136378 - If the state gives him a loan so that he can study, on condition that if there is any delay in repayment, he must pay interest

the question

I am about to begin University, and I have saved some money, but it is not sufficient. The government of the country in which I live offers a loan to students, for which you do not have to pay interest if you repay it within six months after graduating, at which point the government will require you to pay interest, if you have not finished paying off the loan within six months. I intend to take only as much as I need, and to repay the loan within six months, before interest is added. Is it permissible for me to accept this loan?

Detailed answer

Praise be to Allah.

It is not permissible to sign a contract for a loan that includes this riba-based condition, because that involves committing to pay riba. Moreover there is the possibility of actually falling into it, if circumstances arise that lead to delay in repayment.

The scholars have explained this with regard to a similar issue, which is taking loans by means of credit cards.

It says in a statement issued by the International Islamic Fiqh Council, which is attached to the Organisation of the Islamic Conference, in its twelfth session held in Riyadh in the Kingdom of Saudi Arabia, 25 Jumaada al-Aakhirah – 1 Rajab 1421 AH (23-28 September 2000) concerning the topic of credit cards:

It is not permissible to issue or use credit cards that are not preloaded, if there is a stipulation of riba-based interest charges, even if the one who requests the card is determined to pay off the debt within the free grace period. End quote.

Shaykh Ibn ‘Uthaymeen (may Allah have mercy on him) was asked: The banks offer their customers a credit card (Visa), which enables the customer to withdraw a certain amount of cash from the bank, even if there is no money in his account at that time, on the basis that he will repay the bank after a certain time period, and if he does not repay it before the end of that period, then the bank will ask the customer to pay back more than he withdrew. Please note that the customer will pay an annual fee to the bank in return for using that credit card. I hope that you can explain the ruling on using these cards.

He replied: this transaction is haram, because the one who signs up for it is committing himself to pay riba if he does not repay within the stipulated time period, and this commitment is invalid, even if a person believes or thinks it most likely that he will pay it off in full before the end of the stipulated period. That is because his circumstances may change, so that he will not be able to pay it off. This is something that is in the future, and no person knows what will happen to him in the future. Therefore a transaction of this nature is prohibited. And Allah knows best."(Majallat ad-Da‘wah, issue no 1754, p. 37).

But if it is not possible to study except by taking a loan from the state, and you are determined to pay it off in a timely manner, without being compelled to pay interest, then we hope that you will be excused.

This website put the following question to Shaykh Muhammad ibn Saalih al-‘Uthaymeen (may Allah have mercy on him):

The Visa credit card includes a condition stipulating riba if there is a delay in paying it off, requiring me to pay a penalty. But in the place where I live in America, it is not possible for me to rent a car or a shop or avail myself of many public services except by using a Visa card, and if I do not use it, I will be putting myself in an unbearable position. Does my commitment to pay off within a certain time period, so that I will not owe any interest, make it permissible for me to use this credit card, so as to relieve the hardship I am faced with?

He replied as follows:

If the hardship faced is real and the possibility of delaying repayments is remote, then I hope that there will be nothing wrong with it.

Question:

Does the invalid condition that stipulates riba render the contract invalid or not?

Answer:

If the contract contains an invalid condition, it does not render the contract invalid, for several reasons:

1. Necessity

2. Because the condition is not going to be applicable, as the man thinks it most likely that he will pay it off on time.

As it is the case that the man thinks that he will pay it off on time, and the condition is not applicable, and because of necessity – which is the final and most important point – I hope that there will not be anything wrong with this, because we have a real issue, which is necessity, and we have something uncertain, which is delay in payment. And paying attention to that which is real and certain is more appropriate. And Allah knows best.

However, our advice is to look for another means of paying the costs of study, far removed from riba and its dangers.

And Allah knows best.