204700 - The company gave them a loan on condition that it would deduct a set amount from their salaries; what is the ruling?

the question

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?

Detailed answer

Praise be to Allah.

The point of a loan is to help and meet the need of the borrower; if the lender stipulates conditions on the borrower that may benefit him (the lender) or increase the amount repaid, then this loan is no longer a kind of help.

Ibn Qudaamah (may Allah have mercy on him) said: Any loan in which it is stipulated that (the borrower) will give back more than he borrowed is haraam, and there is no difference of scholarly opinion on this point. Ibn al-Mundhir said: They are unanimously agreed that if the lender stipulates that the borrower should give him an extra amount or a gift, and he lends to him on that basis, if he takes the extra amount on that basis, it is riba. It was narrated from Ubayy ibn Ka‘b, Ibn ‘Abbaas and Ibn Mas‘ood that they forbade any loan that brings benefits. Another reason is that (the loan) is a contract with the aim of helping and drawing closer to Allah; therefore if the lender stipulates an extra payment, it is no longer serving the purpose of helping.

End quote from al-Mughni, 4/212

Undoubtedly deducting 1.5% from every borrower is regarded as an increase of the loan for

nothing in return.

With regard to the organisation waiving the remainder of the loan if the borrower dies, this does not alter the fact that this condition is still riba.

Moreover, if the borrower agrees to pay the extra amount, for the purpose of what he hopes for of waving the remainder of the loan if he dies, this is a kind of gambling, because the amount of debt that may be waived may be equal to what he paid or more, or he may pay this extra amount without anything being waived for him.

And Allah knows best.