

first and because the price of the second has not been established.

(6) A city-dweller selling to a bedouin [outside of the city]: This is the sale wherein the seller sells the item for a price greater than its daily price [in the city while the bedouin is unaware of that fact].

(7) A brother selling against his brother in Islam: For example, he says to someone who is about to buy something for ten dollars from someone else, "I can sell the same to you for nine."

(8) Selling merchandise before one actually takes possession of it.

(9) *Bai al-Eenah*: This is where a person buys something from somebody else on credit and then sells it back to him for a lower cash price.

(10) Buying or selling after the second call to prayer for the Friday Prayer for the one who is obliged to attend the Friday Prayer.

Chapter Two: *Riba* (Interest) and Its Rulings

This chapter is composed of an introduction and the following three topics:

Topic 1: The different types of *riba* (interest);

Topic 2: The doors that Islam opens that frees one from *riba*;

Topic 3: Interest paid out by banks and its status.

Introduction

The Definition of *Riba*

Lexically, *riba* (ربا) means an addition or an increase. One says, “*rabaa al-maal*,” if the wealth increased or grew. It is used in a general sense to refer to any transaction which is forbidden.

In the terminology of the jurists, *riba* refers to an increase in particular things or a contract to exchange something particular but not for its known equivalent according to the criteria of the law at the time of the contract or with a delay in the exchange of both or either of them.

The Wisdom Behind the Prohibition of *Riba*

Islam forbids *riba* due to the following reasons:

(1) There is no relation between the effort put out and the return as the one who lends money on interest does not

expend any effort or work nor does he bear any risk, with respect to what he will earn and what he will own of gain.

(2) The society's economy will be depressed due to the lender's loitering and not working. They will be content with resting and laziness as they look forward to their profits from their interest and the hardships that they put on the debtors due to the interest requirements.

(3) The morale of the society will also collapse as there is no cooperation between its members; this will definitely lead to the breaking up of society and the spreading of rapaciousness and selfishness instead of sacrifice, love and giving to others.

(4) The society will be divided into disputing classes, a class of exploiters and rulers over capital and a class of poor and oppressed whose efforts and weariness will be exploited without due right.

Topic One:

The Types of *Riba*

According to most scholars, *riba* is of two types:

(1) *Riba al-naseeah*: *Al-naseeah* means delay and deferment. *Riba al-naseeah* is an increased amount in one of the exchanged items for a delay in the payment for the item.

(2) *Riba al-fadhl*: Lexically, *al-fadhl* means the opposite of decrease or shortage. So *riba al-fadhl* is an addition in the amount of one of the two exchanged items which are of the same genus or class— of those items for which *riba al-fadhl* applies, such as gold in exchange for more gold or wheat in exchange for more wheat. This is also known as *riba al-bai'* (*riba* of buying and selling) and *al-riba al-khafi* (the hidden *riba*).

The Shafi'ees add a third category known as *riba al-yad* wherein taking possession of one or both of the exchanged

items is deferred. Others add a fourth type known as *riba al-qardh* wherein a loan is given but it is stipulated that the creditor will receive some other benefit [more than simply receiving his money back].

In reality, those two categories do not fall outside of the realm of the two categories stated above.

Contemporary economists divide interest into [that accruing from] consumption loans and [that accruing from] production loans.

(1) Interest on consumption loans is that additional money paid back on a loan that is used to purchase consumption needs such as food, drink, medicine and so forth.

(2) Interest on production loans is that paid back on loans used for investment purposes such as manufacturing, farming or specific business purposes.

They also divide interest into two other categories:

(1) Compound interest: This is what makes the percentage of interest large.

(2) Simple interest: This is wherein the interest rate is low.¹

Islam's prohibition of interest includes any kind of dealing with it, regardless of whether it is *riba fadhli* or *riba naseeah* or if the interest amount is large or small or if it is interest on a consumption loan or a production loan. All of those varieties fall under the wording of prohibition in Allah's statement,

وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا

"Allah has permitted trade and forbidden *riba*" (*al-Baqarah* 275).

¹ This is not actual the difference between compound and simple interest but such is what is stated in the text.—JZ

Topic Two:

The Doors That Islam Opens to Freedom from *Riba*

Islam has opened many ways to bring about the end of *riba* and make people not in need of resorting to it. These include the following types of dealings:

(1) Islam allows *mudhaarabah* companies. These are companies in which the capital is provided by one person while another person provides the labor. The profit from the venture is divided between the two of them according to the division they have agreed upon. If any losses occur, they fall solely on the capital provider. The one who provided his work and effort does not face any other loss other than losing his time and effort.

(2) Islam allows *salam* purchases. This is where one pays for something now but its delivery is in the future. If a person is in need of cash, he may sell the product of his work at a reasonable price for future delivery. However, the stipulations that are discussed in the books of fiqh must be met for this type of transaction to be valid.

(3) Islam allows purchases with deferred payments wherein the price of the good is increased over what it would be if the item were paid for with cash. Islam has permitted this to make it easier for people to meet their needs and in order to give them a way of escaping from interest.

(4) Islam encourages the establishing of institutions that will give loans, interest-free and for the sake of Allah, regardless of whether these loans be at the level of individuals, organizations or the government. This is in fulfillment of the principle of social security and support among the Muslim nation.

(5) Islam has also legislated the giving of *zakaat* to those debtors in need, to the poor who do not have possessions,

to the stranger who is cut off from his wealth and so forth. This is all meant to satisfy their needs, improve their condition and raise their position.

These are some of the most important means Islam opens to all individuals of society to fulfill their needs and to preserve their nobility as humans. By such means, also, they may attain their noble goals of fulfilling their needs and allowing their deeds and investments to prosper.

Topic Three:

Interest Paid by Banks

Al-fawaaid [the Arabic term used for the interest paid by modern-day banks] is the plural of “benefit”. It is used by economists to refer to the additional money that is paid by the bank to those who have savings accounts or what the bank receives when they lend money. It is a type of *riba*. Indeed, it is the essence of *riba* in itself, even though they may use a different name for it. There is no doubt that it is from the *riba* that is forbidden in the Quran, sunnah and consensus.

It has been narrated that there is a consensus that it is forbidden to stipulate any increase payments for a loan. In fact, what they are offering is not really a loan [from the Islamic perspective]. As the *mufti* of the land of Saudi Arabia, Shaikh Muhammad ibn Ibraaheem said, “In reality, what they call a loan is not a loan. This is because what is meant by ‘loan’ [from the Islamic perspective] is a goodly loan and assisting loan. Although on the surface these loans look like that, in reality they are a sale of dollars for other dollars on credit with the profit known and stipulated. By this it is known that the interest that is taken by the banks on the loans they give out and which they give to holders of savings accounts is completely equivalent to interest. Both of them are of the

meaning of 'an increase.' It is proper to call one the same as the other."

Chapter Three: Leasing, Renting and Hiring

This chapter is composed of an introduction and the following two topics:

Topic 1: The conditions for leasing and hiring;

Topic 2: Issues related to leasing and renting.

Introduction

Definition of *Ijaarah* (Leasing, Renting or Hiring)

Ijaarah (إجارة) refers to a contract for the usufruct of a permissible, known thing for a specified time period.

Its Legal Status

It is permissible and is a contract binding upon both parties.

The Wisdom Behind Its Sanctioning

Ijaarah is a way of exchanging benefits between humans. Humans are in need of tools for work, houses in which to live, animals, cars, modes of transportation and so on. Permitting *ijaarah* makes things easier for people and allows them to meet their needs.

Two Types of *Ijaarah*

There are two types of *ijaarah*:

- (1) Renting a specific item, such as, “I rent this house or car to you.”
- (2) Hiring someone for work, as in hiring someone to build a house or work the land and so forth.

Topic One:

Conditions Required for Leasing and What is Being Hired or Leased

The Conditions for Leasing

The conditions for leasing [or hiring] are four:

- (1) It must be let out by one who has the right to deal in the item being leased or rented.
- (2) The usufruct or service must be specifically identified, such as living in a house, serving a person or teaching some knowledge.
- (3) The payment must be specified.
- (4) The usufruct or service must be something permissible, such as a house to live in. Such a contract is not valid if it is for something forbidden, such as for prostitution, singing, making a building into a church, selling alcohol and so on.

Riding in a car, plane or ship or giving one's clothing to a tailor for shortening or sewing or renting some mode of transport without first making a contract is considered permissible because it is something known and done customarily [therefore, the details of it are understood and

need not be stated]. The customary practices in those and other similar matters take the place of some specific statement [or agreement].

Conditions for What is Being Leased or Hired

The conditions for the article or service being hired are that it must be known, either by sight or description, the contract is for its use and not its parts, the lessee has the ability to hand over the item, it meets the need for which it is intended, and the lessee either owns it or has permission to lease it.

Topic Two:

Issues Related to *Ijaarah*

It is acceptable to lease an endowment. If the lessee dies, the endowment passes on to those after him and the contract is not dissolved. The lessee shall have his portion of the wages.

Anything that is forbidden to sell is also forbidden to lease out or hire except for an endowment, a free person and a slave who has given birth to a child for her master.

The lease contract is nullified if the article being leased is destroyed and its use comes to an end.

It is permissible to receive wages for teaching, building mosques and so forth. However, receiving wages for performing hajj [on another's behalf] is allowed only in the case of need.

If the Imam, caller to prayer or teacher of the Quran receives a stipend from the public treasury or receives remuneration without conditions, such is permissible for them.