

The Fiqh of Riba

Part 1

The Theological Underpinnings of Islamic Finance

- According to Islamic theological principles...
- All wealth, in reality, belongs to Allah.
 - ((وَأَتُوهُمْ مِنْ مَالِ اللَّهِ الَّذِي آتَاكُمْ))
 - “And give them from wealth of Allah that He gave to you.” [An-Nur 24: 33]
- If not managed correctly, there are consequences in the hereafter:

وروى الطبراني في الكبير عن عبد الله بن مسعود، قال: قال رسول الله -صلى الله عليه وسلم-: ﴿ لَا تَزُولُ قَدَمَا عَبْدٍ يَوْمَ الْقِيَامَةِ حَتَّى يُسْأَلَ عَنْ خَمْسَةٍ: عَنْ عُمُرِهِ فِيمَا أَفْنَاهُ، وَشَبَابِهِ فِيمَا أَبْلَاهُ، وَعَنْ مَالِهِ مِنْ أَيْنَ اكْتَسَبَهُ وَفِيمَا أَنْفَقَهُ، وَعَنْ مَا عَمِلَ فِيمَا عَلِمَ.﴾
- A slave will be asked about five matters:
 - His life.
 - His youth
 - How he earned his wealth
 - How he spent his wealth
 - What he did based on what he knew

“It (i.e. the divine texts) have indeed come with such a severe warning (concerning *riba*) that is not found with anything other than it.”

- Ibn Taymiyyah in *Ibtaal at-Tahleel*

Riba: Definition

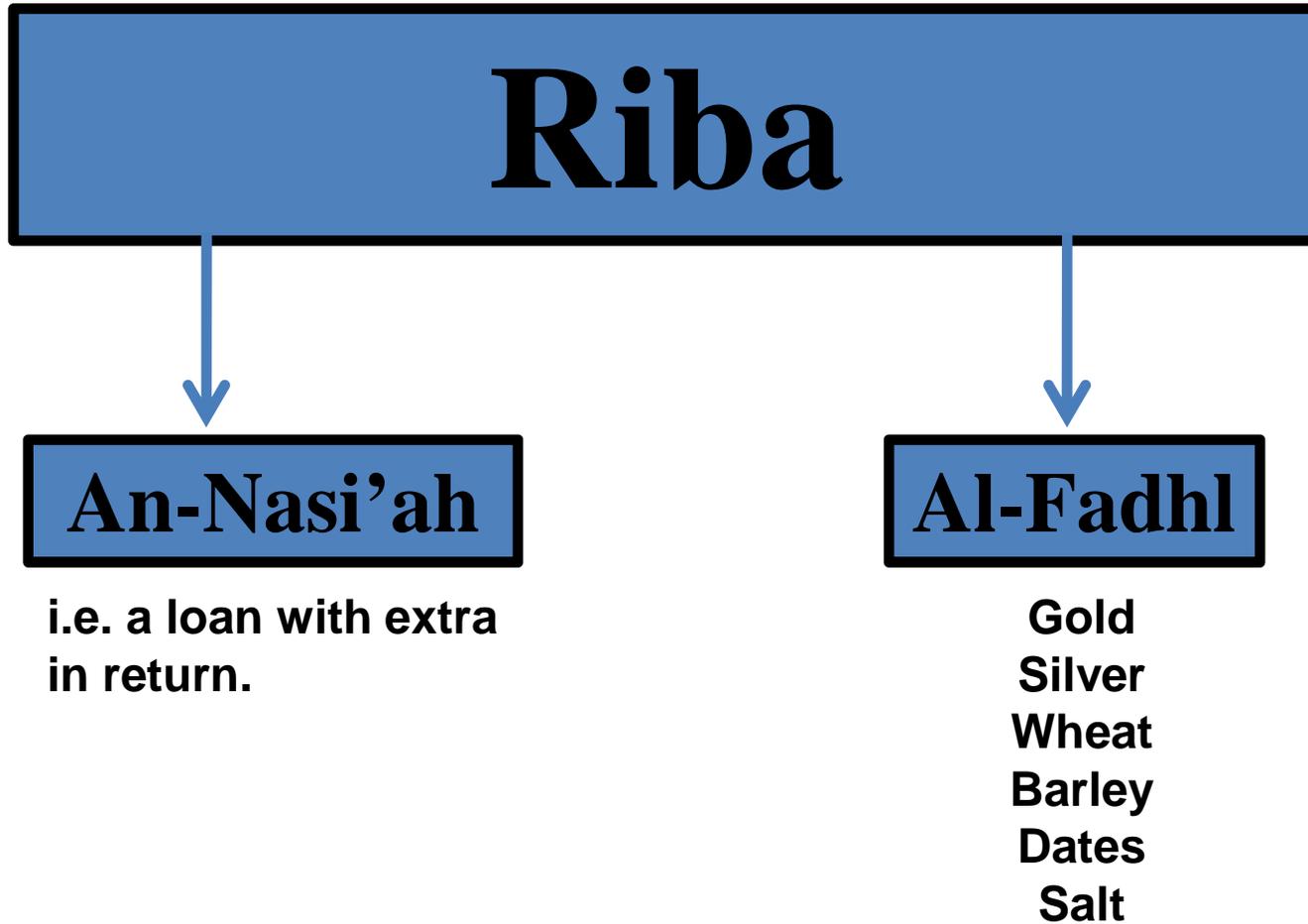
- Lexical: الزيادة excess, increase or addition
- Legal: فضلٌ خالٍ عن عوضٍ شرط لأحد العاقدين excess

compensation without due consideration
made conditional for either party to a
contract

***Riba*: Definition**

- Abu al-A'la al-Mawdudi defined *riba* as:
 - **“A predetermined excess or surplus over and above the loan received by the creditor conditionally in relation to a specified period.”** [Al-Mawdudi, AA, *Interest*, vol. 1, p. 33]
 - This definition entails that *riba* contain the following three elements:
 - 1) An excess over and above the loan capital.
 - 2) Stipulation of this excess in the loan agreement.
 - 3) Determination of this excess in relation to time.

Riba Nasi'ah and Riba Fadhl



ا أَيُّهَا الَّذِينَ آمَنُوا لَا تَأْكُلُوا الرِّبَا أَضْعَافًا مُضَاعَفَةً وَاتَّقُوا اللَّهَ لَعَلَّكُمْ
تُفْلِحُونَ (130) [آل عمران]

you who believe! Devour not usury, doubled and multiplied; but fear Allah that you may prosper.

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According to Ibn Hajar – revealed in 2AH as preceding and succeeding verses are about Battle of Uhud

Prevented Muslims from usurious loans to equip their armies in response to the action of Pagans

Explicit prohibition of compound interest

Qualification is not exclusive but rather suggestive of prevalent practice

Two Types

- 1) An increase upon the value borrowed.
- 2) A delay in the transaction.
- This only applies to:
 - Gold
 - Silver
 - Wheat
 - Barley
 - Dates
 - Salt

**What is the result of not
obeying Allah?**

1) Displeasure from Allah

وَاللَّهُ لَا يُحِبُّ كُلَّ كَفَّارٍ أَثِيمٍ

- “...And Allah does not like any ungrateful or wicked person.” [Surat al-Baqarah 2: 276]
 - “If Allah loves someone, he calls Jibreel and says: “I love so and so, so you love him. Jibreel loves him and calls the other angels in Paradise to love that person. Then they love him, then his love will be made upon the earth and he becomes loved.”
 - And if Allah hates someone, he calls Jibreel and says: “I hate so and so, so you hate him. Jibreel hates him and calls the angels in Heaven and says: Allah hates so-and-so, so they all hate him. They all hate him, and his hatred is made upon the earth and he becomes hated.” [Muslim]
- **So disliked is the one guilty of interest that those around him are cursed:**
 - Jabir ibn Abdullah reports: That the Prophet cursed the receiver of interest and the payer thereof, the one who records it and the two witnesses thereof. He said: “They are all alike [in guilt].” [Muslim, Tirmidhi, Ahmad]

2) Deprived of Blessing

يَمْحَقُ اللَّهُ الرِّبَا وَيُزِيهِ الصَّدَقَاتِ

- “Allah deprives *riba* of all blessing, but will give increase for charity...” [Surat al-Baqarah 2: 276]

- وَمَا آتَيْتُمْ مِنْ رَبًّا لِيَرْبُوَ فِي أَمْوَالِ النَّاسِ فَلَا يَرْبُو عِنْدَ اللَّهِ وَمَا آتَيْتُمْ مِنْ زَكَاةٍ تُرِيدُونَ وَجْهَ اللَّهِ فَأُولَئِكَ هُمُ الْمُضْعِفُونَ
- “And that which you give in riba for increase through the property of [other] people, will have no increase with Allah. But that which you give in charity seeking the countenance of Allah, it is these who will get a recompense multiplied.” [Ar-Rum 30:39]
 - Revealed in Makkah
 - Not prohibitive in nature
 - According to the majority of exegetes, refers to the gift that is extended to another with the intention that the latter will return it with a better gift

3) Madness on the Day of Resurrection

الَّذِينَ يَأْكُلُونَ الرِّبَا لَا يَقُومُونَ إِلَّا كَمَا يَقُومُ الَّذِي يَتَخَبَّطُهُ الشَّيْطَانُ مِنَ الْمَسِّ

- “Those that devour *riba* cannot stand except like those who have been driven to madness by Satan’s touch...” [Surat al-Baqarah 2: 275]
 - Those engaged in *riba* are consumed by greed leaving them ‘intoxicated’ thereby which will be mirrored on the Day of Judgement
 - Consequence of their mocking justification both earned a profit

4) Punishment in al-Barzak

- “This night I dreamt that two men came and took me to a holy land wherein we proceeded till we reached a river of blood where a man was standing, and on its bank stood another man with stones in his hands. The man in the middle of the river tried to come out, but the other threw a stone in his mouth and forced him to go back to his original place. Whenever he tried to come out, the other man would throw a stone in his mouth and force him to go back to his former place. I asked: “Who is this?” I was told: “The person in the river was a devourer of interest.” [Bukhari]

5) Absolute Punishment in the Hellfire

وَمَنْ عَادَ فَأُولَئِكَ أَصْحَابُ النَّارِ ۖ هُمْ فِيهَا خَالِدُونَ

- “...Whoever persists, then he is the companion of the Hellfire, he will abide therein forever.” [Surat al-Baqarah 2: 275]

Worse than Gambling

“The prohibition on riba is more severe than the prohibition upon games of chance, otherwise known as gambling, this is because the one who engages in riba take more benefit than he rightly deserves, whereas the one who gambles will sometimes benefit and sometimes not.”

– Ibn Taymiyyah

It is enough for us to contemplate this hadith...

- Abu Hurayrah reports that the Prophet said:
- “Refrain from seven deadly things: The companions asked him: What are these? He said:
 - To associate partners with Allah
 - Sorcery
 - To kill a soul without valid reason in the eyes of Allah
 - To devour interest
 - To devour the property of the orphan
 - To flee from the battlefield
 - To falsely implicate chaste, innocent, believing women of vulgarity.” [Bukhari, Muslim, Abu Dawud, Nasai]

Wisdoms Behind This Prohibition

- The following five reasons which are attributed to Muslim scholars:
 - It is unjust.
 - It corrupts society.
 - It implies improper appropriation of other peoples' property.
 - It results in negative economics growth.
 - It demeans and diminishes human personality.

[Kettel, Brian, *Islamic Banking and Finance*, 2011]

عن عبد الله حدثنا أبو بكر بن إسحاق عن النبي صلى الله عليه وسلم قال:
الربا ثلاثة وسبعون بابا، أيسرها مثل أن ينكح الرجل أمه.

- 'Riba has 73 doors or 70 grades, least serious is equivalent to committing adultery with his own mother' [Ibn Majah]

“The third of the great monotheistic religions, Islam, always took God’s word more seriously when it came to usury.”

- **Mike Seccombe**

(“Jesus Saves, Moses lends, Muhammad invests,” *The Global Mail*, 2012)

Other approaches to *Riba*

- **Judaism**

- According to **Ezekiel 18: 13-19**, the Prophet Ezekiel (peace be upon him) includes interest in a list of “abominable things.”

- **Christianity**

- According to the Matthew 21: 12, Jesus (peace be upon him) is reported to overturn the tables of moneylenders who performed their business in the temple.



- In 2000, President Obasanjo of Nigeria whilst commenting on Nigeria's debt:
 - “All that we had borrowed up to 1985 or 1986 was around \$5 billion and we have paid about \$16 billion yet we are still being told that we owe about \$28 billion. That \$28 billion came about because of the injustice in the foreign creditors' interest rates. **If you ask me what is the worst thing in the world, I will say it is compound interest.**”

Consider the following...

- In 1970, the world's poorest countries (roughly 60 countries classified as low-income by the World Bank), owed \$25 billion in debt.
- By 2002, this was \$523 billion
- **The interesting thing is...**
 - \$550 billion has been paid in both principal and interest over the last three decades...
 - **There is still a \$523 billion dollar debt burden.**

- وَأَخَذِهِمُ الرِّبَا وَقَدْ نُهُوا عَنْهُ وَأَكْلِهِمْ أَمْوَالَ النَّاسِ بِالْبَاطِلِ وَأَعْتَدْنَا لِلْكَافِرِينَ مِنْهُمْ عَذَابًا أَلِيمًا
- “That they took riba, though they were forbidden...” [An-Nisaa 4:161]
 - Enumeration of the iniquity and wickedness of the Jews
 - Exact time of revelation is uncertain
 - Context indicates before 4th year AH as most Jews had by the departed Madinah
 - According to al-Tabari – refers to predetermined excess taken upon the lending of a specified amount for a specified period
 - Not explicitly prohibitive for Muslims
 - Prohibition for Muslims is inferred, otherwise Jews would not be blameworthy

Misconceptions Concerning Riba

- 1. The verses on Riba were revealed in the final days of the Prophet Mohammed (SAW)'s life and he therefore did not have time to explain them properly.
- 2. Interest only becomes Riba when the poor are exploited.
- 3. Interest is only Riba when the amount loaned is 'doubled and re-doubled'
- 4. Interest is only Riba when loans are given for consumption needs, not productive needs.
- 5. We can justify Riba on the basis of it being a necessity of the current time and economic climate.

Prophecy Concerning Riba

- Among the theological underpinnings of Islamic finance is that there will be a Day of Judgement.
- Among the signs which lead up to this day is that Riba will become widespread:
 - يَأْتِي عَلَى النَّاسِ زَمَانٌ يَأْكُلُونَ الرَّبَا فَمَنْ لَمْ يَأْكُلْهُ أَصَابَهُ مِنْ غُبَارِهِ
 - “There will come a time when there will be no one left who does not consume Riba, and whoever does not consume it will nevertheless be affected by it’s residue.” (Nasa’i, with a sahih isnaad)