama say that even non- interest accounts with conventional banks may be Haram when there exists an Islamic bank that provides similar services, because the bank will benefit from the balances in your checking anyway and a conventional bank benefits from them through forbidden contracts, in a sense you helped!
Wa Allahu A'lam

Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Is simple interest Haram?
From: Islam on line
Date: March 19, 2002
Name of Questioner country of Res. Canada
Question
Slaam, is simple interest Haram. According to An Isma'ili convert to real Islam like me named ----------, he says simple interest is not Haram; his website is mostmerciful.com and you can find his email address. I just want the truth, also what is the full story with silk why is it Haram? Are silk ties Haram? What are all the Fard and Fard Ains of all 5 pillars of Islam? Especially hajj.
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br.
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
Interest is forbidden in Islam. Interest is an increment in a loan and Islam forbids any increment in a loan. Allah Ta'ala says in The Qur'an, Surah 2 Verse 279: "and if you repent, you shall have your principal, no injustice you do (to others) and no injustice is done to you." This clearly means that any amount above the principal is forbidden and called in the Qur'an unjust. The Verse talks about loans. Bank accounts are also defined as loans and interest paid on bank accounts is also included in the prohibition. The prohibition is the same whether interest is simple or compound, at high rate or low rate, the only difference is than compound interest is even worse.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Forgoing accrued interest to the bank
From: Islam on line
Date: March 16, 2002
Name of Questioner Country of Res. India
Question
Assalamu Alaikum, I am an Indian living in a Hindu majority country. The banking system here runs on interest basis. In a savings account, can i take the money that is given as interest or should I forgo the money. Please instruct. Allah hafiz
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. Questioner
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
No, if you happen to earn interest from a conventional bank, it is better that you take and give it to Muslim charity. Do not add it to your money because it is not yours, it is Haram for you but not Haram to charities.
This is Riba and the principle is that Riba, being unlawful in accordance with Shari'ah, must be returned to the payer. The exception of this principle in when it is paid according to the law of the land, whether in Muslim or non-Muslim countries and at the same time the payer is a person or entity that promotes and works on the basis of Riba. The reason: by returning it to such person or entity, you are allowing it more power to do the same evil and also you are giving the bank a chance to ridicule and fool you.
Try also to deal with Islamic banks, if you can, and to minimize funds you put on interest basis, without being treated as a fool by the bank.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: interest gained on a Saving bond received as a gift
From: Islam on line
Date: March 16, 2002
Name of Questioner Country of Res. US
Question
Assalamu Alaikum I have a question concerning interest. Before I converted to Islam, I took out some government loans to finance my education. I also recently discovered a government savings bond that I received as a gift several years ago. I cashed it in as soon as I found it, but it has already gained $250 in interest. Is it permissible for me to use the interest GAINED by this savings bond to help pay off the interest DEBT that my student loans have collected? Can two wrong things be used to cancel each other out?
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. questioner,
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
No, Brother, two wrong do not make good! A wrong needs a good action to wipe it out as Allah Ta’ala tells us in the Qur’an. Interest you earned is not your, it belongs to its payer, but we are not going to return it back there because the issuer of bonds is used and addicted to the practice of Riba and it will only help them do more Riba. Give it to Muslim charities to the purpose of keeping you own money clean and mot mixed with Haram. Interest on education loans, you have to pay them unless you can make a compromise with the government otherwise. These are legal commitment that you have to honor, even recognizing that it is wrong to charge interest for such humanitarian loans. I know that the government usually give

certain grace period you pay the principal without interest, you should grab such an opportunity and negotiate one like it if you missed it, otherwise pay it and make Istighfar.
I like you to be sure that the $ 250 is really interest. Take an example. If you were given a bond of $ 10000 as a gift and when it was given to you the market value was 4000 and maturity 30 years. You went a year later to cash it and found its market value 4500, this 500 hundred is not treated as interest, it is part of the gift you were given. This is different from a case if you bought it for 4000. If you bought it the difference is interest. But if I am given a vase as a gift and then values of vases increased and I decided to sell for 1000 although it was only 400 when it was given to me, that is not Haram. You were not given 4000, in the example above.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Interest and Murabahah

From: Islam on line
Date: March 15, 2002
Name of Questioner Syed Country U K

Question

Dearest brother and respected Shaikh, I pray that Allah continues his blessing upon you and accepts your truly valuable work Fisabilillah, and grants you the highest ranks in Jannah, InShaAllah. Amin. We are an Islamic Television Channel established in the UK, to be broadcasted on Sky and Cable by the end of this year, InShaAllah. Our programs are structured around three key strands; Informative, educational and entertaining within the platform of the Islamic Shari'ah. The core aims of the channel are to provide a unique platform for the Muslim Ummah and also counter the western and non-Islamic media and propaganda, with the will and help of Allah almighty. NOW TO THE QUESTION: We are currently doing a program for a series called The Business Hour, and the topic for next week's program is: Islamic Finance and Halal Investments. There will be three guests on the program, two of them are the Managing Directors of Two Islamic Banks and one of them is Brother Tarek Al-Dewani, who wrote a book titled "Problems with Interest". The questions concerned are as follows: 1) Is it prohibited for Person A to transfer 100 dollars to Person B on condition that Person B transfers 110 dollars to Person A in one year's time? 2) Is it prohibited for Person A to transfer 100 dollars to Person B on condition that Person C transfers 110 dollars to Person A in one year's time? 3) Is it prohibited for Person A to pay 100 dollars to Person B for a car, on condition that Person C shall immediately buy that car from Person A for 110 dollars payable in one year's time? (The cash flows from A's perspective on all three of these contracts are the same, but some [a and b] are clearly interest whilst c is the standard Murabahah contract used widely in Islamic finance). These questions will be presented to all three quests for profiling during the program, therefore we would like to know the stance of the scholars on the following case-study which we then can reveal to the audience. I would be very grateful if you may email the answers to me please. Finally, If you have any enquires regarding the Channel or the program, then please do not hesitate to contact me on this email address: admin@Channelislam.tv with many thanks, Jazak Allah Khairan. Was-salam. Syed

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. Syed
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
I wish great success in this very impressive endeavor and I pray to Allah Ta'ala to grant you all help and support.
Brother, for God' sake when you deal with terms that relate to finance or any legal matter please make the words you use in the program clear and tied. Your three questions are not definite nor tied.
Nothing in law, Shari'ah and business called "transfer" unless you deal with transferring funds from one bank to another or one country to another.... Q1) A gives a loan to B with condition.....A 1) this is Riba, it is Haram. Q2) A gives a loan to B $ 100, with the condition that C will pay on behalf of B 110. A2) This is Haram, like case 1 because CO here is merely an agent of BE, CO has no effective role in the contract. Q3) A buys a car from CO for 100 with the condition that BE buys it from A for 110. The purchase contract is Fasid because CO has nothing to do with BE and cannot obligate her to buy the car from A. YOU ARE INCORRECT IN THINKING THAT THIS IS THE MURABAHAH.
Murabahah is : BE promises A that if you buy that car from CO for 100 cash I will buy it from you for 110 delayed. A buys the car, and after that BE buy it from A in fulfillment of the promise. This transaction is not Riba, it is not Fasid, each contract stands on its own. If BE does not fulfill her promise A is stuck with the car, cannot go back to CO and de-validate the purchase contract. With regard to whether this promise is binding, there are two views: yes and no and some Islamic banks follow the yes and others follow the no.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Earning interest for non-working woman with children
From: Islam on line
Date: March 15, 2002
Name of Questioner shereen Country Egypt
Question
please I wanted to ask about bank's interests for a woman like me who can not work as i have 2 kids at the same time i know no one who could invest me this money. My question is also please what to be done when my husband also is like me doesn’t know anything? Thank you sooo much
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. shereen

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
Depositing funds on interest basis in banks is Haram, no doubt about it in spite of what may be said by some people that these are investment. They are loans to banks. You find this definition in the Egyptian Law of the Central bank, please read it.
Moreover, in areas that have Islamic banks, many Fuqaha argue that it is forbidden to deposit even as checking accounts in interest-based banks. You have Three Islamic banks in Egypt, please ask about a branch close to you and place your funds, and tell your husband to do the same, in Mudarabah accounts with one of the Islamic banks.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Recommending interest investment to non Muslim clients

From: Islam on line
Date: March 15, 2002
Name of Questioner Jamal Country US

Question

I am a Muslim professional financial planner (that is I recommend financial plans for a fee). Is it Halal for me to recommend non-Halal investments to non-Muslim clients?

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. Jamal
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
I know it is not Haram to make such recommendations, but I wouldn't like it because interest-based investments are also prohibited for Jews and Christians. they are bad for the society as a whole.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Getting interest from banks

From: Islam on line
Date: March 11, 2002
Name of Questioner mohamed Country India

Question

My Muslim friend tried to convince me that collecting the interest paid by the bank on our savings account is permissible for us, saying that this was exactly like a business transaction similar to investing in the stock market. The bank is using our money to invest in various places

and we are shareholders in the profit made thus. It is only Haram if we are lending money to someone and collect more money in return. What is your ruling on this?

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. mohamed
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Interest is Haram. It is the same Riba that is strongly condemned and prohibited in the Qur'an. Interest is defined as any increment in a loan contract. Your friend is correct that it is forbidden to give a loan to someone put a condition in the contract that you take back more, But unfortunately he is incorrect with regards to bank deposits. Banks deposits are loans given to the bank; and the bank guarantees the principal and its interest. The contract of banking deposit is defined as a loan contract. Moreover, conventional banks use the funds they have also on the basis of lending to business and they make their net profits from the difference between interest they get and interest they pay. Obviously both are forbidden in Shari'ah. Shari'ah provides alternative mode and contracts for investment and for financing, you may consult any books on Islamic financing for their details. Finally, this is not like dividends of stocks, because stocks represent an ownership of a company that produce goods and/or services. If these products of a company are permissible in Shari'ah, its income is also permissible and the dividends distributed come from the net profit of the company. the difference is very obvious.

Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Are dividends forbidden like interest?

From: Islam on line
Date: March 11, 2002
Name of Questioner siraz country. U K

Question

I have bought company shares after saving for 3 years. I receive dividends but I have not sold them yet. Q1. Are dividends Haram as interest is on savings? Q2. Do I need to pay Zakah on unsold shares? Q3.Even though I have no physical money in hand during contributing towards the share option scheme, when do I pay Zakah, once a year or at the end of 3 years when the shares mature?

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. siraz
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

You confused me, brother, what is the three years for? what does it have to do with the question? what did you not sold, dividends coupons of the shares? you didn't have physical money during contributing to the scheme, but do you have now?
Anyway my general and very brief answer is:
Share you buy of your company and other companies, in company option plan and outside it, in retirement plan and outside it are subject to Zakah on the market value of the stock on the day the Zakah is due. Zakah is due 354 day (lunar year) from the day you obtained Nisab (approximately US$ 1000) adding up all your Zakatable items together, i. e., shares+ cash+ saving and checking accounts, etc. If the company contribute to the option plan and has restriction on the transfer of ownership to you, e. g., shares the company contributes become your only after six month of the grant although they are credit to your account now, you do not include in the calculations shares that did not satisfy this condition. Zakah is due and payable at the end of the year from the first time you acquired Nisab and every year thereafter. Zakah is a yearly due payable year after year even if the Zakatable items are declining as long as they are still at least Nisab. It is sinful to knowingly delay its payment without Shari'ah acceptable excuse, but it still must be paid. If you don't have sufficient cash to pay it, this is an acceptable excuse, you can pay when you have cash, even if it were when you liquidate the shares, but you have to pay for all past years.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Does fixing the profit in investment make it like interest?
From: Islam on line
Date: March 04, 2002
Name of Questioner Asif country Pakistan
Question
One Textile mill is offering Investment Certificates and offer profit between 10-15% per annum. It means they will give profit on year end not less then 10% and not more then 15%. It means profit is not fixed. My question is this that this kind of profit is allowed in Islam or not.
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 Sahbihi Ajma'in
Dear Br. Asif
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
You should notice that all opinions on Musharakah and Mudharabah certificates are derived from the Fiqh chapter on partnership. Hence, imposing an upper limit on the share in profit of some parties in a partnership or company is permissible because it amount to that party surrendering what is above that limit to the other party.
On the other hand, there is symmetry with imposing a minimum. Imposing a minimum amount to guaranteeing a fixed return and this may end up, under certain assumptions, to give all the profit or more to one party and depriving the other from any part of realized profit or even

letting him down in the red. This is called interrupting the principle of sharing in partnership. And it is not permitted in Shari'ah, being a form of interest.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Interest generating joint account
From: Islam on line
Date: March 04, 2002
Name of Questioner Raheem country United States
Question
I am a Muslim man married to a Christian woman. We have a JOINT bank account that gives good annual interest/Riba. Is it more Halal to keep this account and use the Riba as Zakah for her Christian family or to change the account to one that does NOT give INTEREST or RIBA? Jazakum Allah Khairan
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi Ajma'in
Dear Br. Raheem
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
What is better is to minimize your earning of interest without letting the bank fool you, i.e., keep minimum amount in the account.
Then whatever interest that accrues must be distributed to poor and needy and similar general charity causes, and if her family is not poor, why giving it to them, you better give them gifts from your own pure (un-sinful!) money. I believe this is a respectful manner on your part with your in Laws. Remember Christianity also prohibit interest.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Variable interest in money market accounts
From: Islam on line
Date: March 04, 2002
Name of Questioner Ahmed Country
Question
Alsalamo Alaikom: To Dr. Kahf Regarding a variable-interest money-market account: 1) Is it Halal? It is theoretically possible to lose money in it, but practically this never happens. 2) How do you calculate zakah on it? Is it 2.5% of the money that has been in the account for a whole year (Hawl)? 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 Sahbihi Ajma'in
Dear Br. Ahmed
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
You have two questions one on interest and the other on Zakah.
Are you sure money market account may loose? aren't you confusing lack of insurance with losses?
Money market account is not insured, but the relationship in it is pure lending relationship, managing on daily basis by managers who try to maximize the rate of interest on every amount the have while they maintain sufficient liquidity to respond to liquidity demands. The variation in the rate of interest does not bring it into the Halal. It is still interest, being an increment in lending relation done by proxy.
Zakah is assessed on any assets that reached Nisab at a given date and again at 354 days from then. Money market account is Zakatable on the principal, since all accrued is not yours you will have to give it to general Muslim charities in addition to Zakah
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Variable and fixed interest
From: Islam on line
Date: March 04, 2002
Name of Questioner khaled Country Egypt
Question
Is fixed amount of interest Haram or Halal?
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi Ajma'in
Dear Br. khaled
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
Interest is certainly Haram whether it is a rate, small or large, or an amount and whether it is fixed or variable
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Interest earned and interest due
From: Islam on line
Date: March 04, 2002
Name of Questioner Muslim Country
Question

I have a bank account where they pay me bank interest. Al-Hamdulilah, I manage to get rid of this interest once a while when it accumulates. However, sometimes my account goes on the red and they charge me interest. Because the bank does its accounting quarterly, they show in my account the net difference between the interest given to me and taken from me which is always a positive value, i.e. interest given to me. What shall do, shall I get rid of the net interest or get rid of the interest that is paid to me and let the interest taken from me being taken from my original money?

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi Ajma'in
Dear Br. Muslim
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

The best thing I start with is to change conditions of your account and close the option of going in the red. Because entering in such a contract is tantamount to entering in a contract of getting and giving Riba.

Then, earned interest is not yours and you shall have to give it away to general Islamic charity to keep your money pure.

On the other hand you must not let yourself be in a position to give Riba, remember both are not permissible and equal in their sinfulness. But if it is charged to you by the law of the land, you just have to pay it and make Istighfar.

If you were in a Muslim country I would say that is not permissible in Shari'ah especially if there is an Islamic bank in your area. And if you live in western countries, what I mentioned earlier applies

Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Interest clause in letters of credit

From: Islam on line
Date: March 04, 2002

Name of Questioner Hussain Ccountry UAE

Question

I have an import business, where I import the goods using L/C facilities (Letter of Credit) provided by Reba Bank. I deal with this bank due to many restrictions & limitations that exist with the only Islamic Bank in my country in order to provide me with L/C facilities. My question is, is it allowed in Shari'ah to deal with Reba bank as far as I deposit the cash in my company's account before the due date in order to avoid interest charges. The reason behind my question is that I heard from a friend that my L/C contract with the bank is "AQD SAHIH", but the clause which states the interest charges after specific dates is "SHART FASSED", & makes the whole contract "FASSED". Please advise

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 Sahbihi Ajma'in
Dear Br. Hussain
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
Are you sure you did not find in the three Islamic banks in UAE (Dubai, Abu Dhabi and Sharja National), any branch that give as good of a service as that of the Riba bank? Because I believe that if an Islamic bank provides similar services dealing with non-Islamic bank is not permitted, because of a trace of Riba that will reach you there no latter what you do to avoid it! While if Islamic banks charge more or give lower or limited services, then dealing with other banks is permissible.
What you are told is correct. The condition of Riba makes the contract all Fasid. I add however, that if the condition is completely optional, e. g., you pay interest if you do not deposit the amount due within one day, and you are sure of yourself that you shall deposit during that period, the contract is permissible to sign from your side and it is Haram for the other party to whose favor such a condition is put. This becomes like credit cards we use in the west. For those of us who are sure they will not withdraw cash and will pay during the grace period, the contract is not Haram because the activation of the interest condition is left to you and you know you are going to opt for no interest. The contract is Haram from the point of view of issuers of the credit card, and an Islamic bank must not issue a contract with such a condition.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Borrowing to start a business
From: Islam on line
Date: March 04, 2002
Name of Questioner Ali Country UK
Question
Is borrowing money from a funding organization with interest rate, to establish a business, Haram or Halal?
My Answer:
Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi Ajma'in
Dear Br. Ali
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
Yes, it is Haram and one of the gravest sins unless there is a kind of necessity, and it seems that no necessity for making a business
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Use of interest money

From: Islam on line

Date: March 04, 2002

Name of Questioner Fouad Country US

Question

Is it permissible to use interest money (accumulated without choice from bank accounts in countries like North America) for: (1) Needy people (2) Cover hospital expenses for people with insufficient funds (3) Tuition fees for needy students (4) Helping someone go for Hajj? In essence, how can one dispose off such money?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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

Dear Br. Fouad

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Disposition of interest money earned under such circumstance is by giving it to any general Muslim charitable purposes. poor and needy, tuitions and hospital bills (sometimes, if the paicient is poor you don't have to pay them) and giving to any other poor and needy is permissible, but not for going to Hajj because a person who does have the financial capability is not obligated to make Hajj.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Use of interest money

From: Islam on line

Date: March 04, 2002

Name of Questioner Mahmoud Country United States

Question

I have sold a property with interest, when I agreed on the interest, I wanted to contribute it for building a mosque. But lately I have learned that this money is Haram. What do I need to do?

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 Sahbihi Ajma'in

Dear Br. Mahmoud

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

It is better to keep mosques clean of any Haram money. give it to the poor and needy, general Islamic charitable causes and help those whose houses are been burnt in Palestine, Chechnya and India.

Wa Allahu A'lam

Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: use of interest money

From: Islam on line
Date: March 04, 2002
Name of Questioner Khalid Country. United States

Question

Are Muslims allowed to take interest that banks pay on their money? As we know, banks in U.S. pay interest, so what should Muslims do with the interest earned on the money that they keep in these banks?

My Answer:

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi Ajma'in
Dear Br. Khalid
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

The rules of Shari'ah regarding funds deposited in interest-based bands and generating interest are as follows:

1- there is no doubt that interest given by conventional banks is the same Riba prohibited in the Qur'an. This point has been confirmed over and over again by the Majma' al Buhuth al Islamiyyah of al Azhar University (1965) and later by Mama' al Fiqh al Islami of the Organization of Islamic Conference (Decision No 10 in its plenary Session of 1406 H = 1985 CE).

2-Muslims must be keen that all transactions they do with other people, Muslims or non Muslims, are either permitted in Shari'ah or at least do not violate any of its rulings, regardless of the degree to which the other party abides by the rules of Shari'ah. In other words we can transact Muslim who abide by Shari'ah, Muslims who do not abide by Shari'ah and non Muslims as long as the transaction on hand is compatible with Shari'ah. consequently it is permissible to make transactions with interest-based banks as long as such transactions do not violate Shari'ah. Opening a checking account that does not generate interest is hence permissible, making transfers of funds, currency change, etc.

3- On the other hand, any transaction in violation of the prohibition on interest is Haram, whether with conventional banks in the Muslim countries or in the non Muslim countries.

4- There circumstance of hardship removal that affect such prohibitions, especially where there are no Islamic banks, or where they exist but they charge more than normal fees for their transactions or they are inefficient that they really waste the time of Muslims (as customer) or they have small capacity that doesn't accommodate the activities of large transactions one want to make. Shari'ah rule is to remove hardships, especially when they affect a category of people, as in such a case they are upgraded to the level of necessities in regards to their effect on relaxing a prohibition.

5- Under circumstances mentioned in (4), hardships and necessities have to be dealt with only to their size. This requires that whenever one has to deal with interest at conventional banks

one must keep it to the smallest possible amount. This implies that if one happens to have an interest generating account, keep it to minimum, if you cannot avoid it.

6- The case of interest accrued in circumstances mentioned in (4) and whenever a Muslim happens to have earned interest and now he is revising himself/herself or repenting, etc.: any such accrued interest does not become your property according to Shari'ah and you must get rid of it. The principle is to return it to the payer. But this principle does not apply with regards to conventional banks, In Muslim countries as well as in non-Muslim countries (there is recommendation to this effect by the Second Fiqh Conference of Islamic Banks held in Kuwait in the early 1980s). The reason is that the banker will use it to strengthen the bank's position and ability to generate more interest-based transactions and income for itself. Beside you as a Muslim would be making fool of yourself because according to prevailing laws, that are obviously not compatible with Shari'ah, the banker, who deals in Haram, is giving you this interest lawfully and with consent. Therefore this earned interest must be treated like Haram money whose owner is not known. You still have to get rid of it but to general Muslim charities, areas like poor and needy to drought stricken people or people fighting to defend themselves and their lands.

7- Notice that this use of accrued interest is only for the purpose of keeping one's money clean from the dirt of interest and will God willing be rewarded accordingly. This is not a Sadaqa nor Zakah and cannot be considered part of due Zakah of a Sadaqa. It is also better not to use such dirt to buy copies of the Qur'an nor to build mosques, or at least the prayers area of it. Remember that the people of Jahiliyyah did not put any money earned as interest in the reconstruction of the Ka'bah before the Revelation.

8- One last point that is consistent with the previous analysis. If a Muslim happen to need to keep large sums with a conventional banks, for any reason, is it better to keep it in no interest generation account or in an interest generating account and give the interest away as mentioned in (6)? In my opinion, here come again the point that a Muslim must not put herself/himself in a position that she/he is fooled. This implies that if the laws of the land permit, especially in non Muslim countries, it is better to put large sums, when you have to put them anyway, in interest-generating accounts and dispose of the interest the same way as in (6) above.

Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: What are the different types of Riba?

From: Islam on line
Date: March 04, 2002
Name of Questioner Renat Country U S

Question

I would like to know about different types of riba: riba jahiliyah, nasiyah, fadl, qard etc. What is difference between it? 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 Sahbihi Ajma'in
Dear Br. Renat
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
In a nutshell, Definitions:
Riba is any contractual (conditional) increment in a loan contract or an exchange contract of certain items, it doesn't matter of money or any other standardized commodity.
Riba al Jahiliyyah is the Riba in loans. It could be when a loan contract is made or at rescheduling a previous debt. Many people say the second form was more common among the Arab people of Jahiliyyah. All scholars agree that the reference to Riba in the Qur'an is to this one. it takes place only in debts created via lending or extended to a new maturity via rescheduling.
Riba al Fadl, came only in the Ahadith, it is in exchange contracts only. It applies to six items: Gold, silver, date, raisin, wheat and barley and to their similarities. The six items are mentioned in the Sunnah. Any contemporary money has the same Hukm as gold and sliver. Fadl means surplus or excess. When exchanging within an item, i.e., wheat for wheat or silver for silver, exchange must be cash only and at equal quantity, i.e., with immediate delivery of all quantity exchanged at the time of contract. If sale is done between the four food items or between the two money item quantities may differ but delivery must remain immediate. Prohibition of Riba al Fadl is kind of a protection of the prohibition of Riba that is mentioned in the Qur'an.
Nasa' mean time span, and Riba of Nasa' is any Riba that has time span. you see it may cover a type of Riba al Fadl and Riba of debts.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Is the prohibition of Riba based on exploitation?
From: Islam on line
Date: March 02, 2002
Name of Questioner Samer Country
Question
I have heard from many sheikhs that interest rates are Haram, but no one ever gave me a convincing reason why this is so. According to my humble knowledge, all Ayat in the Holy Qur'an that mention the subject of Riba talk about exploitation and do not mention anything about fixed interest rates. I would really appreciate it of you provide me with a detailed Fatwa or references I can read about the issue. I have a BA in economics and I do understand economic terms very well. My second question is about whether insurance is Haram or Halal.
My Answer
In the Name of God the Most compassion the Most Merciful
May All Praise and Thanks be to God, the Almighty, The Lord of the Worlds and Peace and Prayers be on His Messenger the Prophet Muhammad and all his Companions, Disciples and Followers
Dear Br. Samer

Assalamu Alaykum Wa Rahmatullahi Wa Barakatuh

I think you are half correct, may be two thirds, when you said that all verses in the Qur'an that mention Riba talk about exploitation. This is correct in a sense that they talk about injustice or imbalance in a contract. If you read the verse of Surah al Baqara, 275-280, you will notice the criteria that determine what is Riba and what it is not is : you get your principal, no injustice you inflict on others, i. e., the debtor, and injustice is inflicted on you as a creditor. Exploitation normally is loaded with one party being more powerful than the other, like rich and poor, have the have not, whereas injustice contains a reference to lack of equity between rights and obligations. Zulm (injustice) in a contractual relation does not require that a rich or powerful is imposing on the poor or weak his/her will to extract more benefit from the latter. Two parties may be equal in power, and a contract may be mutually consented, yet it may contain imbalance in the obligations of the two parties. What the Qur'an prohibits, the same is repeated in many Sayings of the Prophet, pbuh, is any thing above the principal, small or big or variable or fixed. As an Economist, yourself you can understand the meaning of the word "principal" in Verse 279. If you read Arabic, there in an excellent small booklet by the Greatest Muslim Scholar of his time the late Shaikh Muhammad Abu Zahra, called "Tahrim al Riba Tanzim Iqtisadi" I recommend on this part of the subject.

Let us come to the Why. The reason is clear and elaborated by commentators on the Qur'an and many other scholars. The imbalance in a Riba-based loan contract comes from the simple fact that you give say 1000 and get back 1100. what is the additional 100 for? (leave your economics for a single moment and we will come back to it later). Nothing you get in exchange of this 100. that is why Riba is also called in the Qur'an (as many commentators argue) : Eating the money of others in vain, for nothing. Come back to the economics, it is said this is the price of waiting, delaying consumption, on the part of money owner, or price of liquidity preference that the money owner sacrifice or the price of the benefit of having money the borrower gets, or for the expected return the latter may make using borrowed money. Studying all these, do you find any of them a commodity you exchange in the market? this is what Muslim scholars call: in Riba we exchange something real (the extra 100) for something imaginary or illusionary that may or may not happens or materialize.

Eliminating Riba (remember its definition as: contractual increment in a loan contract) does not mean that we eliminate the time value, time value of money, as discussed by economist, is in fact a reflection of time value of goods and services, what matter is to get a good or a service and pay for it later and both parties appreciate the time span, this means that deferred price may be higher than cash price. This is recognized in Shari'ah, the condition is that there ought to be a commodity, or usufruct of a commodity, as in renting and leasing, exchanging hands between the parties.

some may argue that the price differential in deferred-payment sale is similar to Riba. This in fact was the argument of the unbelievers Makkans at the time of revelation (Verse 2:275). The difference may not easily be understood on the micro level because in all those cases one takes a loan for actually purchasing a commodity, the final amount one may end up paying is about the same if we assume unitary elasticity of demand for time value between the two cases. But, and this is a BIG BUT, on the macro level the difference becomes huge: if you allow borrowing on Riba to purchase real goods and service in a society there shall be no means that prevent borrowing for rescheduling previous debts or borrowing for wasteful objectives such as

marrying a second wife! Or borrowing for re-liquidating previous debts. the first and last kinds of borrowing overburden contemporary western economies to an extent that creates an economy similar to an upside down pyramid with a very small base or real economy and very large and multiple-layers of pure debts transactions and pure monetary transactions and assets. A situation that causes a lot of instability in the contemporary Western economies and the micro manifestation of it is the Enron fiasco.

God Know Best [Wa Allahu A'lam]

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Having interest generating account and leaving the interest to the bank

From: Islam on line

Date: February 21,2002

Name of Questioner semsem Country USA

Question:

Salamu Alaikum I have a saving account and there is 1% interest (Riba) but if there is going to be more than what I put in there I will not take it does that still forbidden in Islam. Thank you

My Answer,

Bismi Allah al Rahman al Rahim,

Alhamdu li Allah Rabbi al ‘Alamin, wa al Salatu wa al Salamu ‘Ala Sayyidina Muhammad wa ‘Ala Alihi wa Ashabihi Ajma’in,

Dear Sr. semsem

Any amount of Riba is Haram, little or big. If you have to deal with conventional banks and there are no Islamic banks that provide similar services, as is the case in the USA, whatever Riba you get is better be taken, not left to the bank and disposed of for general Muslim Charity. Leaving it to the bank makes you a reason for mockery and helps it make more Riba.

Wa Allah u A’lam

Dr. Monzer Kahf

SUBJECT: An interest-based loan to get married

From: Islam on line

Date: February 21,2002

Question

Dear Dr. Monzer, what's your view of taking mortgage to get married if you are really scared of Fitnah and do not have anyone to support you?

My Answer

In the name of Allah, Most Gracious, Most Merciful.

May Allah's peace and blessings be bestowed on the Prophet Muhammad.

Answer:

Dear Muslim:

Assalamu Alaikum

The first solution for persons who are scared of sexual Fitnah is to fast as much as you can. If that fails, borrowing on interest may be permissible if the Fitnah is very serious, although I doubt that such a situation may arise for Muslims living in United States and Canada.
Finally, Marriage cannot be mortgaged!
Allah knows best.
Monzer Kahf

SUBJECT: Paying interest and principal on already contracted loans
From: Islam on line
Date: 2/16/2002
Name of Questioner Tara Country USA
Question:
Bismillah er Rahman er Rahim. Assalamu Alaikum Wa Rahmatullahi Wa Barakatuh. 1) I incurred a debt from a Riba based loan during my university studies in excess of 11,500 USD and also from a credit card that has Riba of 500 USD. I was a new Muslim at the time I took out the student loan and if I had known the consequences then of Riba I would never have taken it out. The credit card was not done in ignorance Astaghfiru Allah but out of necessity that occurred in my life. Now I find myself not able to pay off either loan. What can I offer as expiation for these debts without paying them off (i.e. extra fasting, praying, Sadaqah) or MUST I pay this debt back? 2) I have an offer of marriage from a Muslim brother who intends to go to jihad in the future InShaAllah after he pays off his debts. I also have an offer of marriage from a brother who is an Imam. I know that I should put my trust in Allah Ta'ala and make Istikhara. My question is which would be more pleasing to Allah Ta'ala, that I should marry the Mujahid and not worry about when he dies and who will take care of me afterwards or if I should marry the brother who is an Imam? I hope that you can answer me soon InShaAllah! Jazak Allahu Khair ameen.
My Answer:
Dear Sr. Tara
Assalamu Alaikum wa Rahmatullahi wa Barakatuh.
Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.
There is no escape in Shari'ah from paying one's own debts. Unless relieved by creditor, If one doesn't pay one's debts in this life one has to pay them in the Afterlife. Debts do not die out and there is no compensation in prayers or fasting. Debts have just to be paid back unless one reconciles with one's creditors that they accept partial payment or forfeit the debt, all.
I suggest that you must find a job, if you are not already working and start paying on your debts. Many creditors accept a compromise; take such opportunities and negotiate with your creditors. Unfortunately, unless you make such compromises you have to pay the interest too that have become your legal obligation though it is Haram.
I am not an expert on the second question. Please send your second question again separate and it will be forwarded to an expert. But I have one word for you to think about. Unless the person who wants to be a Mujahid is a Palestinian, a Chechen, a Cashmiri, or a southern phillipino, he cannot make the hopeful Jihad. These are the people who are making Jihad for their liberation from occupation and colonialism. I am afraid he may be ignorant of the very

meaning of Jihad. Any way, ask that your question should go to a specialist in Islamic marriage counseling.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Borrowing from 401K
From: Islam on line
Date: 2/13/2002
Name of Questioner Sarfaraz country of Res. U S

Question:
Assalamu Alaikum InShaAllah this e-mail reach you in highest degree of Iman. I would like to know is it Halal, if I borrow some money from 401K plan, and when I return my own money to my account I have to pay interest. Please I need this answer as soon as possible. Jazaka Allah Khair
My Answer:
Dear Br. Sarfaraz
Assalamu Alaikum wa Rahmatullahi wa Barakatuh.
Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.
401K is an account fully owned by you, it is like having two bank accounts in a bank. From Shari'ah point of view, you certainly can withdraw and deposit any amount in any of your two accounts under any name. In other words, Riba doesn't occur between two financial and legal entities owned fully by the same person, even if the word interest is used for regulatory and/or tax purposes.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: borrowing to run business
From: dialogue@islam-online.net
Date: 2/13/2002
Name of Questioner Sarfaraz Country India
Question:
Assalamu Alaikum If a person needs money to run his business. He does not have any other source of borrowing the money. So he can take the money on interest. If he does not take the money or borrow the money then his business will close down. In that case, taking money on interest is valid or not?
My Answer:
Dear Br. Sarfaraz
Assalamu Alaikum wa Rahmatullahi wa Barakatuh.
Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

Borrowing on interest is certainly forbidden. This is very clear and specific in the Qur'an and the Sunnah. it is one of the grossest sins the Shari'ah defines, one of "al Kaba'ir." Muslim businesses must realize that prohibition and build their businesses within their means without any dependence on conventional banks' support.

Only necessities may relax such a very sinful act.

To my knowledge Indian Muslims have several quasi-Islamic banks that provide financing in accordance with Shari'ah and the Muslim Indian community has many interpersonal relations that help in emergencies. I can hardly see a necessity for borrowing on interest there. Anyway a necessity can only be determined by the consciousness of the person, not by any body else, but realize that Allah, Ta'ala, is most knowledgeable.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Renting a spot to a conventional bank for ATM

From: imam@IslamiCity.com

Date: 2/1/2002

Question

I am a businessman situated in India. I have recently constructed a small building for commercial purposes which I intend to rent/lease out to some good company/firms. I have been approached by Citibank and American Express to lease out a small portion of my building on the ground floor for putting up an ATM (Automated Teller Machine) which as you all know dispenses cash and attends to other banking related activities.

My question to your learned Self is whether it is permissible to do so and whether the rent that I receive from such banks will be Halal. While I do partake in normal banking activity for my business I try very hard not to involve myself in any interest related activity, which I am sure you will agree is next to impossible in a country like India. I will also be grateful to you if you can forward me any links from where I can obtain more related information. May Allah Guide all of us on the right path. Was Salaam

My Answer:

Dear Br.

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

This question relates to the issue of what transactions are permitted with people whose income comes from Haram or mixed sources, and/or their use of commodity we sell them is for conducting Haram or mixed actions.

Although there are sayings about the prohibition of the incomes of those who claim being future and unseen readers (Hulwan al Kahin) and prostitutes (Mahr al Baghiyy), there is no call or even a trace of evidence that they must not be sold food, cloth and other permissible commodities. Would it be imaginable that the Shari'ah may call for prohibiting selling them and leave them to stave? Any claim of prohibition of making sale contracts with them is not consistent with the texts and objectives of Shari'ah and cannot be supported by any evidence from the Qur'an and Sunnah.

Further, in contracts when we talk about components of a sale contract and the conditions of these components, there no mention to make research about the source of the price paid by the purchaser or rent paid by lessee. It is true that if one happens to know that the price itself (they say its 'Ain) is known to be stolen, you must not accept it as a price. The reason is that a stolen thing remains a property of its owner not of the person who has a hand on it.

Let us come now to the use of sold commodity by its purchaser. There are talks about resentment or dislike (Karahah), not prohibition, of selling grape to a person who is known for sure to use it for brewery. But al Nawawi [al Majmu', vol. 9] argues that it is permissible to sell a slave singer for a price that includes a premium for her singing (with the assumption that singing is Haram). Putting these together, one may conclude that even if we accept the view of Karahah, it is conditioned by certain knowledge that it is going to be used for Haram.

Applying these rules to the question on hand makes the following: the use of an ATM machine is to dispense cash, make deposits and provide information. It is not to make interest based contract. For instance, there is no argument for prohibiting a job of cashier or teller in a conventional bank even though cash dispensed may be a result of a Riba-based contract. But dispensing the cash by a teller is not Haram. It seems it is permissible to rent a space for an ATM from the point of view of the use of the rented space. As for the income of conventional banks, no one can claim that all of it comes from interest, in some conventional banks, especially in the third world, like India, non interest sources of income make high percentage of net profit. The most that can be said is that its income is mixed. Further no one can tell for sure that the specific dollar given as rent is the dollar that came from Riba transaction so one cannot fall back on the argument of a stolen price. Lastly, the price (rent in our case) is taken in exchange of a permissible thing (the usufruct of the space) in a permissible contract.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Free overdrafts, are they permissible?

From: dialogue@islam-online.net

Date: 1/9/2002

Name of Questioner Country

Question:

It is the practice of many of the banks in my country to offer an interest free overdraft to students as an incentive to open a bank account with them. Could you advise as to what the position of the Shari’ah is regarding Muslims accepting such overdrafts. Jazaka Allahu Khair in advance.

My Answer:

Dear Br.

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

I wished you gave more details in your question, details about other attached conditions to permitting overdraft and for how long and whether you ask about students writing overdrafts or the student’s creditors who accept such overdrafts.

Allowing interest-free overdrafts amounts to extending interest-free Hawala (transfer)-based loans. This is permissible to offer and to accept and to practice. However, conventional banks, very often use it with a catch, more often by limiting the interest free (grace) period to a given number of days, after which they start charging interest if the amount of the overdraft is not paid. The final outcome is: it is a conditional permissibility from Shari'ah point of view. If a student is very sure of her/his sources of sufficient funds to pay the amount of overdrafts WITHIN THE GRACE PERIOD, he/she may write such overdrafts, otherwise it is forbidden to write them.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Getting clinical equipment on an interest loan

From: dialogue@islam-online.net

Date: 1/9/2002

Name of Questioner mustafa Country U K

Question:

I would like to build a clinic in a Muslim country. I don't have enough money to buy essential equipments and the only way to do that is to take a mortgage within the same country and I have to pay interest on the mortgage till I pay back the money. This clinic will serve Muslim people. Is it O.K to take this mortgage? Jazakumu Allah Khairan.

My Answer:

Dear Br. Mustafa

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

Although health care may be a necessity in many Muslim countries, but it is still forbidden in Shari'ah to build a personal clinic and equip it by means of Riba-based loans. It is incorrect to claim that in Muslim countries today there are no other means to finance such a project except through Riba. THERE ARE MANY OTHER MEANS THAT ARE WAITING FOR YOU TO EXPLORE, YOU NEED TO DO YOUR HOMEWORK MY DEAR BROTHER.

Your personal, and apparently profit making clinic, is a private project like all other private projects, that are necessary all over the Muslim countries and that all need to be finance in accordance with Shari'ah. Even if it were to be a nonprofit project, you still have to finance it by means compatible with the Shari'ah; you must need to avoid what is prohibited in Shari'ah. The Prophet, pbuh, emphasized that what is prohibited must be avoided, all of it. Riba is one of the most serious sin, may be the most serious after disbelief, as the Qur'an consider it worthy of declaring a war from Allah and his messenger on those who deal in Riba. Solving problems of the Muslim Ummah must be by the application of its Shari'ah, not by putting it aside.

WA Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

FATAWA INTEREST RIBA LOANS 2001

SUBJECT: Taking a house loan as a tax shelter
From: dialogue@islam-online.net
Date: September 19, 2001
Name of Questioner Muhammad Country India
Question:
Dear Sir Assalamu Alaikum. I am a citizen of India. I am working for the most prestigious software company. My payment is about 20,000 RS P.M. I pay about RS 3,000 every month in the form of income tax here. I had consulted various learned Islamic scholars here. They say that tax is not a liability in Islam and U r not required to pay tax as a religious obligation. I pay the Zakah regularly. What I want to know is what should I do in such Situation? I had devised a very good and legal (in terms of legal constitution of India) way to prevent myself from paying tax. I saw that every year I am paying about RS 36,000 as Tax. Then why not I take some home loan, Buy a home and start paying the installment. In this case the government will give me tax exemption. I will save tax and instead of paying the money to the corrupt officials I will pay to the needy Muslims. If suppose that I am required to pay RS 20,000 instead of RS 36,000 then I save 16,000. I am willing to divert this entire amount to the Needy Muslims. One of the scholar here whom I respect very much said that It is Not Allowed, The reason being that I am paying interest to the bank when I take the loan and Islam does not allow transaction where Interest is involved. What's your opinion sir, please reply soon Allah Hafiz.
My Answer:
Dear Br. Muhammad
Assalamu Alaikum wa Rahmatullahi wa Barakatuh.
Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.
Let us not mix issues. Zakah is obligatory in Shari'ah; it has its conditions, exemptions, recipients, etc. It is one of the Pillars of faith on which the whole religion of Islam stands.
On the other hand, taxes are in most countries necessary to finance the running of governments and their services. Taxes are sociopolitical obligation that need not be mixed up with religious obligations. Hence, terms like 'taxes are not liability in Islam' have no relevance at all. In taxes, laws usually permit using tax loopholes to avoid taxes in a legal way, these can be used by any person to the fullest of the law; no blame.
Further, Riba (interest) is prohibited and all interest based transactions are not permitted in Shari'ah unless one falls under a state of necessity, as defined in Shari'ah.
If it is necessary for you to buy a house on interest you can do it otherwise the answer is NO. I understand that there is an Islamic bank in India, can't you take financing from it and get the same tax benefits?
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Refinancing to get some money out

From: dialogue@islam-online.net

Date: Sept. 5, 2001

Name of Questioner Aisha Country U S

Question:

Assalamu Alaikum. I purchased a home for my sister 3 years ago because she was experiencing financial difficulties. I have an outstanding mortgage balance in the amount of $120,000, after having put approximately $150,000 into the house. The problem is that I can't afford to keep up with the payments and also I would like to receive some equity out of the house as I need immediate cash. What are my options! My thoughts on the issue are this. 1. My sister purchases the house for whatever amount she can afford to pay. The downside to this is that would mean I could never get out of the house what I put into it and my sister would end up with a 30 year mortgage. NOT GOOD. 2. I keep the house in my name. My sister pays as much as she can monthly. I make up the balance. Then I refinance the house to get out some equity. Is this acceptable in Islam? Your Sister in Islam, Aisha

Notes: Property Value approximately $270,000. I am a new Muslim. InShaAllah my husband is just in the process of accepting and doesn't understand usury. He is a business man and doesn't want to lose what he feels is his. I could give more info if required.

My Answer:

Dear Sr. Aisha

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

Please allow me, Dear Sister, to start from the beginning. I n the Islamic law interest in forbidden. This is mentioned in the Qur'an in the strongest language ever. Please refer to Chapter II Verses 275, 276, 278 and 279. And if you use Ysuf Ali's translation please put the word interest (as we know it in our language today in place of the word Usury and notice also that he sometimes used milder words than in the Arabic Text. As in verse 276 Yamhaq means to wipe out and make it vanish not only to deprive it from blessing.

Any talk about permissibility of any interest-based transaction is only based in Shari'ah on the matter of necessity or quasi necessity, not on the basis that the prohibition can afford any relaxation.

The Act you did in helping your sister is a glorious one. This is the best of charity and it will, God Will, be rewarded by the Almighty manifolds, even if you did it before you became Muslimah.

The rule in Shari'ah is that "a benevolent must not be charged burdens." It is derived from Verse IX: 91. In this regards, it implies that although you bought the house to help your sister, you still can make any other use of it, being your property because you are helping her in every moment she lives in the house, and you don't have to be burdened with helping the next moment. Of course if you do you are still rewarded, more and more.

Put together, your options do not seem to me limited to only what you mentioned (one point is missing yet, do you take rent from her? Regardless of whether at market rate or below because you are rewarded many folds, InShaAllah, by the Most Generous and Most Knowledgeable.

Can't your sister rent some other place, even with your help, and you sell your property? Can you borrow from another benevolent like you?

In the final analysis refinancing does not seem to me an option unless there is necessity or quasi necessity for you that can be invoked to overrule the prohibition of Riba.
Your sister's family may have such a necessity or quasi necessity, and you may consider keep helping her finding and making down payment on a smaller house or on renting, etc.
7- My prayers go to you that Allah, Ta'ala, gives His guidance to your husband and bring the light of truth into his heart.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Definition of Riba
From: A live Fatwa session on Islam on line,
Date: Aug. 15, 2001
Name Hussein United States
Question:
As a somewhat inquisitive and educated person, I have dwelled on the issue of Riba. According to the ONLY definition I can find of Riba in the Holy Qur'an and the Sunnah is that it was the practice of pagan Arabs to DOUBLE the amount owed by a borrower, and that this was the practice the Prophet (SAW) was trying to eliminate, and that Riba was NEVER intended to apply or be defined as simple interest (at 6, 7, 8%)
Answer:
Bismillah Alhamdulillah
wa al Salatu was Al Salam ala Rasuli Allah wa ala Alihi wa Ashabihi Ajma'in
The Qur'an defines Riba as any increment above the principal and considered any such increment as unjust as Allah, May he be glorified, says in Surah al Baqarah 279. There is no mention in the Qur'an of doubling. Further there is a comparison between sales with postponed payment with a higher price than the cash price and lending on interest basis, a comparison that is rejected in the Qur'an (2:275). Further, the Annihilation (war from Allah and His messenger) mentioned in verse 276 refers to Riba as plain word. Riba means increments and that is all.
There are several sayings about the practice of Riba by pagan Arabs at the time of the Prophet Muhammad, peace and blessings be upon him, many of them refer to any increment in a due debt for delaying it to a new maturity. Yet, there are many other sayings that refer to initiating a debt by providing a loan that will be paid back in a higher amount than the loan. There are also sayings that refer to loans with periodical payments and charges on them.
Hence in the Hadith we have Riba in the form or rescheduling of debts and in the form of increment on loans.
The practice of Interest in conventional banking systems and in western interpersonal financial transactions represents an increment over a loan and or the amount of debt for rescheduling it for a new maturity, and sometimes for paying it on a day prior to maturity through discounting of future debts at a third party.
Relations of bank deposits and bank lending (normally called bank investments) are both lending relationships, therefore any increment in them is a Riba increment, and they violate the

rule that you get only your principal amount with no injustice to you or against you. (2:279) And Allah knows best.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Loans from the 401 accounts

From: dialogue@islam-online.net
Date: August 12, 2001
Name of Questioner Uzzal Country US

Question:

Assalamu Alaikum. May Allah reward you abundantly in this life and hereafter for helping Muslim Ummah. I believe this is the most authentic site on the web. I need your advise about the loan from my the 401K plan. I am planning to borrow money from my 401 plan. My company will deduct this money in five years from my pay check. But they will charge me 7.50% interest. This interest will be added in my account. Basically this will be my money. If I do not pay back the money they will simply deduct this money from my 401K account. I would have to pay around 40% tax. Should I borrow this money? My second question is can I go to Hajj if I borrow money from my 401K plan? If some one has debt is his hajj will be acceptable to Allah? Please answer my questions in the light of Qur'an and Sunnah. May Allah reward you for your help.

My Answer:

Dear Br. Uzzal
Assalamu Alaikum wa Rahmatullahi wa Barakatuh.
Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.
You mention in your question that the company will charge you 7.5% and it will add it to your 401K, and you mentioned a 40% tax. You kind of confused me by that. Let me put it the way I understood it and give the answer, if I am wrong, please correct me.
You have a 401K account which is administered by the company, funds in this account are contributed by you with some matching money from the employer, and you are allowed to borrow from this account, if you opt to withdraw money from this account you have to pay taxes as well as penalty to the IRS, also if you close your 401K account within a given number of years from the beginning of your employment you may be penalized by the employer by taking back part of the company's contribution. But when you borrow funds from your account the administrator of the account, and probably the law too, require you to pay interest which will be credited to the account itself, no part of this interest goes to the administrator.
Borrowing from your own 401K account is permissible because you are borrowing from yourself and you can charge interest to yourself because it means you taking money from one account of yours to another, no more than that. You do not need a Qur'an and Sunnah for that. But there is a case clause to it reported by Ibn Abbas, May Allah Be Pleased with him and his father. It is about interest between a person and the person's own slave. That is permissible because

all that is in the hand of the slave is owned by the slave's owner, as the slave does not independent financial identity.
There is an established Fatwa in Islamic banks all over the world to this effect. They use it to avoid taxes or to reduce them when the bank owns several other subsidiaries and manipulate income between them as interest to seek the best tax saving strategy.
Your second question about Hajj, certainly you can go for Hajj and you can also use money borrowed with interest from your own self, i.e., your 401K account to finance the trip if you so desired.
Only one case of a debtor that prevents him/her from going to Hajj, that is when the debt is due and the money planned to be used for Hajj is the money needed to pay the debt. Debts that are not due like house mortgage that are due on future income and money that is not needed to pay a due debt can be used for Hajj and May Allah Ta'ala accept you hajj.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: A Loan to buy a business
From: dialogue@islam-online.net
Date: May 27, 2001
Name of Questioner Dia Country US
Question:
Assalamu Alaikum, my question is: is it allowed to take a loan from a bank to buy a business.. that's the only way to start a business here in the united states...if I want to take a loan on a business lets say 900 thousands and I'll have to pay that in 15 years with the interest after the 15 years the total I'll have to pay is lets say 980 thousands. Now the question is if I took this loan and pay it back in the 15 years would that be the same as if someone bought the business for 900 thousands and said to me I'll sell it to you for 980 thousands and you can pay me that in 15 years? Jazakumu Allah Khair
Notes
I know bay' Mu'ajjal is not the same as taking a loan from a bank because of the interests but what I'm trying to get if I took the loan for 15 years and I put in my intention that my Niyyah is to pay it back on time so it would be as bay' Mu'ajjal, would it be Halal ,,,and it would be Haram when I exceed the 15 years.(that's the only way for the interest to keep counting just if you don't pay it on time.) so if u pay it on time it wouldn't count extra money, would it be Halal?
My Answer:
Dear Br. Dia
Assalamu Alaikum wa Rahmatullahi wa Barakatuh.
Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.
No Brother they are not the same, even if the difference in price between the cash sale and the deferred sale equals the extra amount given over the loan, because the two contracts are different. One is a lending contract, that is exchange of money for money and any difference in the amount, given and repaid, is an extra that has no moral, economic and religious justification. You are giving money and getting money back, what did you sell to deserve an

increment? You sold thin air that is called potential profitability of the money, or potential utility, or potential sacrifice on the part of the lender. All these potentialities may or may not materialize and they are up in the air! There is no exchange of any "good" that has a benefit on its own. There is nothing "real" that can justify the increment.

In Sale of a business or a commodity, there are material, or real, things that change hand and provide benefits. That is why you can sell at a price higher than your cost and at any price that the parties have mutual agreement on, that may differ according to the conditions of delivery of the goods and payment of the price.

Your example is the same that the Qur'an answers when Allah, Ta'ala, says: "Wa Ahalla Allahu al bay' Wa Harrama al Riba" [and Allah made sale permissible and Riba forbidden].

By the way if you borrow a 900,000 for payment over 15 years, the amount of interest at currently prevailing rates in business lending, you end up paying approximately 1,800,000, not 980,000. And if you default on a payment down the road you may end up loosing the business completely. That is in addition to being a great sin in Shari'ah. DON'T EVER TRY TO DO IT.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Earned interest and bank fees

From: dialogue@islam-online.net

Date: May 27, 2001

Name of Questioner Osama Country New Zealand

Question:

The banking system in New Zealand and may be in most of the countries is that if you put some money in the saving account you will get interest every month and also you will be charged a monthly bank fee. My question is if the monthly bank fee is more than the interest you get monthly which means that you do not get any extra money from the bank is it OK? Or still I have to get rid of the interest? Thanks

My Answer:

Dear Br. Osama

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ALA Rasuli Allah.

The interest you get is not yours. The principle is that is it not due to you and if it is given it must be returned to the payer. BUT WE DON'T GIVE IT BACK TO THE INTEREST-BASED BANK, because giving it back to this bank increases the evil and wrong doing (al Fasad) on the earth rather than reducing it. That is why the this kind of payer does not deserves it back. The solution is thus to give it to general charity on the basis of analogy with money whose owner is not known.

If this money is not your, how can you use it to pay obligations due on you such as the charge of maintaining your account? you cannot use the interest to pay bank charges for maintaining your account, Although I personally believe that unless these charge are mutually agreed on, they are not fair because it is the obligation of the debtor (the bank as long as you are not in the red) to reach out to the creditor to repay owed money. /this argument can be challenged

on ground of requiring the debtor to make on single payment for the whole amount and the debtor is not required to provide the services of honoring several checks and other payments you make.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Loans to study
From: dialogue@islam-online.net
Date: May 27, 2001
Name of Questioner Country India
Question:
Respected Sir, Assalamu Alaikum, I am an international student from India and have got the admission in a reputed American University (fall 2001 term.) at the Department of Electrical and Computer Engineering. My major is Computer Networks and my primary research interest area is Distributed Computing and Networking. I would be grateful if you could provide some information and guidance. I need 8000 US dollars for sustenance (for the first semester). For the rest of the period I will get any job on the campus and that will be enough to pay for my expenses and fees and even repay the loan, InShaAllah. I would also be very happy and have no problem in paying more than the loan amount ...but just that it should not be in the form of interest. But till now I have not been able to get loan from Islamic source. Now what should I do. Take a loan (with interest) for a short period and do the studies or leave this golden chance of post graduation. Thank you for your consideration, your guidance and help will prove quite valuable to me. Waiting for your reply. Thanking you, Sincerely, Sohel Khan AllahHafiz.
My Answer:
Dear Br. Sohel
Assalamu Alaikum wa Rahmatullahi wa Barakatuh.
Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.
I don't see a case of necessity in studying in America nor in having to finance it by an interest-based loan.
You can study computer in India, as good as it is in America and then migrate to the USA, you can also find other means to finance it such as scholarships, grants, study/work, etc. Also important as it really is, is studying itself a necessity?
Riba is forbidden By Allah, the Almighty, in the strongest language ever used in the Qur'an. Allah declares war on those who do not desist from the practice of Riba, it has no parallel in all other sins and violation of Islamic teachings.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: A Compulsory Provident Fund that operates on interest
From: dialogue@islam-online.net

Date: April 30, 2001
Name of Questioner Country Sri Lanka

Question:
Assalamu Alaikum. In my country a compulsory Provident Scheme operates where the contribution is credited to your Account with the Central Bank and interest is also automatically credited. This could only be withdrawn after you attain 55 years of age. Since the interest element comes to you automatically how could I dispose of interest received from the bank? Also how should Zakah be paid on the money? Should it be paid once after receiving the money or annually on the amount with the Bank?

My Answer:
Dear Br. Muhammad
Assalamu Alaikum wa Rahmatullahi wa Barakatuh.
Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.
To give you an exact answer I need more information in specific about the provident fund you are in, they all are not exactly alike. Matters like, can you withdraw even with a penalty? Do you have an option not to enlist in it if you are an employee on whom the law of the fund applies? Is deduction obligatory and defined in the law or you choose how much to contribute? Are funds invested by the Central Bank? And where does the interest come from? Is it from the CB itself?
Now, if the contributions are obligatory and usually deducted from salaries before payment and if interest is added by the central bank itself automatically and if you are not allowed to withdraw and not given a choice to change venue of investment and if at old age you are paid in accordance with actuarial calculations, The amount deducted from you, with whatever accumulation over it are not subject to Zakah, because you don't have full command of ownership over them. **It is not of your business what the government adds to it,** when you are paid pensions, these payments are treated like salaries from the government. Shaikh al Qaradawi believes that Salaries are subject to Zakah after deduction of the amount needed for living of the recipient and family and other legitimate expenses this is applied actually in Sudan today. If the pension you get is high enough to cover all that and you have any left over, you may be subject to Zakah. The majority of Fuqaha, including the OIC Fiqh Academy's opinion is that salaries (and similarly pensions) are not subject to Zakah.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Use of earned interest
From: dialogue@islam-online.net
Date: April 30, 2001
Name of Questioner hosam Country USA
Question:

al Salam Alaikum wa Rahmah Allah. I live in united state of America I want to buy a house because renting is very hard but I will have to pay interest on the house. I cannot pay it cash I have money in Palestine the interest on the money I give it away always .for not paying interest from my money can I use the bank interest to pay the house Interest and don't pay interest from my money Jazakumu Allah Khairan

My Answer:

Dear Br. Hosam

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

If you want to buy a house here in the USA can't you withdraw your money from the bank in Palestine to pay for the house here? Also is your money deposited in a bank in the part of Palestine occupied in 1948 or in an Arab bank in the West Bank or Ghazza? In the West Bank and Ghazza there is an Islamic Bank and it is Haram to deposit money in an interest-bearing account in an Arab bank there because You have the choice to deposit in an Islamic bank on the basis of Mudharabah or profit sharing and getting a Halal return or profit on it. If your money is in the West Bank or Ghazza you Must put it in the Islamic bank. If your money is tin the 1948 Palestine, you Must take the interest on it from banks in that occupied territories and you must NOT leave the interest to the bank, TAKE IT AND GIVE TO ARAB/ISLAMIC CHARITY INSIDE PALESTINE WHERE IT IS MORE AND DIRELY NEEDED. THIS APPLIES ONLY IF YOU CANNOT PUT YOUR MONEY IN A BETTER AND HALAL INVESTMENT INSTEAD OF PUTTING IT IN A BANK THAT IS PART OF THE OCCUPATION ESTABLISHMENT.

And if you can withdraw your money from the SUCH BANKS TO PAY FOR YOUR HOUSE HERE IT MAY BE EVEN BETTER.

For your specific question, the answer is NO. You cannot use the interest you take there to pay for the interest you may have to pay here on a mortgage loan for your house here, because the interest you got there is not yours from Shari'ah point of view and you have to put it in charity only to avoid mixing it with your money proper. The interest you may have to pay here is an obligation on you that must be paid from your own money not from money you do not own.

Further, you must ask the question of whether it is permissible for you to buy a house here with interest. Do you have a big family and difficulty in renting and in finding good schooling for your children and decent and safe living area for your family? all these to the extent that the conditions if the Fatwa about buying houses in America with interest apply to your case.... did you give sufficient consideration to question yourself about it?

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Borrowing on interest from one's own 401K account

From: dialogue@islam-online.net

Date: April 30, 2001

Name of Questioner Omar Country U S

Question:

Salam I work for a company in the United States that offer a retirement plan known as 401k plan investing in stocks. As an employee I am eligible to borrow half of my amount invested. However, part of the borrowing conditions is you return the money over a certain period of time and you are charged interest on the money. The interest is paid to your account (this is the key issue here). The principal and the interest go back to your own investment plan. Is borrowing the money acceptable? Salam Omar

My Answer:

Dear Br. Omar

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

The funds you contributed in a 401K account is completely yours, although there area few restrictions on your withdrawal and all can be solved by a penalty. These restrictions aim at the tax issues. They are not restrictions from the point of view of ownership.

However the funds contributed by the employer do not become yours unless you fulfill certain conditions. You do not own the employer's contribution until these conditions are fulfilled. In a sense they are only Amana (trust) in your account until these conditions are fulfilled.

Usually, all earning in the account are yours.

What does that mean? It means that any amount you put in that account is yours, you name interest it is OK. It doesn't matter even interest is permissible within your own properties. Suppose you own 2 companies with different ID numbers and different legal entities, but you own both of them completely and it helps you in taxes or for any other reason to pay interest from one to the other. That is also permissible.

In the case of the 401K you are paying interest from one account that you own (your personal account with your bank) to another account that you also own. That is permissible.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Gradual elimination of interest-based borrowing in Muslim countries

From: dialogue@islam-online.net

Date: April 30, 2001

Name of Questioner arsal Country. Pakistan

Question:

We have a textile processing unit in ----------, Pakistan. We are under big debt of banks interest related. We want to get rid of it now, but the nature of business is such we cannot get rid at once. What should we do? Please do not publish the question on the et/website.

My Answer:

Dear Br. arsal

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

Allah Ta'ala ordained that we MUST quit Riba at once and get rid of any remnant of it. Otherwise it is a real WAR From Allah and His Apostle. The tribe of Thaqif in the City of Ta'if had lots of funds given on Riba and many people in that tribe had Riba as a major part of their

income they asked the Prophet, pbuh, to relax for them this prohibition, even for a year or two and they will become Muslims. THE PROPHET, pbuh, REFUSED.
Dear Brother, Pakistan has several Islamic Banks established in the private sector and its major banks must have mended their operations to conform to Shari'ah after the famous ruling last year of the Supreme Court, haven't they? I am sure if you try hard with seriousness you will find Islamic financing in place of the Riba in Pakistan, and you MUST.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Student loans
From: dialogue@islam-online.net
Date: April 30, 2001
Name of Questioner sameer Country Canada
Question:
Can I take a student loan to study? I have university degree in accounting
and I'm thinking to study information technology as it will be helpful for me to find a better job...I can't study on my own account because it costs too much, so can I take a student loan to do so?. the government gives us 6 months with no interest to pay it back after that we pay interest if we couldn't pay it during the 6 months .. kazak Allah Khairan..
My Answer:
Dear Br. Sameer
Assalamu Alaikum wa Rahmatullahi wa Barakatuh.
Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.
It is always good to find ways and means to improve one's job and income and this is a very good attitude that you are taking.
If you are very sure that you can pay the loan back in six month, my answer would be yes it is permissible to take a loan that gives you the option to pay it back within six month (a period you are very sure it is sufficient to pay back the loan) or pay interest if you don't pay within that period. This becomes like a credit card condition that if you pay within the grace period (usually 25 days) there will be no interest charged on purchases you make using the cards and if you delay you have to pay interest. We give the Fatwa that this is permissible, to take the card and use for purchases (not for cash withdrawal because cash withdrawal triggers interest immediately) IF YOU ARE VERY SURE YOU CAN MAKE PAYMENT WITHIN THE GRACE PERIOD.
In my opinion it is difficult to claim that in the case of student loans, you can be very sure you can pay the loan within the grace period unless you have some other standby source to pay the loan from (family or friends who can support you in case you could not find a high paying job quickly enough). If you think to pay the loan from your future employment within six month of graduation, forget it, you CANNOT, hence you cannot be very sure to do that and TAKING THE LOAN BECOMES FORBIDDEN.
TRY WORKING PART TIME WITH YOUR ACCOUNTING DEGREE, WITHOUT SUCH A LOAN.
Wa Allahu A'lam
Wassalam

Sincerely,
Dr. Monzer Kahf

SUBJECT: Interest-based loan to start a business
From: dialogue@islam-online.net
Date: April 25, 2001
Name of Questioner Muslim Country
Question:
Assalamu Alaikum. Could the Muslim take the loan from Haram Riba bank if there are not any Islamic bank in his country and this is the only way to start own business?
My Answer:
Dear Sr.
Assalamu Alaikum wa Rahmatullahi wa Barakatuh.
Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.
NO. The answer is in fact BIG NO. The domain of the prohibition is exactly to avoid this, so that Muslim make their business on real and within their reach foundations. Further the prohibition of Riba is one of the strongest prohibitions in Shari'ah. The Qur'an declares a war from Allah and His Apostle on those who make Riba-based transactions.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Interest-based loan to open a business
From: dialogue@islam-online.net
Date: April 14, 2001
Name of Questioner Ameer Country U S
Question:
I live in America and I would like to open a business but I don't have enough money to open it on my own or with a partner and on the rat that I am going it would be a long time to do so and with the inflation of prices that we face now that means never and the business that I intend to open is Halal and that mean Halal jobs for my Muslim brothers but the only way to do so is buy obtaining a loan from bank with interest, and by the American low part or whole of the interest is tax deductible that mean they take it away from the tax what is the Fatwa for that. thank you for the answer
My Answer:
Dear Br. Ameer,
Assalamu Alaikum wa Rahmatullahi wa Barakatuh.
Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.
The Fatwa is that interest-based transactions are forbidden in Shari'ah and Muslim must avoid them as much as they can in all their activities and contracts whether with Muslims or with non-Muslims, in the Muslim countries or in any other country. You should also know that certain prohibited thing may be permitted under the pressure of necessity, and in what you described I DO NOT SEE ANY NECESSITY.

By the way you need to improve your English a lot, aren't you new in the States? My personal advice to you is to stretch your business only as much as you have funds, don't go outside your reach and don't borrow from any bank, nor any other entity or person.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Student loans
From: dialogue@islam-online.net
Date: April 10, 2001
Name of Questioner Ahmad Country Egypt
Question:
What about a loan for study in U.S.A because I study there and it is very expensive
My Answer:
Dear Br. Ahmad
Assalamu Alaikum wa Rahmatullahi wa Barakatuh.
Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.
Any loan that carries interest is Haram regardless of the purpose of the use of the money. An interest-based student loan is forbidden and Allah Ta'ala threatens war fro Him and His messenger for those who deal in Riba which is any increment in a loan, for students or otherwise.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Use of earned interest
From: dialogue@islam-online.net
Date: March 31, 2001
Name of Questioner Bashir Country S A
Question:
Is money acquired as interest from bank savings permissible for use to pay personal income tax? As a Muslim living in a western environment banks are used as to facilitate money transactions primarily and to keep money safely. That it has attracted interest had been the intention. As Salaams.
My Answer:
Dear Br. Bashir,
Assalamu Alaikum wa Rahmatullahi wa Barakatuh.
Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.
Interest money acquired from conventional banks is the same Riba as mentioned in the Qur'an. The OIC Fiqh Academy studies this matter in details and issued a clear resolution to this effect. It was also declared so by Majma' al Buhuth of al Azhar since 1965.

It is Haram to take this money and if it were not from conventional banks, who are professional Riba dealers, the Hukm would be to return it to the payer.
Obviously, it is foolish to return it to Riba dealers, then the Opinion of the overwhelming majority of Muslim Scholars is to give it away for charity and general welfare of Muslims and Muslim communities. The Hukm is the same whether it is in the West or under western culture of in Muslim countries. You have to give it away so that you keep you own money and property clean and pure InShaAllah, you can't use it for paying taxed or even bank charges because it is not your money, you don't own it in accordance with the Shari'ah rule; and these payments are due on you either by virtue of contracts or of residency in certain location.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Getting an interest loan to pay a due loan
From: dialogue@islam-online.net
Date: March 28, 2001
Name of Questioner MOHAMED Country Sri Lanka
Question:
I borrowed an amount of Dirham. 3,000.00 six month ago for some urgent works. Now he needs the money. I am not in the position to give that money. Only way is to withdraw the money from credit card and pay. When I withdraw money from credit card, bank will charge interest on that. Please advice me in this regard whether can I take money from credit card or not? Salaam
My Answer:
Dear Br. Mohamed
Assalamu Alaikum wa Rahmatullahi wa Barakatuh.
Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.
The loan you have is due when the lender asks for it. This is the nature of lending is Shari'ah when it is not attached to specific promise of postponement or given for a special purpose known to the lender, that can only mature after a given period of time that is known to the lender. In other word, general purpose loan does not have a maturity date. It can be called for payment by the lender any time.
If you cannot pay, with full honesty and your utmost effort, the lender is required to wait on you until you can do it as Allah, Ta'ala says in the Qur'an.
Getting an interest-based loan through credit card or any other means is not an option for Muslims in their borrowing/lending relationships. This is not a necessity that allows interest-based borrowing.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Interest-based loan to protect one's business form bankruptcy

From: dialogue@islam-online.net
Date: 3/27/2001
Name of Questioner Muslim Country. US

Question:

Salamu Alaikum I have a terrible situation developed. I have a friend who is an excellent practicing Muslim. This friend had started a business that can be highly profitable and purely Halal. In order to get off the ground, though, he needs a hefty investment. No one within our community can offer the funds. If he does not get the funds, he may go bankrupt. In cases like this, is it allowed for him to take a business loan from a bank? Of course the loan will have Riba. Can you think of another alternative (i.e., any Muslim organizations that assist entrepreneurs with monetary needs).

My Answer:

Dear Br.
Assalamu Alaikum wa Rahmatullahi wa Barakatuh.
Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.
I am too fearful to give a Fatwa on this issue. I know that protecting one's property and reputation (avoid bankruptcy) is one of the Maqasid of Shari'ah, but the Fatwa we have goes to the extent of interest-based mortgage for those who really need residences in a reasonable manner.
It is up to you brother, try your fellow Muslims and ask your heart if it is very crucial to protect this business and your reputation from bankruptcy.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Getting a usufruct as a benefit from a loan
From: dialogue@islam-online.net
Date: 3/23/2001
Name of Questioner Kamaludeen Country India
uestion

Assalaamu Alaikum. Here is a common practice of giving one's house to the use of second party on lease for a specific period (say one or three years), by collecting a good sum of money from the second party. The second party uses the house and he does not have to pay the monthly rent to the building owner but he has to do routine maintenance works of the house. While vacating the house, the second party gets back the initial lease amount he paid, from the building owner. Is this practice allowed in Islam?

My Answer:

Dear Br. Kamaldeen
Assalamu Alaykum wa Rahmatullahi wa Barakatuh.
Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.
This practice is known in Fiqh as Bay' al wafa'. The OIC Fiqh Academy issued a resolution declaring it Haram because the benefit of the house the lender gets for the period of the loan is Riba. Riba may be an amount of money or any other material benefit or usufruct. The general

rule in Fiqh is that any conditioned material benefit brought about to the lender by a loan is Riba.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Contribution to Muslim organizations whose sources are from banks
From: dialogue@islam-online.net
Date: 3/20/2001
Name of Questioner Aihab country USA
Question:
Assalamu Alaikum, I am the treasurer of the Muslim organization on my campus. And because of our status as a religious organization a special fund was setup for organizations like ours. I asked where the money comes from and was told that through the deal that the university has with a bank, that for each university credit card that is issued the bank will give the university a fixed amount of money, I believe $5 per card. My question is would it be okay for us to use this money, even though it has some sort of connection to Riba?
Notes: the university has a credit card that is sponsored by MasterCard. So the way it was explained to me was that they give to university money for every card issued. This fund is the only fund through the university that we can use and without it, it would be extremely difficult to put on our events. Please give me any information to the best of your knowledge. If anything is unclear or if you need more information please ask. I look forward to your response. Jazakumu Allah Khair
My Answer:
Dear Br. Aihab
Assalamu Alaikum wa Rahmatullahi wa Barakatuh.
Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.
Why do you ask question that you do not need their answers and have no use for them? The University gives your organization and you know the university is not a thief that steels its money. It is none of your business where it gets its money from. This donation from the University is Halal for the organization and also Halal for any of you if she/he get a scholarship from. Invite for a lecture and pay me Honorarium from this money.
Additionally, you have no right to assume that all money that comes from a bank is Haram. All banks have several kinds of revenues that are permissible, such as commissions on transactions, differences in foreign exchange holdings, fees and charges on accounts services, (other than what is on lending money) rent for deposit boxes, fees on credit cards, etc. In other words, as long as you do not know for sure that a given dollar you receive is itself coming from Haram you need not to worry as long as the service you do or the commodity you sell for that dollar is permissible.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Can earned interest be used to pay due interest?

From: dialogue@islam-online.net

Date: 3/2/2001

Name of Questioner Faiz

Question:

Since I am an expatriate and there are no means to do monetary transactions using Islamic Banks, I am forced to maintain an account in a non-Islamic Bank. Can I use the interest obtained from this account to pay back the interest incurred (even by others) on loans from such Banks? Is this not a good way to deal with interest, as one is not using the interest gained from ones account and at the same time is not giving interest (to the Bank) from your Halal money? Can the money from interest be given to help the poor ? Jazakumu Allahu Khair.

My Answer:

Dear Br. Faiz

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

Interest money you get from a conventional bank is not yours because Riba is not a reason in Shari'ah to transfer or to earn property. Interest that came under your possession because of a Riba-based transaction with a conventional bank is not yours and you are not its owner. The fact is that is belongs to the natural or legal person that paid it to you, in this case the bank.

Money and any property that come under your possession that is not your, belongs to its owner and the Shari'ah requires returning it to its owner. BUT WAIT A MINUTE NOW! This money came to you from a bank whose business and main activity is to give loan and take deposits, both on Riba and under a law that permits such transaction. We Muslims must not fool ourselves and naively return the earned interest to a Riba-based bank. it will only increases its ability to make more Riba transactions and will give him your money with no cost. Thai is why the Fatwa of many and most renowned scholars came to the effect that we must give such interest to charitable and general Islamic services organizations, DEFINITELY NOT TO ANY INTEREST BASED BANK.

BUT you must remember that since it is not yours, you cannot use it to pay your bills, nor to pay Zakah, nor to pay Kaffarat, nor to pay Sadaqah and you cannot use it to pay for any obligation you incur by freely entering in a Riba-based contract. The Shari'ah ruling is that entering in a Riba-based contract to take a loan in forbidden, and it is forbidden too to use interest that came under you possession (and remember it is not yours) to pay the payable interest you created by the forbidden contract. All these must be paid from your own money. You give it away only to keep or preserve your own money clean of its sin.

You cannot use interest money to derive any benefit except the reward from Allah in keeping your own properties clean.

Even an oppressive tax must not be paid from earned interest, because to say that a given tax is oppressive is judgmental and it is also on other people like you and the point that you earned interest must not give you any edge over people of cases similar to yours. Sadaqah must be paid from you own money so that you get the reward, InShaAllah, from Allah for sacrificing part of your properties for His sake.

Wa Allahu A'lam

Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Destitute taking loans from governments

From: dialogue@islam-online.net
Date: Feb. 28, 2001
Name of Questioner nissar Country India

Question :

The Govt. here has started some schemes to lends loans to the under privileged youngsters, it also provides the claimants with subsidy to the loan. I am one of the kind without any support from any sources. Should I go for it.

My Answer:

Dear Br. Nissar
Assalamu Alaikum wa Rahmatullahi wa Barakatuh.
Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.
If you are really destitute and have no other support and you cannot reach any of the Islamic organization, cooperatives, Amana or Amin Islamic quasi bank, Yes you then can take as much as can make you stand on your feet and make a small business that provides you with an income sufficient to pay the loan and its interests and for your sustenance.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Disposing of earned interest

From: dialogue@islam-online.net
Date: February 28, 2001
Name of Questioner mohideen Country

Question:

Assalamu Alaikum I have two questions, 1) I am living in non-Muslim country I have an account in a bank, yearly they are giving interest for my saving account. What can I do for this interest money? Can I give this money to any poor people in any religion, poor people in any Muslim or my family, to build mosque, to use any public development? 2) I read in Internet about Qadiani Muslim community (ahmadiyyat, Qadianism), please explain to me about them, who is that, what they are telling about Islam and Qadianism? There is no prophet after Muhammad (sws) so who is this Mirza Qhualm Qadiani? I heard about they are destroying/modifying translation of Qur'an also is it true? They have web side also (www.alislam.org) thanks.

My Answer:

Dear Br. Mohideen
Assalamu Alaikum wa Rahmatullahi wa Barakatuh.
Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.
Interest money you get from banks in non-Muslim countries must be spent on any charity, similar to the charities of the distribution of Zakah. You may give to a poor person, even a

relative except those you are required to support, such as poor parents. You can give to projects that help Muslims at large in your country and outside, better give it to Muslims, though it is permissible to give it to non-Muslims. The matter is that Muslims are among the poorest in the world today and there are many other charitable resources available to non-Muslims.

BUT BEFORE EARNING INTEREST YOU ARE REQUIRED BY SHARI'AH TO MINIMIZE YOUR INTEREST EARNINGS AS MUCH AS YOU CAN, by reducing the money you deposited in banks, making other investment projects and spending on your family and on Sadaqat.

2) I am not an expert on Qadianism. The following is a brief position of Islam on them: They believe that Mirza Ghulam Ahmad received revelation from Allah, and that he was a Prophet. They made a translation of the Qur'an, by Muhammad Ali, that is not accurate on the point that Muhammad bin Abd Allah, is the last and seal of Prophets in order to accommodate their beliefs. In Pakistan their was a big struggle in the early 1950s because the government did not then consider them as a non Muslim minority. Street demonstrations and effort of Ulama and Muslim leaders like the late Maududi forced the government to treat them as non-Muslim minority.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Depositing in interest-based accounts

From: dialogue@islam-online.net

Date: February 15, 2001

Name of Questioner wael Country Egypt

Question:

What about someone wants to put his money in the syndicate and he knows that they will invest it in the bank.

My Answer:

Dear Br. Wael

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

Your question needs certain explanation. What is the purpose of putting money in the syndicate? What is a syndicate? Is it what we call in America trade union: an association of workers? Does the trade union distribute any returns to members? Is putting fund voluntary or obligatory? And is membership in this syndicate obligatory or not? All these affect the Hukm.

Let me assume that you are not obligated by law to put this fund and that the syndicate uses the money to invest for its members and distribute most of or all the return to depositors and that it puts the money collected for interest in a conventional bank (not an Islamic bank). Under these assumptions, it is Haram to deposit in this kind of syndicate, and it is Haram to get any part of the return. The OIC Fiqh Academy has ruled that banks' interest is Riba and is forbidden. So did Majma' al Buhuth in al Azhar in 1965.

Wa Allahu A'lam

Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Can you put your savings in CDs?
From: dialogue@islam-online.net
Date: 2/12/2001
Name of Questioner mazen
Question:
I am a married student with a child living in the US with no source of income. I have an amount in the bank to support me and my wife until we both finish our education. I wanted to ask if I was allowed to put some of the money in an interest bearing certificate of deposit, "CD" or interest bearing account in order to help me make some income while I am still jobless. The CD's can be for periods of one to twelve months, the longer the time, the higher the return. Please advise me and Jazakumu Allah kull Khair. Mazen
Notes: The money has been in the bank for a while. We do not use for any purpose other than spending and paying the tuition. If you have any questions, I will answer them.
My Answer:
Dear Br. Mazen
Assalamu Alaikum wa Rahmatullahi wa Barakatuh.
Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.
The principle is to deal with Islamic banks only and any income you earn through their investment schemes is Halal InShaAllah. A Muslim must not deal with conventional banks unless for removing difficulty or hardship such as needing banks transactions caused by the prevailing lifestyle coupled with lack of Islamic banks or insufficiency or incapability of Islamic banks to offer equivalent services the lack of which makes handling your monetary transactions tangled with hardship or difficulties. This case applies to almost every Muslim living in the Western hemisphere.
This means: It is permissible to deal with conventional banks for us Muslims in North America. Two rules come out of that: 1) we must keep our transactions with conventional banks to the minimum that we need, and 2) do not allow yourself to be fooled or taken advantage of by a conventional bank. If you have to deposit a large sum, put it in a money market account or in an interest-bearing account and give away all the interest earned to Islamic charitable or general service organizations. Interest earned is not Halal to add it to your property, and you need to keep your assets clean of it. It is permissible for such organizations to take and spend it on the poor and needy and/or on activities of general services to Muslims (Fi Sabil Allah).
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Earning interest, disposing of earned interest and paying interest
From: dialogue@islam-online.net
Date: 1/31/2001

Name of Questioner: Mohamed

Question:

Assalamu Alaikum The question concerns Interest or Riba. What shall I do with the Interest I earn from the banks in India. I am not using it for my personal use – should I just leave it at the bank or can I use it for some purpose. Secondly for most of the things like a House, Car or Motorcycle you have to take a loan – is it permissible.

Dear Br. Mohamed

Assalamu Alaikum Wa Rahmatullahi Wa Barakatuh

My Answer:

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah

1- Earning interest Is not permitted in Shari'ah. And normally there are no reasons why a Muslim person should earn interest. Muslims are required to use their money, funds and properties in businesses and investments that are compatible with the Islamic Shari'ah. Earned interest does not become a property of its earner because an interest-generating contract is not a means for earning. In other words earned interest is not yours and the principle is that you must return it to the person who paid it.
2- If for any reason a Muslim happened to have earned interest we must look at the ruling on returning it within the realm of the Objective of Shari'ah as well as the specific positions of the minute issue on hand. Earning interest from a person who sells permissible goods is different from earning it from a person whose business is to lend money on interest, especially banks whose basic and dominant activity is to earn interest from people with whom they deal.
2- Thus retiring earned interest to a person (a bank is also a legal person) who makes his income from lending on interest defeats the very purpose for which interest is prohibited and increases the power and income of those who actively spread the evil of interest.
3- Therefore, the ruling of the Second International Conference on Islamic Banking held in Kuwait in 1987 (may be earlier) which was attended by many Shari'ah Scholar came to not permitting returning earned interest to conventional bankers, instead we must apply to such earned interest another Shari'ah rule that requires giving away to general charity any Mal Haram, that happens to come under the hand of a Muslim (remember that it does not become a property of the Muslim, so it is not his) , and It better that such Mal Haram must not be given to a Mosque just for keeping it Tahir (clean).
4- Buying cars, houses and other properties on interest-based financing is also not permitted in Shari'ah, and all Muslim in an area are required by Shari'ah to establish Financial institutions that provides financing on Islamically acceptable grounds. This is with no doubt a Fard Kifayah in our days since financing has become a necessary part of contemporary life.

   Until such institutions exist, The First International conference on Fiqh in the USA held in Oct. 1999 rightly resolves that for important things like housing for families who needed them interest-based borrowing is tolerated until Islamically- compatible institutions are established.

Wa Allahu A'lam

Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Students' loans

From: dialogue@islam-online.net
Date: 1/27/2001
Name of Questioner Rani Country UK

Question:

Assalamu 'Alaikum. An issue has risen in regards to the position of Islam regarding student loans which have an Interest linked to inflation. So what is the Shari'ah position regarding this type of interest? (See notes)

Notes: The rate of interest charged on loan balance will be equivalent to the rate of inflation. This will mean that what you repay will be no more, in real terms, than the amount you borrowed. The rate of inflation is measured according to the Retail Prices Index (RPI), which varies from time to time. The rate will be set out in the regulations each year. From 1st September it 2000 will be 2.6%. In other terms it is like giving you a loan to what is equivalent to 2g of Gold and I tell you repay me after 1 year the money which is equivalent to 2g of Gold .. So if the gold becomes more expensive you end up
paying me more than you borrowed.

My Answer:

Dear Br. Rani
Assalamu Alaikum wa Rahmatullahi wa Barakatuh.
Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

In lending the Shari'ah requires that a loan become due in the same currency by which it was given. At the time of payment it may be paid in any other currency, as long as it is paid at the exchange rate of the day of payment. Y cannot change what is due on a person, and any increment in what is due on a person is Riba.

This was easy to apply when gold and silver were the base of all currencies. The problem started when cheating in the percentage of pure silver in currencies began. Then you had the same Dirham, but not the same quantity of silver in it.

Then we got the paper currencies whose value (purchasing power) varies with changes in many variables the two parties to a loan contract usually don't have any control over. What do we do? We have to distinguish between two cases, high or big difference in the value of currency between the date the loan is given and date it is paid, and small difference. Small changes in the value of money are usually tolerated by people as we notice that they continue keeping cash and checking accounts when the inflation rate is small.

in Case of small difference in the value of money, the great majority of Muslim Scholars emphasize the principle that if a loan is paid in the same currency, it must be the same number of units regardless of the change in prices, We must notice that even gold and silver, when they were currencies, had also small changes in their prices from time to time. Any increment in this case is Riba, forbidden.

In case of big differences in the value of money between the day a loan is given and the day it is paid back, We have three opinions: 1) the main stream, you may also say Majority, Same

principle applies, Yet any substantial injustice to either party in a loan must be cured, through certain compromises, even if such compromises are imposed by the government, but injustices must be treated on a case by case basis because it is not always the same way or in the same direction and part of it is of the kind of normal expected and unexpected risk people usually undertake. This group object to any general measure, like indexation of loans and banks checking accounts, they argue that at time of high inflation Riba minded people love indexation because the real rate of interest is sometimes negative, i.e., inflation is more that nominal interest rate.2) some argue that unless the currencies canceled absolutely, payment of loans must be in accordance with number of units only regardless of value. 3) and some argue for general indexation.

Come now to the specific question, Increments in a student loan that charges an interest rate equal to the rate of inflation are a form of Riba. It is covered by the definition of Riba al Duyun as: any conditioned increment in a loan. Yet one may argue that while Riba is a price of Money through time, The compensation of inflation is not a price of money, it is rather a cost of lending.

The OIC Fiqh Academy, in five of its annual meeting, including the late one in Sept. 2000, could not solve this controversy, and I don't think is going to. I think it is a Riba, but lighter to tolerate than normal increment, that are not tied to inflation.

By the way, the example you mentioned of giving a loan the equivalent value of 2 ounces and getting back later the value of 2 ounces is not permissible. Shari'ah does not go by such assumptions. If you give dollars, by count, in a loan you just gave dollars and you only get back dollars, if you give gold, by weight, you get back gold too. You may not assume those equivalents why escaping the true, the fact, the real and go to "imaginations."

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

FATAWA INTEREST RIBA LOANS 2000

From: dialogue@islam-online.net

Date: December 30, 2000

Name of Questioner: Umm Amin

Question:

Then it would be Haram to take out more loans to finish school that was started before I was a Muslimah, but it would be acceptable to pay back loans very slowly and attend school very slowly, even though attending school might divert some of the money that would repay the previous debt sooner?

Notes: Assalamu Alaikum Sheikh Mufti Monzer Kahf Previously, you gave me answer A3EDC7. Of course, as a Muslimah, I would love to still attain high achievement. However, I prefer to obtain the ‘Ilm that is best for obtaining Jannah rather than for obtaining worldly things. As a new Muslimah, I have a lot of serious responsibilities that could have a lot of

consequences if I make the wrong choice, like a newborn baby boy, elhamdulilah, or learning the right path and avoiding the Haram. I have read so many Hadith that speak about how Riba will get us to hellfire. InShaAllah I can see how Riba paid from previous commitments might be unavoidable, but I am afraid of committing to more educational loans because they would be commitments to Riba now that I am a Muslimah and know it is Haram. The only means of attending school I have is through loans with Riba, or by attending at a very, very slow rate (MAYBE one class per semester). So I am not sure what a person in my situation should do, except to do my best to avoid committing more Haram with new loans and trying to continue at a very, very low rate to pay the loans, and of course, study. Of course, right now my husband is also seeking to improve himself, but his studies will also be slow because he has to work and learn the language here, too, InShaAllah.

My Answer:

Dear Sr. Umm Amin

Assalamu Alaikum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

Please allow me first to express my admiration about your commitment to find out the right path. This keenness is a major asset that many people lack. It is essentially important to find out the right thing and this is the meaning of Taqwa as defined By Umar, the Second Successor of the Prophet, pbuh. TO WATCH CAREFULLY WHERE YOU PUT EACH STEP.

Remember that becoming Muslimah removes all prohibited sins committed before Islam. You have to fulfill you obligation, though Riba-based because as a Muslimah you must honor your contracts, and this contract was done before Islam and under non-Islamic laws.

Now solving you present problems without any Riba or other prohibitions is required by Shari'ah, as much as you can. Allah, Subhanahu wa Ta'ala says: and he who fear Allah, Allah will make a way out for him, and will give him sustenance from where he does not expect, [65: 2-3].

Do your best to the best you can and make your intention to pay the previous loan as soon as you can, because this is also a Shari'ah requirement: that you allow the least Riba accumulation on your previous loan, and seek some grants, some better paying job, some help from the community, Muslim and otherwise, etc.

I would not say that a solution is to slow down on payment of old loans and to slow down on schooling together..... I would say to make your Niyyah first to do the most on both and to seek the different venues to helping doing them both as much as you can. And May Allah be in your help.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: **An interest-based loan before reverting to Islam**

From: dialogue@islam-online.net

Date: 12/22/2000

My Answer

Dear Sr. L.

Assalamu Alaikum,

Al Hamdu li Allah wa al Salatu wa al Salamu ala Rasuli Allah,
The loan you obtained before reverting to Islam is an obligation on you, and the Islamic morality does not permit abstention of repayment, with its interest after you become Muslim, even if that will take many years, and You are not making a sin by doing so, unless you can reconcile with the lender to give you a relief on the interest or part of it.
What surprised me is that you consider your reversion to Islam as the cause of not being able to continue your study, are you sure? I rather think that becoming Muslim strengthens your urge to study and to go to a higher level of achievement.
And May Allah be in your help.
Wa Allahu A'lam
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: disposing of earned interest
From: dialogue@islam-online.net
Date: 12/22/2000
Name of Questioner: Nayeem
Question:
What should we do to the interest amount that we receive from Banks. We cannot leave it as such with the bank as it is likely to be used in sinful tasks. Please answer in light of Qur'an and Hadith. Jazakumu Allahu Khairan
My Answer:
Dear Br. Nayeem
Assalamu Alaikum,
al Hamdu li Allah wa al Salatu wa Al Salamu ala Rasuli Allah,
The Qur'an clearly prohibit Riba. This is emphasized in the Sunnah. A correct Hadith puts the wrath of Allah on the person who receives Riba, the person who gives it and the writer of its contract
The definition of Riba, as derived from both language and actual practice When the Qur'an came, is: any increment made as a condition in a loan. (another Hadith adds Riba al Buyu' which is outside our subject now). This means that interest practiced in conventional banks is Riba. This is confirmed in one of the resolutions of the OIC Islamic Fiqh Academy.
One of the implications of this prohibition is that if for any reason a person received any amount in Riba, the amount must be returned to the payer because it was paid by means of unlawful contract. This is one of the known rules of Shari'ah that is derived from several texts and from the very logic of prohibition, i.e., an unlawful contract does not produce any effects and situation must be returned to the way it was before the contract. Such an amount (the Riba) is not earned by the receiver and must not become part of the receiver's property; it is a Mal Haram.
Notice now that we have two things that are not really equal: 1) to return the Riba to its payer, and 2) not to let it mingle with your own money. Suppose a case happened that you do not know the payer, or that the payer disappeared and left no agent of heir, you are still required to get rid of the obtained amount of Riba. Here again comes the Fiqh. It is known that the Shari'ah

forbids destroying any property unless it is harmful on its own merit (such as alcoholic drinks). Then the only solution is to give away that amount of Riba to people who can use it without being forbidden for them, these are poor and needy and other general causes of benefit to the Muslim community.

Finally, we know for sure the payer of this Riba, a conventional bank known to us. Do we give it back to the bank? Knowing that it increases its ability to practice the evil of Riba since it is made permissible by many man-made laws....The Fiqh opinion must be prudent and it is not prudent to give it back to the bank. Here comes the opinion that: the principle is that a Muslim must not enter into a contract that earns her/him interest, and if for any reason that happens, she must give it away to general causes of the Muslim Ummah, including relieving the poor and needy. This opinion is actually unanimous between classical and contemporary Fuqaha'

I like to add that it is true a conventional bank uses the money deposited with it, but it uses that money, basically to give loans and earn interest, which is also Haram. The main business of a conventional bank is to obtain fund in interest and lend fund on interest. One must not be deceived by the term banks use for their lending, they call it 'investment." It is in fact lending to people who make investment in the different sectors of the economy.

Wa Allahu A'lam,

Dr. Monzer Kahf

SUBJECT: Interest-based loans to establish a business

From: dialogue@islam-online.net

Date: 12/22/2000

Name of Questioner: Ally

Question:

I want to establish a project (industry) the cost of project is one million us dollars, I have half million, I need another half million to complete my project, I sought loan from a bank, bank can give a loan, but they charge interest, Can I seek loan from bank while they charge interest to complete my project? And I have no other alternative rather than bank. * Here in Tanzania we do not have Islamic banks.

My Answer:

Dear Br. Ally

Assalamu Alaikum,

al Hamdu li Allah wa al Salatu wa al Salamu ala Rasuli Allah,

Banking interest is the same Riba that is prohibited in the Qur'an with a war announced from Allah and His Messenger, on those who indulge in Riba.

You have to find other way to make business such as partnerships, common stock companies, personal loans, Islamic financing from overseas Islamic banks, etc. and You really have to be creative while always seeking the help from Allah who promised to help those who sincerely ask His help.

Wa Allahu A'lam,

Dr. Monzer Kahf

From: dialogue@islam-online.net

Date: 12/18/2000

Name: Sarah

Question:

Dear Sir, I am about to go into business with my mum. I have recently converted to Islam and am trying to change my life to make it as good as I can. My problem is that the business that we are about to go into requires my mum to take a loan out for the machine involved (it is a type of laser hair removal). This involves interest and although this does not bother her it does bother me. The loan is hers but the machine will profit me, and we will be partners in the business. Is there a way to make this Halal? Would it be okay for me to manage the business and be paid a wage? I would be grateful for any suggestions that you have. Thank you, Sarah Elliston

My Answer:

Dear Sister Sarah:

Assalamu Alaikum and Ramadan Mubarak,

My Answer: Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah,

We know in Fiqh that there are opinions that prohibit a Muslim from becoming a business partner to a non-Muslim on the ground that the latter may make certain Riba-based transaction within the partnership. I mean to say that Riba is one of the worst sins and we like all lives, of Muslims and non-Muslims, to be pure of it. This is without really violating the known rule that non-Muslims are only addressed with the call of faith in the Oneness of God and the acceptance of His messenger, not by the detailed Shari'ah rulings. This means that a non-Muslim is not asked to follow these rulings before she becomes Muslimah.

You have one of four solutions, I put them in sequence of preference: 1) Find an institution that provides Islamic financing such as an Islamic bank or an Islamic financing cooperative. 2) Try to get the machine you need for the partnership business on lease. You know that the prohibition of Riba does not mean that financing is free. It only means that financing by means of lending does not entitle the lender to any increment above the amount of loan. Hence, if financing is done by means of leasing or installment sale from the seller of the machine, even at a deferred price that is higher than what would be the cash price, is permissible. This means that according to Shari'ah financing may have a price or increment above its principal through leasing, installment sale and other financing modes that are compatible with Shari'ah. The Explanation of the rationale is outside the limit of this brief Fatwa. 3) You enter the business as a salaried employee, and it is none of your business nor responsibility what does the employer do. 4) You let your mother get the loan on her own, not on the partnership business, and consider the machine and whatever added cash she may contribute as her share in the business capital. In this case the loan is not taken by the business but rather by your mother personally.

Wa Allahu A'lam,

Your Brother,

Dr. Monzer Kahf

SUBJECT: How do I convince them to stop taking interest from the bank?

From: dialogue@islam-online.net

Date: 12/16/2000

Question

I'm married and live with my husband in Singapore. My in-laws live in India. We visit them once a year. My in-laws take interest from the bank. Is it permissible in Islam for us to accept my husband's share of property from them or for that matter even eat food from them? How do I convince them to stop taking interest from the bank? It will be very kind of you if you could answer this as early as possible.

My answer:

Dear Sister Hina,

Assalamu Alaikum and Ramadan Mubarak to you and your family,

Al Hamdu li Allah wa al Salatu wa al Salamu ala Rasuli Allah,

May Allah Ta'ata give you the blessing and strength of this Glorious month of Ramadan and helps you in convincing your in-laws. You know sister that Riba (= interest) is one of the worst sinful matters and Allah announced a war from Him and His messenger on those who practice it, taking or given. If there may be some necessities that may excuse giving it sometimes when a person is in dire need, there are no needs for taking it as the late Maududi emphasized. Tell them also about 2 sayings of the holy Prophet, pbuh, one that Riba is worst than the worst kind of adultery (worse that making adultery with one's own mother) and the other is that when some people from the tribe of Thaqif asked the Prophet that they want to accept Islam but they need a relaxation on Riba because it was their business, he refused to give the excuse and told them no (we don't accept to become Muslim) until you quit Riba.

On the other hand, your in-laws may have thought of an excuse that since they live in a non-Muslim country and deal with non-Muslim banks, it may be OK to take interest from them. This is an idea put forward by Imam Abu Hanifah and is an opinion that we respect whether we agree with or not. My suggestion to you is to advise them and keep in your mind that they may be applying that opinion.

For your husband share of the interest, I advise that he gives it away to Muslim poor and needy preferably in India that has a lot of them.

As for eating with them, if all their income is from interest, if it is Haram for them, it is not Haram for you when they offer food to you as a guest, you may avoid that food out of piety but you are not obligated to avoid it as a guest especially if that upsets such persons who are close to you as your in-laws.

Wa Allahu A'lam,

Dr. Monzer Kahf

SUBJECT: Having a bank account in the West and earning interest

From: dialogue@islam-online.net

Date: 12/16/2000

Question:

Is about putting money in a (Western) bank. What does Islam and Muslim scholars have to say about putting money in a bank and receiving interest from it? Is this what is called in Islam al Riba? Jazacumu Allah Khairan.

Notes: In the western world you cannot put money in a bank without receiving profit from it each year. Moreover there is no other way to save money except in a bank

My answer:

Dear Br. Chaker

Assalamu Alaikum,
Al Hammed li Allah wa al Salatu wa al Salamu ala Rasuli Allah,
In the western world today one really has to have a bank account because it is difficult and inconvenient to live in the West without it. But there are accounts without interest and if one can live with a checking account that has only a minimum that does not charge you expenses nor earn you interest, it is the best solution.
Saving accounts, and some checking accounts give interest and these must be avoided as much ad possible, and you should find yourself investments other than in banks' interests such as permissible stocks, businesses, real estates and others.
But if you have no better choice and happened to earn interest, or if the type of account that is convenient to you is the one that gives interest, then, you should give away that amount of interest you earn to a Muslim charitable or humanitarian cause anywhere in the world, your choice. This is required to keep your money and assets clean and pure from the wrath of Riba. Yes, interest is Riba that is mentioned and prohibited in the Qur'an.
Wa Allahu A'lam,
Your Brother,
Dr. Monzer Kahf

SUBJECT: Definition of Riba in debts, alternatives and exceptions
From: scitech@islam-online.net
Date: 12/7/2000
My answer:
Dear Brother,
Assalamu Alaikum,
Your question is about Riba.
Al Hamdu li Allah wa al Salatu wa al Salamu ala Rasuli Allah,
Riba is any contractual increment in a lending relation. It is prohibited and considered one of the worst sins and disobediences to Allah. The parties to a Riba-based contract are declared war on by the Almighty God and His messenger (the Qur'an, 2: 279). The Prophet, pbuh, put the wrath of Allah on the person who takes Riba, the one who gives it and the person who writes its contract. The Prophet also classified dealing with Riba as worse than adulatory both sayings of the prophet rank correct.
Bank's interest is plain Riba, no more, no less, because the relation is a lending relation and there is an increment. Although the matter is so clear from the definition of Riba, the OIC Fiqh Academy discussed it in one of its meetings and resolved that: "banking interest is the same as the Riba that is made prohibited in the Qur'an."
The prohibition of Riba does not mean that financing is free; it rather means that financing has to take other forms and other venues. Permissible venues include leasing, if no other conditions that violate other rules of Shari'ah are attached to it, deferred-payment sale or installment sale, and equity financing.
Of course, the Shari'ah has a general and basic objective that its rulings are always for the good of people, women and men, in both this life and the Afterlife. One of the Shari'ah rules is that any prohibited thing may be relaxed in case it becomes necessary. For instance, a person lost in a desert and in need to drink for survival, may take alcohol if nothing else could be found. Such

a relaxation of prohibition is certainly restricted to the amount of necessity and each person must find out his/her limit of necessity on her/his own self, keeping in mind that God is the one who is going to judge and Allah cannot be fouled by a false excuse. In other words, anything made under the rule of necessity should be made only to the limit of necessity, no more.
Buying a car with an interest-based loan from a conventional bank is a Riba-based transaction. One has to find some other form of contract, some sale opportunity that give financing without interest, try to always save more for buying cash, and with vivid consciousness apply the rules of Shari'ah, including the necessity rule.
WA Allahu A'lam
Monzer Kahf

SUBJECT: Is factoring a form of Riba?
From: Abdullah
Date: 10/12/2000
Dear Br. Abdullah
Assalamu Alaikum,
Thank you for your message.
The question about factoring is to my knowledge new for Muslim scholars, in fact this is the first time I hear of it although I claim that I am familiar with the banking practices in the US, I doubt that it is practiced by banks in the Middle East. I never heard of it in Saudi, Egypt, Syria and Jordan. I did not come across any writing in either Arabic or English about the Shari'ah position on factoring
In fact there are special insurance companies, mainly international, that give similar benefits. They guarantee the debt created on international importer by the import transaction so that the debt is paid on time to the exporter.
This is why I wanted you to explain it in writing. So an answer can be specific to the point. Any way let me make the best out of what I understood from you on the phone yesterday.
Factoring means: the creditor in a sale carries the bill of credit sale, or the promissory note (which was signed by the debtor) to the bank, and the bank guarantees its payment on due date, to the extent that if the debtor does not pay, the bank steps in and makes the payment to the creditor. The bank charges the creditor a fee which is usually a percentage of the amount guaranteed. You also added that this factoring service is provided by the bank to its customers (the creditors) against a fee paid on regular intervals, usually monthly, with the provision that if the creditor uses the service to the extent that the total individual fees of all transactions during the month exceeds the monthly amount the bank takes only those fees and forsakes the monthly charge, but if that total falls short of the monthly fee, the bank takes the latter, which is higher.
I added the words "promissory notes" because this is a known transaction. When there is a promissory note and the bank signs it, this is usually called acceptance, at least in some countries and creditors make it part of their contract with purchasers, The bank usually charges a fee to the guaranteed person, not to the creditor. This provision is known to the Islamic literature on banking, and if falls under the title of guarantee (673afalah) according to Shari'ah. it is permissible and there are differences of opinion among scholars with regard to the permissibility of the fees charged to the debtor.

Let us talk about factoring when there are no promissory notes and when the creditor is charged. The closest point that I remember is that of the fee charged to merchant who accept credit cards by the issuer of the card for providing them with the service of guaranteeing the payment of the amount charged on the card in their sales to the card holder. The only difference being that payment in credit cards in spontaneous while payment in factoring is postpones by virtue of the conditions of the sale contract itself, not by virtue of the bank garnet.

The fees on merchant in credit cards are approved in the writing of most scholars who wrote on credit cards, especially in the last few meeting of the IOC Fiqh Academy.

This means that if factoring is what is described above, it must also be permitted, because the difference is not related to the issue of guarantee itself and it does not involve any interest based transaction, although the price of deferred payment sale may be higher than spot-payment sale.

With my Salam and greeting to you Br. Abdullah, and please feel free to contact me any time

Sincerely,

Monzer Kahf

SUBJECT: Rationale of prohibition of interest

From: scitech@islam-online.net

Date: 10/4/2000

Question

Your question is about lending money against fixed interest to persons, non-Muslims, who buy houses for investment to make profit from buying and selling.

My answer:

Dear James

Selamet,

May all praise be to Allah Most Merciful Most Benevolent and may Prayers and Peace be on His Messenger Muhammad, his descendents and disciples.

In the Islamic Shari'ah, giving loans against interest, fixed or variable, is not permitted. The ruling is the same whether loans are given for investment or for consumption, and regardless of the trade of the borrower. The reason is, in brief, that such a deal is not balanced, you get return from the borrower whether she gains or loses and your principal is guaranteed. Besides when you give a loan your command becomes on an abstract right which is called debt rather than on a material asset. While a material asset may grow and the owner is entitled to its increment, a notional asset such as debt cannot grow in reality, hence its owner must not expect any increase in its amount

Shari'ah provides for alternatives to lending when it comes to running businesses. Recognizing that financing is one of the needs of businesses, that financing is intended to benefit both parties, and that debt does not grow (unless in an arbitrary and unbalanced manner as is the case of imposing interest on the borrower) Shari'ah permits sale with deferred payment (at a higher price than the cash price), leasing whereby the owner of the asset sells only its benefit or usufruct, and equity participation. Either of these forms of financing can be used and may benefit both parties.

Lastly, remember that the religion of Islam calls on all Muslims to abide by its Shari'ah (law) and

Allah, in the Qur'an, promised a great reward in this life and in the Afterlife for those who abide by the rules of Shari'ah. Islam does not apply the details of its laws to non-Muslims, whether they reside within a Muslim society or outside it, although we believe that these are rules that basically came from Allah the Most Almighty and Most Knowledgeable of what best suits women and men on this earth. And God knows best.
Sincerely,
Monzer Kahf

SUBJECT: Disposing of earned interest
From: scitech@islam-online.net
Date: 9/12/2000
Question
Your question is about interest generated in a bank in the U k on the account of the Islamic Center funds accumulated for establishment of a new Islamic Center.
My Answer
Dear Br. Morad
Assalamu Alaikum wa Rahmatullah wa Barakatuh,
Since you are dealing with a professional banker whose business is to lend on interest and to mobilize funds on interest too, there is no point in returning the accrued interest to the bank. This interest accrued to the account of constructing or establishing a mosque or an Islamic center is certainly impure. I suggest that the center must take this accrued interest, (i.e., it must not leave it to the bank which will use it to maximize its income through more interest-based lending), but also do not use it for the Mosque, especially prayers' hall, just to preserve the mosque completely pure, as much as we can. (Remember, even the disbelievers of Makkah did not use any Riba-earned funds in the reconstruction of the Ka'bah before Islam). Have the management of the center use this interest for the poor and needy, or add it to charity funds assigned to help people under stress and aggression throughout the Muslim world.
Sincerely,
Monzer Kahf

SUBJECT: Disposing of earned interest
From: Haroon
Date: 2/28/2000
My Answer
Dear Br. Haroon
Assalamu Alaikum
Yes, this is the pure Riba, nothing else. Riba is an increment (fixed or variable) in a lending relationship regardless of the personalities. The criterion of lending is that the principal is guaranteed by the borrower.
You may give it to charity or a Local Masjid, for the Masjid it is better to tell them it is Riba, so they do not use it for very respected things like payment to Qur'an teacher or carpeting the mosque. I said better because it is only better, as compared to obligatory, not to use such "dirty" money for such respected purposes

You are rewarded, InShaAllah, for keeping you money pure and clean, not for the charity itself…..This giving cannot be considered, say, part of your Sadaqah or Zakah payment…
Respectfully,
Your Brother
Monzer Kahf

SUBJECT: Opening an account with interest-based banks
From: Haroon
Date: 1/25/2000
My Answer
Dear Br. Haroon
Assalamu Alaikum,
Your letter was forwarded to me by Br. Dr. M., may Allah bless both of you.
1 – Placing funds in a Riba-based bank is not permissible if there are non Riba-based alternatives that provide similar conveniences. In the US today there are no other institutions, Riba free, that provide these services and they are very very useful that every body will suffer some kind or another of hardship should he/she refrain from opening a checking account. Therefore, it is permissible under the circumstances here in America. ANY INTEREST THAT MEY GENERATE TO YOU SHOULD BE DISPOSED OF TO AREAS SIMILAR TO THE MAIN RECIPIENTS OF ZAKAH (EXCEPT AL AMILIN ALAIHA).
2 – IT IS DELIGHTING TO HEAR NEW PEOPLE COMING IN THE FIELD OF Islamic economics and finance. The field needs a lot of effort as you very well notice. There are needs for more, big and aggressive Islamic financial institutions…..Go on and May the Almighty be with you.
3 – you really do not need to work in a Riba bank for that, because the experience is available and it is there to hire, this is not an excuse to work in a bank, with the reservation you said and knew, their sources of funds is mainly the Riba they gain…
4 – however, if you do not find other jobs except in a Riba bank and you need to work for survival, you can work in such a bank and be sure to avoid working in the department of lending because it is covered by the wrath (LA'NAH) mentioned in the Sayings of the prophet (pbuh)
5 – As you said there are a few Islamic financial institutions in America, there are certain legal difficulties for opening an Islamic (i.e., non Riba and non other prohibited transactions) bank that we Muslims need sometime to fight and challenge in the supreme court because they are discriminatory against our community in America, with the WTO and opening borders to financial institutions from other countries, it becomes easier to open branches for Islamic banks abroad, here in the USA. That might help a bit….
6 – Yes there are Islamic banks in the today's world; more than a hundred and fifty of them in countries spreading from Indonesia to Senegal, a few countries have even turned all their system into Islamic. They are Pakistan, Iran and Sudan. In Pakistan, the application was somewhat lame and incorrect, but the recent Supreme Court decision on it aims at correcting it and eliminating all remnants of Riba from its economy
Finally May Allah be with us always
Monzer Kahf

SUBJECT: Is interest a compensation of loss of value?

From: Zeeshan
Date: 12/8/1999

My Answer

Dear Br. Zeeshan
Assalamu Alaikum,
Your letter to Br. Dr. S. was forwarded to me to make a reply.
Inflation/deflation may happen even with metallic currency not only with paper money. It is more with paper because it is very easy for the government to produce it.
In Islam, governments are called upon to maintain the value of money as constant and stable as humanly possible. Even with that, still inflation may happen.
In the final analysis there is no way to protect oneself against inflation. Interest is definitely not a protection as very well observed in the economic history of any country with high inflation. The only way is to beat inflation with higher-return investment. In Islam investment is defined as not to include interest (Riba) producing instruments.
Inflation took place many times in the Islamic history, sometimes for economic reasons and sometimes by mal doing on the part of the government.
The crux of the problem with inflation is that it affects people in different ways according to their respective pattern of consumption and structure of asset holdings. Long-term financial obligations are the worst messy when long term inflation happens. The ultimate solution is a judiciary arbitration that distributes the burden of inflation fairly between the debtor and creditor.
Sincerely
Monzer Kahf